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香港中旅國際投資有限公司  
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 308)**

## **CONTINUING CONNECTED TRANSACTIONS 2023 TOURISM MANAGEMENT SYSTEM MASTER LEASE AGREEMENT**

### **2023 TOURISM MANAGEMENT SYSTEM MASTER LEASE AGREEMENT**

Reference is made to the announcement of the Company dated 31 December 2019 in relation to, amongst others, the lease and maintenance of computer systems contemplated under the 2019 Master Lease Agreement which constituted continuing connected transactions of the Company.

As the 2019 Master Lease Agreement has expired on 31 December 2022, the Company entered into the 2023 Tourism Management System Master Lease Agreement with CTG on 14 July 2023 to renew the term of the Lease and Maintenance of Tourism Management System for a term commencing from 14 July 2023 and ending on 31 December 2025, where the Group will continue to lease its tourism management systems and provide relevant maintenance services to the CTG Group.

### **LISTING RULES IMPLICATIONS**

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder which is interested in 3,385,492,610 Shares, representing 61.15% of the issued share capital of the Company. As CTG holds the entire issued share capital of CTS (Holdings), CTG is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the highest of the annual caps are more than 0.1% but all are less than 5%, the Lease and Maintenance of Tourism Management System contemplated under the 2023 Tourism Management System Master Lease Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 31 December 2019 in relation to the lease and maintenance of computer systems contemplated under the 2019 Master Lease Agreement which constituted continuing connected transactions of the Company.

As the 2019 Master Lease Agreement has expired on 31 December 2022, the Company entered into the 2023 Tourism Management System Master Lease Agreement with CTG on 14 July 2023 to renew the term of the Lease and Maintenance of Tourism Management System for a term commencing from 14 July 2023 and ending on 31 December 2025, whereby the Group will continue to lease its tourism management systems and provide relevant maintenance services to the CTG Group.

## **THE 2023 TOURISM MANAGEMENT SYSTEM MASTER LEASE AGREEMENT**

### **Date**

14 July 2023

### **Parties**

(a) the Company; and

(b) CTG

### ***Term***

14 July 2023 to 31 December 2025 (both dates inclusive)

### ***Transaction Nature***

The Group will continue to lease its tourism management system and provide relevant maintenance services to the CTG Group during the term of the 2023 Tourism Management System Master Lease Agreement.

Pursuant to such arrangement, the Group will enter into individual agreements or renewal agreements with the CTG Group during the term of the 2023 Tourism Management System Master Lease Agreement in respect of the Lease and Maintenance of Tourism Management System contemplated thereunder.

The lease and/or maintenance fees will be charged on a monthly basis and will be payable by members of the CTG Group to members of the Group in cash.

### ***Pricing Basis***

The prices of the lease and/or maintenance services to be provided by the Group to the CTG Group in respect of the Lease and Maintenance of Tourism Management System will be based on normal commercial terms, fair and reasonable, and determined after arm's length negotiation between the parties in accordance with a pricing mechanism with reference to the prevailing market prices. The prices for the Lease and Maintenance of Tourism Management System shall not be lower than the prices charged by the Group to Independent Third Parties in comparable transactions in respect of leases and/or maintenance services of similar nature and scale as are monitored regularly under the Group's internal control procedures. The Group will compare the prices made available by the Group to the CTG Group in respect of the Lease and Maintenance of Tourism Management System with at least two recent transactions of similar nature and scale with Independent Third Parties and ensure that the prices offered by the Group to the CTG Group shall be no less favourable to the Group than those offered to Independent Third Parties.

### ***Historical Annual Caps and Transaction Amounts***

The historical annual caps for the transactions in respect of lease of computer systems and maintenance services under the 2019 Master Lease Agreement for each of the three financial years ended 31 December 2022 were HK\$8,443,000, HK\$7,921,000 and HK\$7,921,000, respectively.

