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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)

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN
RESPECT OF THE 2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT
AND
(2) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF
TRAVEL PERMIT ADMINISTRATION SERVICES**

**(1) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF TRAVEL PERMIT
ADMINISTRATION SERVICES**

References are made to the announcement of the Company dated 8 November 2018 and the circular of the Company dated 28 November 2018 in relation to the continuing connected transactions contemplated under the Agency Agreement.

CTSPI has been providing Travel Permit Administration Services to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. At the extraordinary general meeting of the Company held on 14 December 2018, the independent Shareholders approved the Travel Permit Administration Services under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value for the Travel Permit Administration Services for each of the three years ending 31 December 2021. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the Annual Caps for the Travel Permit Administration Services for the three years ending 31 December 2024 is required to be renewed in order to comply with the Listing Rules.

CTSPI entered into the Deed of Novation in relation to the Agency Agreement with CTSEP and CTS (Holdings) on 1 June 2020, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term until 30 June 2047.

(2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 8 November 2018 and 17 October 2019 and the circular of the Company dated 7 November 2019 in relation to the continuing connected transactions contemplated under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement entered into between the Company and CTS Finance.

As the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement relating to the provision of deposit services, the comprehensive credit line services, the entrustment loan services and the cross-border RMB cash pooling services by CTS Finance will expire on 31 December 2021, the Company entered into the 2021 Financial Services Framework Agreement with CTS Finance on 16 November 2021 to renew the terms of such continuing connected transactions for a term of three years commencing from 1 January 2022 and ending on 31 December 2024, where CTS Finance will continue to provide services thereunder to the Group.

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 persons 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 for the Annual Caps for the Travel Permit Administration Services exceed 5% and the Annual Caps are more than HK\$10,000,000, the renewal of the annual cap and continuing provision of the Travel Permit Administration Services is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of 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 2021 Financial Services Framework Agreement will 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) and no security over the assets of the Group is 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 (other than 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 requirements under Chapter 14A of 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 one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest of the Deposit Caps under the 2021 Financial Services Framework Agreement exceed 25% but all are less than 75% and the highest of the Deposit Caps is more than HK\$10,000,000, the Deposit Service (including the Deposit Caps) constitutes major transaction and continuing connected transactions for the Company and is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14 and Chapter 14A of the Listing Rules.

A circular containing, among others, further details of the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement (including the Deposit Caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM is expected to be dispatched to the Shareholders on or before 7 December 2021.

BACKGROUND INFORMATION

(1) Continuing Connected Transactions in respect of Travel Permit Administration Services

References are made to the announcement of the Company dated 8 November 2018 and the circular of the Company dated 28 November 2018 in relation to the continuing connected transactions contemplated under the Agency Agreement.

CTSPI has been providing Travel Permit Administration Services to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. At the extraordinary general meeting of the Company held on 14 December 2018, the independent Shareholders approved the Travel Permit Administration Services under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value for the Travel Permit Administration Services for each of the three years ending 31 December 2021. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the Annual Caps for the Travel Permit Administration Services for the three years ending 31 December 2024 are required to be renewed in order to comply with the Listing Rules.

CTSPI entered into the Deed of Novation in relation to the Agency Agreement with CTSEP and CTS (Holdings) on 1 June 2020, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term commenced from 1 June 2020 and ending on 30 June 2047.

(2) Major Transaction and Continuing Connected Transaction in respect of the 2021 Financial Services Framework Agreement

References are made to the announcements of the Company dated 8 November 2018 and 17 October 2019 and the circular of the Company dated 7 November 2019 in relation to the continuing connected transactions contemplated under the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement entered into between the Company and CTS Finance.

As the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement relating to the provision of deposit services, the comprehensive credit line services, the entrustment loan services and the cross-border RMB cash pooling services by CTS Finance will expire on 31 December 2021, the Company entered into the 2021 Financial Services Framework Agreement with CTS Finance on 16 November 2021 to renew the terms of such continuing connected transactions for a term of three years commencing from 1 January 2022 and ending on 31 December 2024, where CTS Finance will continue to provide services thereunder to the Group.

THE AGENCY AGREEMENT AND THE DEED OF NOVATION

The Agency Agreement

Date 15 May 2001

Parties (i) CTSPI*; and
(ii) CTS (Holdings)

* Pursuant to the Deed of Novation, CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term until 30 June 2047.

