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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)**

**MAJOR AND CONNECTED TRANSACTION  
(1) 2019 FINANCIAL SERVICES SUPPLEMENTAL AGREEMENT AND  
(2) REVISION OF DEPOSIT CAP RELATING TO  
THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED  
UNDER THE 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 8 November 2018 in relation to the 2018 Financial Services Framework Agreement entered into between the Company and CTS Finance, where CTS Finance will continue to provide Deposit Services, the Comprehensive Credit Line Services, the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services to the Group for a term commenced from 1 January 2019 and ending on 31 December 2021.

Due to the increasing idle funds in the PRC Subsidiaries, the expectation of more stable revenue from interest income and the competitive deposit rates offered by CTS Finance, the aggregate amount under the deposit services actually required by the Group for each of the three years ending 31 December 2021 may exceed the original projection. The Deposit Cap is expected to be insufficient, therefore, the Company entered into the 2019 Financial Services Supplemental Agreement with CTS Finance on 17 October 2019 to revise the Deposit Caps for each of the three years ending 31 December 2021 to re-comply with the announcement and shareholders' approval requirements in accordance with Rules 14A.54 of the Listing Rules.

**LISTING RULES IMPLICATIONS**

CTS (Holdings) is a connected person of the Company by virtue of being a substantial shareholder. As China CTS holds the entire issued share capital of CTS (Holdings), China CTS and the China CTS Group are connected person of the Company under the Listing Rules.

CTS Finance is a non wholly-owned subsidiary of China CTS and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement constitute continuing connected transactions for the Company under the Listing Rules. Since the Loan Services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by CTS Finance, the Loan Services are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

It is expected that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the fees in connection with the Comprehensive Credit Line Services (excluding the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services will be on an annual basis less than 0.1%, the Comprehensive Credit Line Services (excluding the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services are fully exempt from the reporting, announcement, annual review and the independent shareholders' approval requirements under the Listing Rules. The Company will comply with the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules, where applicable, if the transaction amount of such service exceeds the de minimis threshold under Rule 14A.76 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Deposit Caps under the 2019 Financial Services Supplemental Agreement exceeds 5% and HK\$10,000,000, the Deposit Service (including the Revised Deposit Caps) constitute continuing connected transactions and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Further, as the Deposit Services constitute provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules, and the relevant applicable percentage ratio for the Deposit Service (including the Revised Deposit Caps) is higher than 25% and less than 75% on an annual basis, the Deposit Services (including the Revised Deposit Caps) itself constitute a major transaction under Chapter 14 of the Listing Rules. Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the First Financial Assistance and the Second Financial Assistance would be aggregated with the Deposit Services (including the Revised Deposit Caps) and be treated as if they were one transaction. As the relevant applicable percentage ratio for the Deposit Services (including the Revised Deposit Caps), after aggregation with the First Financial Assistance and the Second Financial Assistance, is still higher than 25% and less than 75% on an annual basis, the Deposit Services (including the Revised Deposit Caps), after aggregation with the First Financial Assistance and the Second Financial Assistance, constitute a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, further details of the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of EGM is expected to be dispatched to the Shareholders on or before 7 November 2019.

## **BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 8 November 2018 in relation to the 2018 Financial Services Framework Agreement entered into between the Company and CTS Finance, where CTS Finance will continue to provide Deposit Services, the Comprehensive Credit Line Services, the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services to the Group for a term commenced from 1 January 2019 and ending on 31 December 2021.

