

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 ENTRUSTED PROCUREMENT AGENCY AGREEMENT**

### **ENTRUSTED PROCUREMENT AGENCY AGREEMENT**

On 30 August 2023, CTS Hi-Tech, a wholly-owned subsidiary of the Company, and CTS (Holdings) entered into the Entrusted Procurement Agency Agreement, pursuant to which CTS Hi-Tech (as agent) shall provide the Entrusted Procurement Services in respect of Permit IC Cards to CTS (Holdings) (as principal) for a term commenced from 30 August 2023 and ending on 31 December 2025.

### **LISTING RULES IMPLICATIONS**

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder of the Company which is interested in 61.15% of the issued share capital of the Company. The Entrusted Procurement Agency Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the Entrusted Procurement Agency Agreement exceed(s) 0.1% but all are less than 5%, and the annual caps are more than HK\$3,000,000, the transactions contemplated under the Entrusted Procurement Agency Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **BACKGROUND**

On 30 August 2023, CTS Hi-Tech, a wholly-owned subsidiary of the Company, and CTS (Holdings) entered into the Entrusted Procurement Agency Agreement, pursuant to which CTS Hi-Tech (as agent) shall provide the Entrusted Procurement Services in respect of Permit IC Cards to CTS (Holdings) (as principal) for a term commenced from 30 August 2023 and ending on 31 December 2025.

## **THE ENTRUSTED PROCUREMENT AGENCY AGREEMENT**

The principal terms of the Entrusted Procurement Agency Agreement are set out as follows:

### **Date**

30 August 2023

### **Parties**

- (i) CTS Hi-Tech
- (ii) CTS (Holdings)

### **Transaction Nature**

Pursuant to the Entrusted Procurement Agency Agreement, CTS Hi-Tech (as agent) shall provide procurement services in respect of Permit IC Cards to CTS (Holdings) (as principal) (the “**Entrusted Procurement Services**”). The Entrusted Procurement Services to be provided by CTS Hi-Tech under the Entrusted Procurement Agency Agreement include the following:

- (i) entering into supply contracts as an agent with suppliers (who are expected to be Independent Third Parties) for and on behalf of CTS (Holdings) in accordance with the procurement demands from CTS (Holdings);
- (ii) to liaise and handle matters relating to the procurement process on behalf of CTS (Holdings), and to accept and sign off on behalf of CTS (Holdings) materials provided by the suppliers including know-how and services and other requirements;
- (iii) overseeing the suppliers’ production process of the Permit IC Cards on behalf of CTS (Holdings), in order to ensure that permits are supplied in a timely manner and in accordance with the quality, specification and quantity requirements of CTS (Holdings); and
- (iv) carry out counting, inspection and acceptance of Permit IC Cards on behalf of CTS (Holdings), and to produce acceptance report(s) to CTS (Holdings) upon delivery of the Permit IC Cards.

CTS Hi-Tech shall procure and hold the Permit IC Cards procured as an agent for an on behalf of CTS (Holdings), and the ownership and title of the Permit IC Cards remain to be vested in CTS (Holdings) at all times.

## Service Fees and Payment terms

CTS (Holdings) shall pay CTS Hi-Tech a service fee for the Entrusted Procurement Services equivalent to an amount representing 12% of the actual procurement price of the Permit IC Cards payable by CTS (Holdings) to the suppliers. CTS (Holdings) shall pay CTS Hi-Tech such service fee within 10 days after the delivery of Permit IC Cards on a monthly basis.

In any event, CTS (Holdings) shall be responsible for payment of the procurement price for the Permit IC Cards and CTS Hi-Tech shall not be required to make any advance or prepayment for the procurement prices for CTS (Holdings) under the Entrusted Procurement Agency Agreement. In respect of each procurement of Permit IC Cards made by CTS Hi-Tech for and on behalf of CTS (Holdings), CTS (Holdings) shall prepay the procurement price to CTS Hi-Tech in advance on a monthly basis, which sum will be held and utilized by CTS Hi-Tech (as a settlement agent) to subsequently settle the procurement price payable to the suppliers for and on behalf of CTS (Holdings).

## Pricing Basis

The service fees for the Entrusted Procurement Services under the Entrusted Procurement Agency Agreement shall be equivalent to an amount representing 12% of the actual purchase price of the Permit IC Cards payable by CTS (Holdings) to the suppliers. The terms (including the 12% service fee) were negotiated on arm's length basis between the parties, on normal commercial terms, and determined with reference to the prevailing market fees, which are no less favourable to the Group than the service fees chargeable by CTS Hi-Tech to Independent Third Parties for the provision of services of similar nature.

## HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The total amount of the continuing connected transactions in connection with the Entrusted Procurement Services for each of the two financial years ended 31 December 2022 and the seven months ended 31 July 2023 were HK\$740,000, HK\$944,000, and HK\$2,480,000, respectively (the “**Historical Transaction Amounts**”). Each of the Historical Transaction Amounts was below HK\$3,000,000 and hence was fully exempt from the requirements under Chapter 14A of the Listing Rules.