The Deed of Novation

Date 1 June 2020

Parties (i) CTSPI;
(ii) CTSEP; and
(iii) CTS (Holdings)

CTSPI entered into the Deed of Novation in relation to the Agency Agreement with CTSEP and CTS (Holdings) on 1 June 2020, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term commenced from 1 June 2020 and ending on 30 June 2047.

Transaction Nature

Pursuant to the Agency Agreement and the Deed of Novation, it was agreed that CTSEP would provide general administration services in Hong Kong to CTS (Holdings) for the application for tourist visas and travel permits for entry into the PRC, for a fixed term until 30 June 2047.

Principal Terms

CTSPI and CTS (Holdings) entered into the Agency Agreement on 15 May 2001 to document the transaction relating to the Travel Permit Administration Services for a fixed term of 46 years. The 46-year term of the Agency Agreement was part and parcel of the term of the Acquisition, which was approved by the then independent Shareholders. The Company believes that a fixed contractual term of 46 years enabling CTSPI to provide the Travel Permit Administration Services until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

Pricing Basis

In accordance with the terms of the Agency Agreement and the Deed of Novation, which were negotiated on an arm's length basis between the parties, CTS (Holdings) agreed to pay CTSPI or CTSEP (as applicable) 45% of the gross fee revenue from travel permit applications for the services provided by CTSPI or CTSEP (as applicable) in relation to Travel Permit Administration Services. The agency fees will be payable monthly in cash.

The fees of Travel Permit Administration Services rendered by CTSPI or CTSEP (as applicable) is determined on the basis of cost of providing the service plus reasonable profit. The profit margin of Travel Permit Administration Services is higher than the profit margin of PRC visa services provided by CTSPI or CTSEP (as applicable) to foreigners and is deemed fair and reasonable by the Company and CTS (Holdings).

Historical Figures

The total amount of the continuing connected transactions in connection with the Travel Permit Administration Services for each of the three financial years ended 31 December 2020 and the nine months ended 30 September 2021 were HK\$247,101,000, HK\$271,720,000, HK\$74,032,000 and HK\$50,470,000, respectively.

Proposed Annual Caps

The Company proposes to set the Annual Caps for the continuing connected transactions in connection with the Travel Permit Administration Services as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount of fees for the provision of Travel Permit Administration Services by CTSEP	310,000	310,000	310,000

In determining the Annual Caps, the following factors are taken into account: (i) the historical transaction amounts for 2018, 2019 and 2020 and estimated annualized transaction amounts for 2021 estimated based on the transaction amount for the nine-month ended 30 September 2021 under the Agency Agreement ; and (ii) estimated buffer for any growth in the travel document business which may result from an increase in demand after the lifting of travel restrictions following the containment of the COVID-19 pandemic.

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.

THE 2021 FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Group utilizes 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 2021 Financial Services Framework Agreement. CTS Finance is merely one of a number of financial institutions which provide financial services to the Group. The Group may engage financial services from other financial institutions in addition to and other than those provided by CTS Finance pursuant to the 2021 Financial Services Framework Agreement. The major terms of the 2021 Financial Services Framework Agreement are set out as follows:

Date	16 November 2021
Term	1 January 2022 to 31 December 2024
Parties	(i) the Company; and (ii) CTS Finance

Scope of services and pricing basis

(a) Deposit Services

CTS Finance will provide Deposit Services to the PRC Subsidiaries pursuant to the 2021 Financial Services Framework Agreement.

The deposit interest rates to be offered by CTS Finance to the PRC Subsidiaries are determined with reference to the prevailing market interest rates, which are fair and reasonable. The Group will obtain at least two quotations of deposit interest rates of similar nature and of similar term offered by at least two independent mainstream PRC financial institutions before entering into any transaction under the 2021 Financial Services Framework Agreement. The Company's finance department will review and approve the deposit interest rates offered to the PRC Subsidiaries before placing any deposit with CTS Finance. The Group will only enter into transactions in respect of the Deposit Services if the deposit interest rates offered by CTS Finance are no less favourable to the Group than the highest of those offered by mainstream PRC financial institutions among the quotations obtained.