Due to the increasing idle funds in the PRC Subsidiaries, the expectation of more stable revenue from interest income and the competitive deposit rates offered by CTS Finance, the aggregate amount under the deposit services actually required by the Group for each of the three years ending 31 December 2021 may exceed the original projection. The Deposit Cap is expected to be insufficient, therefore, the Company entered into the 2019 Financial Services Supplemental Agreement with CTS Finance on 17 October 2019 to revise the Deposit Caps for each of the three years ending 31 December 2021 to re-comply with the announcement and shareholders' approval requirements in accordance with Rules 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 17 May 2019 under which the Board announced that the Company entered into a loan agreement with China Travel Financial Investment Holdings Co., Limited ("**CTS Financial Investment**"), a wholly-owned subsidiary of CTS (Holdings), pursuant to which the Company agreed to provide a loan of US\$20,000,000 to CTS Financial Investment (the "**First Financial Assistance**"). Reference is also made to the announcement of the Company dated 2 August 2019 under which the Board announced that CTS (Shenzhen) Travel Management Company Limited ("**CTS Shenzhen**"), a wholly-owned subsidiary of the Company, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited ("**CTS (China) Investment**"), an indirect wholly-owned subsidiary of CTS (Holdings), pursuant to which CTS (Shenzhen) agreed to provide a loan of RMB 210,000,000 to CTS (China) Investment (the "**Second Financial Assistance**").

## **THE 2019 FINANCIAL SERVICES SUPPLEMENTAL AGREEMENT**

### **Date**

17 October 2019

### **Term**

The term of the 2018 Financial Services Framework Agreement (as supplemented by the 2019 Financial Services Supplemental Agreement) is from 1 January 2019 to 31 December 2021.

## **Parties**

- (i) the Company; and
- (ii) CTS Finance

## **Scope of services and pricing basis**

### **(a) Deposit Services**

CTS Finance will provide Deposit Services to PRC Subsidiaries pursuant to the 2018 Financial Services Framework Agreement.

The deposit interest rates to be offered by CTS Finance to PRC Subsidiaries will not be lower than the benchmark deposit interest rates promulgated by PBOC for the same period and the deposit interest rates offered by at least two mainstream PRC financial institutions to PRC Subsidiaries for deposits of similar nature and of similar term.

The Group may also temporarily maintain certain deposit balance with the accounts of CTS Finance under the Cross-Border RMB Cash Pooling Services in case the fund transfer is not completed instantly.

### **(b) Comprehensive Credit Line Services**

CTS Finance will provide Comprehensive Credit Line Services to PRC Subsidiaries pursuant to the 2018 Financial Services Framework Agreement including Loan Services, bill discounting services, issuance of acceptance bill and other comprehensive credit line services within the comprehensive credit limit offered by CTS Finance.

The loan interest rates on the Loan Services to be offered by CTS Finance to PRC Subsidiaries will not be higher than the benchmark loan interest rates promulgated by PBOC for the same period and the loan interest rates offered by at least two other PRC financial institutions to PRC Subsidiaries for loans of similar nature and of similar term. Moreover, no security over the assets of the Group will be granted in respect of such financial assistance given by CTS Finance.

The interest rates or service charge rates on the Comprehensive Credit Line Services excluding Loan Services to be offered by CTS Finance to PRC Subsidiaries will not be higher than the relevant standard charges (if applicable) and benchmark discount rate promulgated by PBOC and the services charges and discount rates offered by at least two mainstream PRC financial institutions to PRC Subsidiaries for providing services of similar nature and of similar term.

**(c) Entrustment Loan Services**

CTS Finance will provide Entrustment Loan Services to PRC Subsidiaries pursuant to the 2018 Financial Services Framework Agreement. CTS Finance will only act as an agent of PRC Subsidiaries and charge handling fees in connection with the Entrustment Loan Services.

The handling fees to be charged by CTS Finance to PRC Subsidiaries in connection with the Entrustment Loan Services shall not be higher than 0.05% of the entrustment loan amount and the fees offered by at least two other PRC financial institutions to PRC Subsidiaries for providing services of similar nature.

**(d) Cross-Border RMB Cash Pooling Services**

CTS Finance will provide Cross-Border RMB Cash Pooling Services to the Company and PRC Subsidiaries under the 2018 Financial Services Framework Agreement to facilitate the cross-border RMB fund transfer between the Company and PRC Subsidiaries.