## Annual Caps

The annual caps for the Entrusted Procurement Services for each of the three years ending 31 December 2025 are as follows:

	<b>For the 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>
Maximum service fee for the Entrusted Procurement Services to be charged by CTS Hi-Tech	6,000	6,000	6,000

In determining the annual caps, the following factors have been taken into account: (i) the Historical Transactions Amounts and the estimated annualized transaction amounts for the year ending 31 December 2023 computed based on the actual transaction amount for the seven-month ended 31 July 2023; (ii) the increasing demand for the travel documents services and hence for Permit IC Cards supplies following the relaxation of COVID-19 pandemic related travelling restrictions and social distancing measures in Hong Kong and the PRC; and (iii) provision of a buffer of approximately 10% to cover a possible unexpected increase in demand for the Entrusted Procurement Services.

The above is merely assumed for the purpose of calculating the annual caps, and should not be construed as indication of the Group's revenue, profitability or trading prospects.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS**

In view of past operational convenience and benefits brought to the Group and extended business relationships established between the Group and the CTS (Holdings) Group, such continuing relationships are expected to bring synergies to the parties. The Group will also generate reasonable return with its Entrusted Procurement Services, which will benefit the Group's cash flow position. Thus, the Directors (including the independent non-executive Directors) consider that the terms of the Entrusted Procurement Agency 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 are 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.

## **LISTING RULES' IMPLICATIONS**

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder of the Company which is interested in 61.15% of the issued share capital of the Company. The Entrusted Procurement Agency Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the Entrusted Procurement Agency Agreement exceed(s) 0.1% but all are less than 5%, and the annual caps are more than HK\$3,000,000, the transactions contemplated under the Entrusted Procurement Agency Agreement are subject to the reporting, announcement and annual review requirements but are 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) (collectively, the “**Excluded Directors**”). The Excluded Directors are considered to be materially interested in the Entrusted Procurement Agency Agreement. Save for Mr. Tao Xiaobin who was absent from the Board meeting and did not vote on the Board resolutions in respect of the Entrusted Procurement Agency Agreement and the transactions contemplated thereunder (including the annual caps) at the relevant Board meeting, all other Excluded Directors have abstained from voting on the said Board resolutions. Save as disclosed above, none of the other Directors has a material interest in the Entrusted Procurement Agency 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.

CTS (Holdings) is a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company. CTS (Holdings) Group is principally engaged in travel business and real estate development.

CTG, the ultimate controlling shareholder of CTS (Holdings) and the Company, is a central state-owned enterprise under the direct supervision of 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.

CTS Hi-Tech, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the trading of computer equipment and the provision of computer services.

## **INTERNAL CONTROL MEASURES ON THE 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 Entrusted Procurement Agency 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 CTS (Holdings) Group, namely:

- (i) the Company will report the transactions under the Entrusted Procurement Agency 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 shall ensure that such kind of reporting shall be conducted not less than two times in a year;

- (ii) the Company’s finance department will review the transactions with the CTS (Holdings) Group to identify any continuing connected transaction that may be at risk of exceeding the annual caps, and any 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 Entrusted Procurement Agency Agreement. The Group’s business department will conduct random internal checks on 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;
- (iii) the Group will monitor the payment from CTS (Holdings) on a monthly basis to ensure that the payment and the timing of payment are in line with the pricing basis and payment terms set out in the Entrusted Procurement Agency Agreement. The business department of the Group will also monitor the profit margin of the Entrusted Procurement Services on a monthly basis to ensure that it is in the interests of the Group to continue to be engaged in the Entrusted Procurement Services;
- (iv) the CTS (Holdings) 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) the transactions contemplated under the Entrusted Procurement Agency 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 Entrusted Procurement Agency Agreement were conducted in accordance with the terms of the Entrusted Procurement Agency 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 Entrusted Procurement Agency Agreement; and
- (vi) the auditors of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the Entrusted Procurement Agency Agreement.

## DEFINITIONS

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

- “associate(s)”, each of which has the meaning as ascribed to it under the Listing Rules
- “connected person(s)”,
- “subsidiary(ies)”,
- “controlling shareholder(s)”
- “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 Hi-Tech”	China Travel Hi-Tech Computer Hong Kong Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“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 controlling shareholder of the Company under the Listing Rules
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates (including the CTG Group), but excluding the Group for the purpose of this announcement
“Directors”	the directors of the Company
“Entrusted Procurement Agency Agreement”	the entrusted procurement agency agreement entered into between CTS Hi-Tech (as agent) and CTS (Holdings) (as principal) on 30 August 2023 in relation to the provision of the Entrusted Procurement Services in respect of the Permit IC Cards by CTS Hi-Tech as agent for and on behalf of CTS (Holdings)
“Entrusted Procurement Services”	has the meaning set out in the sub-section headed “The Entrusted Procurement Agency Agreement – Transaction Nature” in this announcement
“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



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Permit IC Cards”	integrated circuit cards being manufactured as and processed into finished products of Mainland Travel Permits for Hong Kong and Macao Residents
“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)
“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, 30 August 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.*