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 the PRC Subsidiaries pursuant to the 2021 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 the PRC Subsidiaries are determined with reference to the prevailing market loan interest rates, which are fair and reasonable. The Group will obtain at least two quotations of loan interest rates of similar nature and of similar term offered by at least two independent mainstream PRC financial institutions before entering into any transaction under the 2021 Financial Services Framework Agreement. Moreover, no credit enhancement measures are required to be provided by the Group in respect of such financial assistance provided by CTS Finance. The Company's finance department will review and approve the loan interest rates offered to the PRC Subsidiaries before obtaining any loans from CTS Finance. The Group will only enter into transactions in respect of the Loan Services if the loan interest rate offered by CTS Finance is no less favourable to the Group than the highest of those offered by independent PRC financial institutions among the quotations obtained.

The interest rates or service charge rates on the Comprehensive Credit Line Services (other than the Loan Services) to be offered by CTS Finance to the PRC Subsidiaries are determined with reference to the prevailing interest rates or service charge rates, which are fair and reasonable. The Group will obtain at least two quotations of interest rates or service charge rates of similar nature and of similar term offered by at least two independent mainstream PRC financial institutions before entering into any transaction under the 2021 Financial Services Framework Agreement. The Company's finance department will review and approve the interest rates or service charge rates offered to the PRC Subsidiaries before engaging any services from CTS Finance. The Group will only enter into transactions in respect of the Comprehensive Credit Line Services (other than the Loan Services) if the interest rates or service charge rates offered by CTS Finance are no less favourable to the Group than the highest of those offered by independent mainstream PRC financial institutions among the quotations obtained.

(c) Entrustment Loan Services

CTS Finance will provide Entrustment Loan Services to the PRC Subsidiaries pursuant to the 2021 Financial Services Framework Agreement. CTS Finance will only act as an agent of the PRC Subsidiaries and charge handling fees in connection with the Entrustment Loan Services.

The handling fees to be charged by CTS Finance to the PRC Subsidiaries in connection with the Entrustment Loan Services are determined with reference to the prevailing market fees, which are fair and reasonable. The Group will obtain at least two quotations of fees of similar nature offered by at least two independent mainstream PRC financial institutions before entering into any transaction under the 2021 Financial Services Framework Agreement. The Company's finance department will review and approve the fees offered to the PRC Subsidiaries before engaging any services from CTS Finance. The Group will only enter into transactions in respect of the

Entrustment Loan Services if the fees offered by CTS Finance are no less favourable to the Group than the highest of the fees offered by independent PRC financial institutions among the quotations obtained.

(d) Cross-Border RMB Cash Pooling Services

CTS Finance will provide Cross-Border RMB Cash Pooling Services to the Company and the PRC Subsidiaries under the 2021 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 are determined with reference to the prevailing market rates of fees, which are fair and reasonable. The Group will obtain at least two quotations of fees of similar nature offered by at least two independent mainstream PRC financial institutions before entering into any transaction under the 2021 Financial Services Framework Agreement. The Company's finance department will review and approve the fees offered to the PRC Subsidiaries before engaging any services from CTS Finance. The Group will only enter into transactions in respect of the Cross-Border RMB Cash Pooling Services if the fees offered by CTS Finance are no less favourable to the Group than the highest of those offered by independent PRC financial institutions among the quotations obtained.

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 the 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 2021 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 inject capital into CTS Finance to ensure its normal operations.

Termination

In addition to the default events provided by the Contracts Laws of the PRC, the 2021 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) the total investment amount is not higher than 70% of the net capital.

HISTORICAL DEPOSIT AMOUNTS AND THE DEPOSIT CAPS

Historical Deposit Amounts

The historical maximum daily deposit amounts in respect of deposit services provided by CTS Finance to the PRC Subsidiaries are set out as follows:

	Maximum historical daily deposit amount (including interest income) (RMB'000)
For the year ended 31 December 2019	1,147,000
For the year ended 31 December 2020	1,183,000
For the nine months ended 30 September 2021	1,359,735

Deposit Caps

The proposed Deposit Caps are set out as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum daily deposit amount (including accrued interests) placed by the PRC Subsidiaries with CTS Finance	1,500,000	1,500,000	1,500,000

HISTORICAL INTEREST INCOME AND THE MAXIMUM ANNUAL INTEREST INCOME RECEIVABLE

Historical Interest Income

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

	Historical interest income received (RMB'000)
For the year ended 31 December 2019	17,710
For the year ended 31 December 2020	29,910
For the nine months ended 30 September 2021	20,720

The Maximum Annual Interest Receivable

The maximum annual interest receivable under the 2021 Financial Services Framework Agreement are set out as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum annual interest receivable by the PRC Subsidiaries	35,000	49,500	49,500