The actual transaction amount of the continuing connected transactions in respect of lease of computer systems and maintenance services under the 2019 Master Lease Agreement for each of the three financial years ended 31 December 2022 were HK\$Nil, HK\$Nil and HK\$4,007,000, respectively.

### ***Annual Caps***

The low utilization rate of the annual caps for the transactions in respect of lease of computer systems and maintenance services under the 2019 Master Lease Agreement was due to, amongst others, the unexpected outbreak of the COVID-19 pandemic and the consequential travel restrictions introduced in the PRC and Hong Kong, which had brought unforeseeable and unprecedented impact to businesses, in particular the travelling industry, thereby resulted in the substantial reduction in demand for lease of and/or maintenance services for computer systems for processing tourism management information from the CTG Group.

The annual caps for the Lease and Maintenance of Tourism Management System under the 2023 Tourism Management System Master Lease Agreement are as follows:

	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Transaction amount in respect of the lease of and/or maintenance services for tourism management system to be made available by the Group to the CTG Group	4,000	4,000	4,000

The above annual caps are determined after taking into account, amongst others, (i) the actual transaction amounts for the year ended 31 December 2022 of approximately HK\$4,007,000, which in the view of the Company may serve as an indication for the estimation of demand for Lease and Maintenance of Tourism Management System as the tourism industry is regaining momentum in getting back to normalcy; (ii) a subsidiary of the Company incorporated in the PRC is expected to be closed in the second half of 2023, resulting in an expected reduction of the Group's capacity in the lease of and/or provision of maintenance services for tourism management systems for the CTG Group's travel businesses in the PRC during the term of the 2023 Tourism Management System Master Lease Agreement; (iii) the gradual recovery of the tourism industry following the relaxation of travel restrictions between Hong Kong and Mainland China from 6 February 2023, resulting in an expected increase in demand for Lease and Maintenance of Tourism Management System during the term of the 2023 Tourism Management System Master Lease Agreement; and (iv) provision of a buffer of approximately 15% to cover a possible unexpected increase in demand for Lease and Maintenance of Tourism Management System and the possible fluctuation in market prices or fees for the Lease and Maintenance of Tourism Management System.

The above is merely assumed for the purpose of determining the annual caps and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects.

Pursuant to the 2023 Tourism Management System Master Lease Agreement, the Company and CTG would allow the auditors with sufficient access and inspection right to the books and records for the purpose of reporting on the transactions contemplated thereunder the 2023 Tourism Management System Master Lease Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 TOURISM MANAGEMENT SYSTEM MASTER LEASE AGREEMENT**

In view of past operational convenience and benefits brought to the Group and extended business relationships established between the Group and the CTG Group, such continuing relationships are expected to bring synergies to the parties. The Group will also generate reasonable return with its tourism management systems, which will benefit the Group's cash flow position. Thus, the Directors (including the independent non-executive Directors) consider that the terms of the 2023 Tourism Management System Master Lease Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the transactions contemplated thereunder and the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS**

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.34, 14A.51 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the 2023 Tourism Management System Master Lease Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions between the Group and the CTG Group, namely:

- (i) the Company will report the transactions under the 2023 Tourism Management System Master Lease Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company will ensure that such kind of reporting shall be conducted not less than two times in each year;
- (ii) the Company's finance department will review the transactions with the CTG Group to identify any continuing connected transaction that may be a risk of exceeding the annual caps, and will promptly formulate measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected transactions will be conducted in accordance with the terms of the 2023 Tourism Management System Master Lease Agreement.
- (iii) the Group's business department will conduct random internal checks on at least a quarterly basis to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and the requirements under the Listing Rules are being complied with;
- (iv) the CTG Group shall provide such assistance as necessary to the Group so as to allow the Group to comply with its internal control procedures and the requirements under the Listing Rules, including but not limited to providing financial and other data and/or documents within a reasonable timeframe, giving written or verbal explanations to queries raised by the Group and issue explanatory notes for certain facts or circumstances;
- (v) for the purpose of determining the charges or fees in respect of the Lease and Maintenance of Tourism Management System under the 2023 Tourism Management System Master Lease Agreement, the Group's business department will keep track of and refer to the prevailing market prices of comparable transactions in respect of lease and/or maintenance of tourism management systems of similar specifications. The Group will compare at least two transactions in respect of lease and/or maintenance of tourism management systems between the Group and Independent Third Parties prior to entering into each individual implementation agreement under the 2023 Tourism Management System Master Lease Agreement. Such transactions records will include without limitation (1) calculation basis of payment; (2) standard terms and conditions; and (3) relevant dispute resolution and settlement mechanism and indemnity clauses. This would ensure that the prices and terms for the Lease and Maintenance of Tourism Management System will be conducted on prevailing market terms and be no less favourable to the Company than those offered to Independent Third Parties;
- (vi) the transactions contemplated under the 2023 Tourism Management System Master Lease Agreement will be reviewed by the independent non-executive Directors every year and reported in the annual report of the Company which provides a check and balance to ensure that the transactions under the 2023 Tourism Management System Master Lease Agreement were conducted in accordance with the terms of the 2023 Tourism Management System Master Lease Agreement, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policy set out in the 2023 Tourism Management System Master Lease Agreement; and

(vii) the auditors of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the 2023 Tourism Management System Master Lease Agreement.

## **LISTING RULES' IMPLICATIONS**

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder which is interested in 3,385,492,610 Shares, representing 61.15% of the issued share capital of the Company. As CTG holds the entire issued share capital of CTS (Holdings), CTG is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the highest of the annual caps for the Lease and Maintenance of Tourism Management System are more than 0.1% but all are less than 5%, the transaction under the 2023 Tourism Management System Master Lease Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Wu Qiang and Mr. Tao Xiaobin hold executive positions at CTS (Holdings), Mr. Fan Zhishi is a director of certain subsidiaries of CTG, and Mr. Tsang Wai Hung is a director of CTS (Holdings). Such Directors are considered to be materially interested in the 2023 Tourism Management System Master Lease Agreement and have therefore abstained from voting on the Board resolution(s) approving the 2023 Tourism Management System Master Lease Agreement and the transactions contemplated thereunder (including the annual caps). Save as disclosed above, none of the other Directors has material interest in the 2023 Tourism Management System Master Lease Agreement and the transactions contemplated thereunder (including the annual caps), and accordingly, none of them was required to abstain from voting on the Board resolution(s) considering and approving the same.

## **INFORMATION OF THE PARTIES**

The Company is a company incorporated in Hong Kong with limited liability. The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots, and leisure resorts), travel document and related operations, and passenger transportation operations.

CTG, the ultimate controlling shareholder of CTS (Holdings) and the Company, is a central state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The CTG Group is principally engaged in travel business, real estate development and finance.



## DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“2019 Master Lease Agreement”	the master agreement dated 31 December 2019 and entered into between the Company and CTG in relation to, amongst others, the lease of computer system and provision of relevant maintenance services by the Group to the CTG Group
“2023 Tourism Management System Master Lease Agreement”	the master agreement dated 14 July 2023 and entered into between the Company and CTG in relation to the Lease and Maintenance of Tourism Management System
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “controlling shareholder(s)”	each of which has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 308)
“CTG”	China Tourism Group Corporation Limited, a central state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which owns the entire issued share capital of CTS (Holdings)
“CTG Group”	CTG and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 3,385,492,610 Shares, representing 61.15% of the issued share capital of the Company and a connected person of the Company under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties who are independent of and not connected with the Company and its connected persons
“Lease and Maintenance of Tourism Management System”	the lease of tourism management system and the provision of relevant maintenance services by the Group to the CTG Group under the 2023 Tourism Management System Master Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board  
**China Travel International Investment Hong Kong Limited**  
**Wu Qiang**  
*Chairman*

Hong Kong, 14 July 2023

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wu Qiang, Mr. Feng Gang and Mr. Li Pengyu; three non-executive Directors, namely Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.*