The fees to be charged by CTS Finance to PRC Subsidiaries in connection with Cross-Border RMB Cash Pooling Services shall not be higher than those offered by at least two other PRC financial institutions to PRC Subsidiaries for providing services of similar nature.

**Undertakings**

CTS Finance undertakes to the Company, among other things, that it shall:

- (i) ensure the effectiveness of the risk management and fund operation system in respect of the fund safety of PRC subsidiaries and safeguard the fund safety of the Company and PRC Subsidiaries;
- (ii) cooperate with the Company in compliance with the disclosure requirements under the Listing Rules regarding the continuing connected transactions contemplated under the 2018 Financial Services Framework Agreement;
- (iii) regularly provide the Company with the annual audit report and quarterly financial statement or such other financial information as requested by the Company;
- (iv) notify the Company and take measures to prevent loss from happening or further loss should it be in breach of relevant laws and regulations or subject to regulatory proceedings or have material adverse changes in its financial condition by CTS Finance; and
- (v) procure China CTS to comply with the undertakings, given by the board of directors of China CTS and stated in the articles of association of CTS Finance, that in the event that CTS Finance has difficulties in payment, China CTS will increase the capital of CTS Finance to ensure its normal operations.

## **Termination**

In addition to the default events provided by the Contracts Laws of PRC, the 2018 Financial Services Framework Agreement will be terminated with immediate effect if CTS Finance fails to satisfy any operation condition as follows:

- (a) the capital adequacy ratio is not less than 12%;
- (b) the non-performing assets ratio is not more than 2%;
- (c) the non-performing loan ratio is not more than 3%;
- (d) the self-owned fixed assets to total capital ratio is not more than 10%;
- (e) short-term securities investment to total capital ratio is not more than 40%;
- (f) long term investment to total capital ratio is not more than 30%.

## **Subject matter**

Pursuant to the 2019 Financial Services Supplemental Agreement, the parties have agreed to revise each of the Deposit Cap for the period from the effective date of 2019 Financial Services Supplemental Agreement to 31 December 2021 from RMB500 million to RMB1.5 billion, subject to the Independent Shareholders' approval at the EGM.

The 2019 Financial Services Supplemental Agreement shall be effective from the date of obtaining the Independent Shareholders' approval at the EGM. Save for the revision of the Deposit Cap, all other terms of the 2018 Financial Services Framework Agreement shall remain unchanged.

## **Proposed Revision of Deposit Cap**

Due to the increasing idle funds in the PRC Subsidiaries, the expectation of more stable revenue from interest income and the competitive deposit rates offered by CTS Finance, the aggregate amount under the deposit services actually required by the Group for each of the three years ending 31 December 2021 may exceed the original projection. The Deposit Cap is expected to be insufficient, therefore, the Board considers it appropriate to revise the Deposit Cap to the Revised Deposit Cap as disclosed in this announcement.

Saved as disclosed in this announcement, the Company's pricing policy and internal control measures relating to the continuing connected transactions contemplated under the 2018 Financial Services Framework Agreement remain unchanged upon entering into the 2019 Financial Services Supplemental Agreement.

## HISTORICAL DEPOSIT AMOUNTS AND THE REVISED DEPOSIT CAP

### Historical Deposit Amounts

The historical deposit amounts of Deposit Services provided by CTS Finance to PRC Subsidiaries are set out as follows:

	<b>Maximum historical daily deposit amount (including interest income) <i>RMB'000</i></b>
For the year ended 31 December 2016	85,551
For the year ended 31 December 2017	136,669
For the year ended 31 December 2018	465,232
For the eight months ended 31 August 2019	490,802

### Deposit Cap and Revised Deposit Cap

Set out below are the Deposit Cap in relation to the Deposit Services under the 2018 Financial Services Framework Agreement for the three years ending 31 December 2021 and the Revised Deposit Cap under the 2019 Financial Services Supplemental Agreement:

	<b>For the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Deposit Caps	500,000	500,000	500,000
Revised Deposit Caps	1,500,000	1,500,000	1,500,000