In setting the 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 placed by the Group with other independent commercial banks in the PRC; and (iii) the amounts of deposits historically placed by the PRC Subsidiaries with CTS Finance. As at 30 September 2021 and 31 December 2020, the Group's cash and bank balances amounted to approximately HK\$3,067 million and HK\$2,947 million respectively.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

CTSEP is the commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out the Travel Permit Administration Services on behalf of CTS (Holdings). In view of past operational convenience and benefits brought to the Group, the Board (other than the executive Directors and non-executive Director 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 despatched to the Shareholders) considers it to be in the interests of the Company to continue to engage in the Travel Permit Administration Services and that the terms of the Travel Permit Administration Services are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors (other than the executive Directors and non-executive Director 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 despatched to the Shareholders) consider that the Agency Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Agency Agreement and the Annual 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.

The main reasons for the Company to enter into the 2021 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 independent third party(ies) in their quotations 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 CBIRC, 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 the PBOC and CBIRC, 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 2021 Financial Services Framework Agreement;

- (vii) the Group can better utilize the increasing idle funds in the PRC Subsidiaries by earning a more favourable interest income from CTS Finance, compared with any independent third party for providing services of similar nature and of similar term; and
- (viii) Pursuant to the relevant regulations of the PBOC and CBIRC, 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 and non-executive Director 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 despatched to the Shareholders) consider that the terms of the 2021 Financial Services Framework Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of the business of the Group and on normal commercial terms, and the transactions contemplated thereunder (including the Deposit Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 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 the 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.

The CTS (Holdings) Group is principally engaged in travel business and real estate development.

CTS Finance is a non-wholly-owned subsidiary of China CTS and a non-banking financial institution approved and regulated by the PBOC and CBIRC. 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 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 Agency Agreement and the 2021 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 between the Group and the China CTS Group, namely:

- (i) the Company will report the transactions under the Agency Agreement and the 2021 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 will review the transactions with the China CTS Group to identify any continuing connected transaction that may be at risk of exceeding the proposed 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 Agency Agreement and the 2021 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) in respect of the Agency Agreement, 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 Agency Agreement. The business department of the Group will also monitor the profit margin of the Travel Permit Administration Services on a monthly basis to ensure that it is in the interests of the Group to continue to be engaged in Travel Permit Administration Services;
- (iv) in respect of the 2021 Financial Services Framework Agreement, the Group's finance department will further (a) check the deposit and lending rates or fees quoted by other independent major commercial banks in the PRC; and (b) obtain quotes for rate comparison from at least two major independent commercial banks or financial institutions in the PRC in cooperation with the Group as measures to be taken by the Group for the selection of the most favourable terms in respect of a particular service. If the fees or rates offered by CTS Finance are less favourable to the Group compared to the quotations/benchmarks, the Company will further negotiate with CTS Finance with a view of obtaining better terms in accordance with the pricing principles of the Group; and
- (v) the auditors of the Company will conduct annual review on the pricing and the Deposit Caps of the transactions contemplated under the 2021 Financial Services Framework Agreement.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder which is interested in 61.15% of the issued share capital of the Company. As China CTS holds the entire issued share capital of CTS (Holdings), China CTS and members of the China CTS Group are connected persons of the Company under Chapter 14A of 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 Annual Caps for the Travel Permit Administration Services exceed 5% and the Annual Caps are more than HK\$10,000,000, the continuing provision of the Travel Permit Administration Services (including the Annual Caps) is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

CTS Finance is a non-wholly-owned subsidiary of China CTS and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Financial Services Framework 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 and no security over the assets of the Group is granted in respect of the financial assistance given by CTS Finance, the Loan Services are fully exempt from the requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated transaction amounts in connection with the Comprehensive Credit Line Services (other than the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services are on an annual basis less than 0.1%, the Comprehensive Credit Line Services (other than the Loan Services), the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services are fully exempt from the requirements under Chapter 14A of 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 annual transaction amount of such services exceeds the de minimis threshold under Rule 14A.76 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 highest of the Deposit Caps under the 2021 Financial Services Framework Agreement exceed 25% but all are less than 75% and the highest of the Deposit Caps is more than HK\$10,000,000, the Deposit Service (including the Deposit Caps) constitutes major transaction and continuing connected transactions for the Company and is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14 and Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Mr. Jiang Hong, Mr. Wu Qiang, Mr. Fan Dongsheng and Mr. Tang Yong are directors of CTS (Shenzhen) Investment Development Limited, a subsidiary of China CTS. Mr. Jiang Hong and Mr. Wu Qiang are directors of CTG Investment Management Corporation Limited, a subsidiary of CTS (Holdings), and Mr. Tsang Wai Hung is a director of CTS (Holdings). Such Directors are regarded as having material interest in the Agency Agreement and the 2021 Financial Services Framework Agreement and have therefore abstained from voting on the Board resolutions approving the renewal of the Travel Permit

Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps). Save as disclosed above, none of other Directors has a material interest in the aforesaid transactions and accordingly, none of them was required to abstain from voting on the Board resolutions for considering and approving the same.

