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香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(incorporated in Hong Kong with limited liability)
(Stock Code: 308)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board is pleased to announce that on 14 January 2016 (after the close of trading hours of the Stock Exchange), the Company and CTS Finance entered into the Financial Services Framework Agreement in respect of the provision of (i) the Deposit Services; (ii) the Comprehensive Credit Line Services; (iii) the Entrustment Loan Services; and (iv) the Cross-Border RMB Cash Pooling Services by CTS Finance.

As China CTS (HK) holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS (HK) is a connected person of the Company under the Listing Rules. CTS Finance is a non wholly-owned subsidiary of China CTS (HK) and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 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) 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 Chapter 14A of 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 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 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 Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Caps will be more than 0.1% but less than 5% and have an annual consideration of more than HK\$3,000,000, the Deposit Services are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 14 January 2016 (after the close of trading hours of the Stock Exchange), the Company and CTS Finance entered into the Financial Services Framework Agreement in respect of the provision of (i) the Deposit Services; (ii) the Comprehensive Credit Line Services; (iii) the Entrustment Loan Services; and (iv) the Cross-Border RMB Cash Pooling Services by CTS Finance.

THE 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 Financial Services Framework 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 Financial Services Framework Agreement. The major terms of the Financial Services Framework Agreement are set out as follows:

Date

14 January 2016

Parties

- (a) the Company; and
- (b) CTS Finance

Term

The Financial Services Framework Agreement shall become effective from 14 January 2016 to 31 December 2018.

Scope of services and pricing basis

(a) *Deposit Services*

CTS Finance will provide Deposit Services to PRC Subsidiaries pursuant to the 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 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 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 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 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 (HK) to comply with the undertakings, given by the board of directors of China CTS (HK) and stated in the articles of association of CTS Finance, that in the event that CTS Finance has difficulties in payment, China CTS (HK) 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 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%.

HISTORICAL DEPOSIT AMOUNTS AND THE DEPOSIT CAPS

Historical Deposit Amounts

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

	Maximum historical daily deposit amount (RMB'000)
For the year ended 31 December 2013	0
For the year ended 31 December 2014	6,500
For the eight months ended 31 August 2015	3,000

Deposit Caps

Deposit Caps are set out as follows:

	For the year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum daily deposit amount (including accrued interests) placed by PRC Subsidiaries with CTS Finance	124,400	136,800	150,500

In setting the Deposit Caps, the Company has taken into account the funding requirements and treasury policy of the Group, and the amounts of deposits historically made by the Group with other independent commercial banks in the PRC. As at 31 August 2015 and 31 December 2014, the Group's cash and bank balances amounted to approximately HK\$4,309 million and HK\$3,327 million respectively.

INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTION

In accordance with the Listing Rules, the Company will comply 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 Financial 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 CTS Finance, namely:

- (i) the Company will report the transactions under the 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; and
- (ii) the Company will review the transactions with CTS Finance to identify any continuing connected transaction that may be at risk of exceeding the 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 Financial Services Framework Agreement. The Group will (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.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

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

- (a) 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;
- (b) 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;

- (c) PRC laws 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 authorised to provide various kinds of financial services to China CTS (HK) and its member companies, including the Group, in the PRC, including, but not limited to, deposit-taking and loan services;
- (d) 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;
- (e) 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 PRC;
- (f) China CTS (HK) 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 Financial Services Framework Agreement;
- (g) pursuant to the relevant regulations of PBOC and CBRC, the customers of CTS Finance are limited to China CTS (HK) 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 (HK);

The Directors (including the independent non-executive Directors) consider that the terms of the Financial Services Framework Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the transactions contemplated thereunder and the Deposit Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ms. Jiang Yan is also a director of China CTS (HK) and CTS (Holdings) and she is deemed to have material interest in the Financial Services Framework Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolutions in respect of the aforesaid transactions. Save as aforesaid, none of the Directors attending the Board meeting has a material interest in the aforesaid transactions or was required to abstain from voting on the Board resolutions for considering and approving the same.

LISTING RULES' IMPLICATIONS

As China CTS (HK) holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS (HK) is a connected person of the Company under the Listing Rules. CTS Finance is a non wholly-owned subsidiary of China CTS (HK) and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 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) 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 Chapter 14A of 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 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 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 Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Caps will be more than 0.1% but less than 5% and have an annual consideration of more than HK\$3,000,000, the Deposit Services are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots, and leisure resorts) and provision of supplementary products and services, which include travel agency and related operations, passenger transportation, golf club and arts performance.

China CTS (HK), 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 (HK) Group is principally engaged in travel business, real estate development, finance, iron and steel production and logistics and trading.

CTS Finance is a non wholly-owned subsidiary of China CTS (HK) 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 (HK) and its member companies including the Group. CTS Finance only provides financial services to China CTS (HK) and its member companies including the Group, in the PRC.

DEFINITIONS

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

“associates” has the same meaning as ascribed thereto in the Listing Rules

“Board”	the board of directors of the Company
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China CTS (HK)”	China National Travel Service (HK) Group Corporation, a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of PRC, which owns the entire issued share capital of CTS (Holdings)
“China CTS (HK) Group”	China CTS (HK) 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 and the shares of which are listed on the main board of 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 Financial Services Framework Agreement, where PRC Subsidiaries can obtain loan, bill discount, issue acceptance bill and obtain other comprehensive credit line services within the comprehensive credit limit offered by CTS Finance
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Cross-Border RMB Cash Pooling Services”	The cross-border RMB cash pooling services to be provided by CTS Finance to the Group under the Financial Services Framework Agreement
“CTS Finance”	港中旅財務有限公司 (China National Travel Service (HK) Finance Company Limited), a company established in PRC with limited liability and a non wholly-owned subsidiary of China CTS (HK)
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 58.78% of the issued share capital of the Company and a connected person 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 during the Term pursuant to the Financial Services Framework Agreement
“Deposit Services”	the deposit services to be provided by CTS Finance to the Group under the Financial Services Framework Agreement
“Directors”	the directors of the Company
“Entrustment Loan Services”	the provision of entrustment loans through CTS Finance, which will only act as agent of PRC Subsidiaries, under the Financial Services Framework Agreement
“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 14 January 2016
“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 PRC
“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 Financial Services Framework Agreement
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of 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 PRC

“Shareholders”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	from 14 January 2016 to 31 December 2018
“%”	percentage

By Order of the Board
China Travel International Investment Hong Kong Limited
Xu Muhan
Executive Director and General Manager

Hong Kong, 14 January 2016

As at the date of this announcement, the Board comprises five executive Directors, namely Ms. Jiang Yan, Mr. Lo Sui On, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang and four independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.