## HISTORICAL INTEREST INCOME AND THE MAXIMUM ANNUAL INTEREST INCOME

### Historical Annual Interest Income

The historical interest income under the Deposit Services provided by CTS Finance to the PRC Subsidiaries are set out as follows:

	<b>Historical interest income received</b> <i>RMB'000</i>
For the year ended 31 December 2016	1,269
For the year ended 31 December 2017	2,590
For the year ended 31 December 2018	4,251
For the eight months ended 31 August 2019	11,293

### The Maximum Annual Interest Receivable

The maximum annual interest receivable under the 2019 Financial Services Supplemental Agreement are set out as follows:

	<b>For the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum annual interest receivable by the PRC Subsidiaries	21,293	60,000	60,000

In setting the Revised Deposit Caps and the maximum annual interest receivable, the Company has taken into account (i) the funding requirements and treasury policy of the Group; (ii) the amounts of deposits historically made by the Group with other independent commercial banks in the PRC; and (iii) the amounts of deposits historically made by the PRC Subsidiaries with CTS Finance. As at 31 August 2019 and 31 December 2018, the Group's cash and bank balances amounted to approximately HK\$3,057 million and HK\$2,602 million respectively.

The deposit interest rates to be offered by CTS Finance to the PRC Subsidiaries will not lower than the benchmark deposit rates promulgated by PBOC for the same period and the deposit interest rates offered by at least two mainstream PRC financial institutions to PRC Subsidiaries for deposits of similar nature and of similar term. The Group may also temporarily maintain certain deposit balance with the accounts of CTS Finance under the cross-border RMB cash pooling services in case the fund transfer is not completed instantly.



The Group utilises the services of CTS Finance on a voluntary and non-exclusive basis and is not obliged to engage CTS Finance for any particular services, or at all under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement. CTS Finance is merely one of a number of financial institutions which provides financial services to the Group. The Group may obtain financial services from other financial institutions in addition to those provided by CTS Finance pursuant to the 2018 Financial Services Framework Agreement and 2019 Financial Services Supplemental Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 FINANCIAL SERVICES SUPPLEMENTAL AGREEMENT AND THE REVISION OF THE DEPOSIT CAP**

The main reasons for the Company to enter into the 2019 Financial Services Supplemental Agreement and the 2018 Financial Services Framework Agreement with CTS Finance are as follows:

- (i) the use of CTS Finance as a platform to manage the funds of the Group would allow for better monitoring and control of the funds and more efficient deployment of funds between member companies of the Group;
- (ii) since the interest rates on the Deposit Services and the Loan Services offered, and the handling fees and other services fees in connection with the Comprehensive Credit Line Services (excluding the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services charged, by CTS Finance to PRC Subsidiaries will be equal to or more favourable, on a case by case basis, than those offered to the Company and PRC Subsidiaries by any independent third party for providing services of similar nature and of similar term, this represents potential increase in interest income and cost savings to the Group;
- (iii) PRC laws generally do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loan must be directed through a regulated financial institution. CTS Finance is a non-banking financial institution approved and regulated by PBOC and CBRC, and is authorized to provide various kinds of financial services to China CTS and its member companies, including the Group, in the PRC, including, but not limited to, deposit-taking and loan services;
- (iv) CTS Finance is regulated by PBOC and CBRC, and it provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities;
- (v) the Group is expected to benefit from CTS Finance's better understanding of the Group's operations which should render more expedient and efficient services than other commercial banks in the PRC;
- (vi) China CTS undertakes to provide undertakings to CTS Finance and thus reducing the risks which the Group may be exposed to in the event of default of CTS Finance under the 2018 Financial Services Framework Agreement;

(vii) Pursuant to the relevant regulations of PBOC and CBRC, the customers of CTS Finance are limited to China CTS and its member companies, which effectively avoid the risks that CTS Finance may otherwise be exposed to if its customers include other entities unrelated to China CTS.