EGM

At the EGM, the Company will seek Independent Shareholders' approval for the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps). In view of the interest of CTS (Holdings) and its associates in the continuing provision of Travel Permit Administration Services and the 2021 Financial Services Framework Agreement (including the Deposit Caps), CTS (Holdings) and its associates (as defined in the Listing Rules) 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.

INDEPENDENT BOARD COMMITTEE

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 renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps).

INDEPENDENT FINANCIAL ADVISOR

VBG Capital has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on whether the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the 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.

GENERAL

A circular containing, among others, further details of the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM is expected to be despatched to the Shareholders on or before 7 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20 December 2021 to Thursday, 23 December 2021 (both dates inclusive), for the purposes of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant shares certificates must be lodged with the Company's share register, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 December 2021.

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
“2021 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 16 November 2021
“Acquisition”	the Company's acquisition of CTSPI from CTS (Holdings) in 2001
“Agency Agreement”	the agency agreement dated 15 May 2001 between CTSPI and CTS (Holdings) in relation to Travel Permit Administration Services
“Annual Cap(s)”	the annual cap amounts in respect of the Travel Permit Administration Services under the Agency Agreement for each of the three financial years ending 31 December 2024
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “controlling shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“CBIRC”	the China Banking and Insurance 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 (stock code: 308)
“Comprehensive Credit Line Services”	the comprehensive credit line services to be provided by CTS Finance to PRC Subsidiaries under the 2021 Financial Services Framework 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 to be provided by CTS Finance to the Group under the 2021 Financial Services Framework Agreement
“CTS Finance”	CTG Finance Company Limited (中旅集團財務有限公司) (formerly known as China National Travel Service (HK) Finance Company Limited (港中旅財務有限公司), a company established in the PRC with limited liability and a non wholly-owned subsidiary of China CTS
“CTSEP”	China Travel Service Entry Permit Service Hong Kong Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in provision of Travel Permit Administration Services as at the date of this announcement
“CTSPI”	China Travel Service Property Investment Hong Kong Limited (formerly known as China Travel Service (Hong Kong) Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in investment holding and property development as at the date of this announcement

“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 61.15% of the issued share capital of the Company and a controlling shareholder of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates (including the China CTS Group), but excluding the Group for the purpose of this announcement
“Deed of Novation”	the deed of novation dated 1 June 2020 entered into between CTSEP, CTSPI and CTS (Holdings) in relation to the Agency Agreement, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term commenced from 1 June 2020 and ending on 30 June 2047
“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 2021 Financial Services Framework Agreement
“Deposit Services”	the deposit services to be provided by CTS Finance to the Group under the 2021 Financial Services Framework Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement (including the Deposit Caps)
“Entrustment Loan Services”	the provision of entrustment loans through CTS Finance, which will only act as agent of PRC Subsidiaries, under the 2021 Financial 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 all 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 renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps)
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other persons who are required to abstain from voting on resolutions to approve the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps) at the EGM pursuant to the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	the loan services to be obtained from the Comprehensive Credit Line Services under the 2021 Financial Services Framework 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 refer 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Travel Permit Administration Services”	the general administration services provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC by CTSPI or CTSEP (as applicable) to CTS (Holdings)

“VBG Capital” or
“Independent Financial
Adviser”

VBG Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Travel Permit Administration Services (including the Annual Caps) and the 2021 Financial Services Framework Agreement and the transactions contemplated thereunder (including the Deposit Caps)

“%”

per cent.

By Order of the Board
China Travel International Investment Hong Kong Limited
Jiang Hong
Chairman

Hong Kong, 16 November 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. Wu Qiang, Mr. Fan Dongsheng and Mr. Tang Yong; one non-executive Director, namely Mr. Tsang Wai Hung; 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.