The Directors (other than the executive Directors who have abstained from voting, and the independent non-executive Directors whose opinions (after taking into consideration the opinion of the independent financial adviser) will be included in the circular to be dispatched to Shareholders) consider that the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps) were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the 2019 Financial Services Supplemental Agreement and the Revised Deposit Caps are fair and reasonable and the continuing connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural spots, and leisure resorts), travel agency, travel documents and related operations, passenger transportation operations.

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

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

CTS Finance is a non wholly-owned subsidiary of China CTS and a non-banking financial institution approved and regulated by PBOC and CBRC. It is authorized to provide financial services to enhance the centralized management of funds and to improve the fund utilization of China CTS and its member companies including the Group. CTS Finance only provides financial services to China CTS and its member companies including the Group, in the PRC.

## **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 2019 Financial Services Supplemental Agreement and the 2018 Finance Services Framework 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 with CTS Finance, namely:

- (i) the Company will report the transactions under the 2019 Financial Services Supplemental Agreement and the 2018 Financial Services Framework 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 and compliance team will review the transactions with CTS Finance to identify any continuing connected transaction that may be at risk of exceeding the Revised Deposit 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 2019 Financial Services Supplemental Agreement and the 2018 Financial Services Framework 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's finance department will further (a) check the current deposit and lending benchmark rates published by PBOC; (b) check the deposit and lending rates quoted by other commercial banks; and (c) obtain quotes for rate comparison from at least two major commercial banks or financial institutions in cooperation with the Group to decide which institution the Group will select for a particular service; and
- (iv) the auditors of the Company will conduct annual review on the pricing and the Revised Deposit Caps of the transactions contemplated under the 2019 Financial Services Supplemental Agreement and the 2018 Financial Services Framework Agreement.

## **LISTING RULES IMPLICATIONS**

CTS (Holdings) is a connected person of the Company by virtue of being a substantial shareholder. As China CTS holds the entire issued share capital of CTS (Holdings), China CTS and the China CTS Group are connected person of the Company under the Listing Rules.

CTS Finance is a non wholly-owned subsidiary of China CTS and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement constitute continuing connected transactions for the Company under the Listing Rules. Since the Loan Services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by CTS Finance, the Loan Services are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

It is expected that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the fees in connection with the Comprehensive Credit Line Services (excluding the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services will be on an annual basis less than 0.1%, the Comprehensive Credit Line Services (excluding the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services are fully exempt from the reporting, announcement, annual review and the independent shareholders' approval requirements under the Listing Rules. The Company will comply with the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules, where applicable, if the transaction amount of such service exceeds the de minimis threshold under Rule 14A.76 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Deposit Caps under the 2019 Financial Services Supplemental Agreement exceeds 5% and HK\$10,000,000, the Deposit Service (including the Revised Deposit Caps) constitute continuing connected transactions and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Further, as the Deposit Services constitute provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules, and the relevant applicable percentage ratios for the Deposit Service (including the Revised Deposit Caps) is higher than 25% and less than 75% on an annual basis, the Deposit Services (including the Revised Deposit Caps) itself constitute a major transaction under Chapter 14 of the Listing Rules. Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the First Financial Assistance and the Second Financial Assistance would be aggregated with the Deposit Services (including the Revised Deposit Caps) and be treated as if they were one transaction. As the relevant applicable percentage ratio for the Deposit Services (including the Revised Deposit Caps), after aggregation with the First Financial Assistance and the Second Financial Assistance, is still higher than 25% and less than 75% on an annual basis, the Deposit Services (including the Revised Deposit Caps), after aggregation with the First Financial Assistance and the Second Financial Assistance, constitute a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as Mr. Fu Zhuoyang is a director of CTS (Holdings), he is regarded as having material interest in the transaction and has thereby abstained from voting on the Board resolution approving the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps). Mr. Jiang Hong, Mr. Chen Xianjun and Mr. Yang Hao hold executive and senior management positions at CTS (Holdings) or its subsidiaries and have therefore voluntarily abstained from voting on the Board resolution approving the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps). Save as disclosed above, none of other Directors has a material interest in the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps) and accordingly, none of them was required to abstain from voting on the Board resolution for considering and approving the same.

## **GENERAL**

At the EGM, the Company will seek Independent Shareholders' approval for the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps). In view of the interest of China CTS and its associates in the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Cap) and the transactions contemplated thereunder, China CTS and its associates will abstain from voting at the EGM in this regard. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders whether or not to vote in favour of the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps). First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among others, further details of the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of EGM is expected to be dispatched to the Shareholders on or before 7 November 2019.

## **DEFINITIONS**

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

“2018 Financial Services Framework Agreement”	the financial services framework agreement in relation to the Deposit Services, the Comprehensive Credit Line Services, the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services entered into between the Company and CTS Finance on 8 November 2018
“2019 Financial Services Supplemental Agreement”	the financial services supplemental agreement entered into between the Company and CTS Finance on 17 October 2019 in relation to the revision of the deposit caps under the 2018 Financial Services Framework Agreement
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CBRC”	the China Banking Regulatory Commission
“China CTS”	China National Travel Service 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)

“China CTS Group”	China CTS and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Comprehensive Credit Line Services”	the comprehensive credit line services provided or to be provided by CTS Finance to PRC Subsidiaries under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement, where PRC Subsidiaries can continue to obtain loan, bill discount, issue acceptance bill and obtain other comprehensive credit line services within the comprehensive credit limit offered by CTS Finance
“Cross-Border RMB Cash Pooling Services”	the cross-border RMB cash pooling services provided or to be provided by CTS Finance to the Group under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement
“CTS Finance”	港中旅財務有限公司 (China National Travel Service (HK) Finance Company Limited), a company established in the PRC with limited liability and a non wholly-owned subsidiary of China CTS
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 60.05% of the issued share capital of the Company and a substantial shareholder of the Company
“Deposit Cap(s)”	the maximum daily outstanding balance of deposits (including accrued interest) from the Deposit Services and Cross-Border RMB Cash Pooling Services placed by the Company and/or PRC Subsidiaries with CTS Finance pursuant to the 2018 Financial Services Framework Agreement
“Deposit Services”	the deposit services provided or to be provided by CTS Finance to the Group under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement
“Directors”	the directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps)
“Entrustment Loan Services”	the provision of entrustment loans through CTS Finance, which will only act as agent of PRC Subsidiaries, under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement
“First Shanghai” or “Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2019 Financial Services Supplemental Agreement and the revision of the Deposit Caps of the continuing connected transactions under the 2018 Financial Services Framework Agreement
“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 Board Committee”	an independent board committee of the Company comprising of the independent non-executive Directors, namely, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei, formed for advising the Independent Shareholders in respect of the 2019 Financial Services Supplemental Agreement and the revision of the Deposit Caps of the continuing connected transactions under the 2018 Financial Services Framework Agreement
“Independent Shareholders”	Shareholders other than China CTS and its associates and any other persons who are required to abstain from voting on resolutions to approve the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps) at the EGM pursuant to the Listing Rules
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Services”	the loan services obtained or to be obtained from the Comprehensive Credit Line Services under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement, exclusively referring to Mainland China
“PRC Subsidiaries”	the Company’s PRC subsidiaries which have opened and maintained settlement account(s) with CTS Finance or joined CTS Finance’s cross-border RMB cash pool
“Revised Deposit Caps”	the proposed revised maximum daily outstanding balance of deposits (including accrued interest) for each of the three years ending 31 December 2021 for the deposit services and cross-border RMB cash pooling services placed by the Group and/or PRC Subsidiaries with CTS Finance pursuant to the 2019 Financial Services Supplemental Agreement
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By Order of the Board  
**China Travel International Investment Hong Kong Limited**  
**Fu Zhuoyang**  
*Chairman*

Hong Kong, 17 October 2019

*As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Jiang Hong, Mr. Chen Xianjun, Mr. You Cheng, Mr. Yang Hao and Mr. Wu Qiang 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.*