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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should obtain independent professional advice or consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Travel International Investment Hong Kong Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION –
2019 FINANCIAL SERVICES SUPPLEMENTAL AGREEMENT AND
REVISION OF DEPOSIT CAP RELATING TO THE CONTINUING
CONNECTED TRANSACTIONS CONTEMPLATED UNDER
THE 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT
AND
(2) PROPOSAL FOR RE-ELECTION OF DIRECTOR
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser



A notice convening an extraordinary general meeting of China Travel International Investment Hong Kong Limited to be held at Cafe du Parc, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 29 November 2019 at 2:30 p.m. is set out on pages 40 to 41 of this circular. Whether or not you are able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, by no later than 48 hours before the time appointed for the holding of the meeting (or adjourned meeting or of the poll, as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

7 November 2019

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	18
Letter from the Independent Financial Adviser	20
Appendix I – Financial Information of the Group	30
Appendix II – General Information	33
Appendix III – Particulars of Retiring Director	39
Notice of the Extraordinary General Meeting	40

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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
“Articles”	Articles of association of the Company, as amended from time to time
“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
“Business Day(s)”	a day (other than Saturday, Sunday and public holidays) on which banks in Hong Kong and PRC are generally open for business
“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 circular
“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

DEFINITIONS

“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) and the re-election of director

DEFINITIONS

“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 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
“Latest Practicable Date”	4 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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 circular, 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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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

LETTER FROM THE BOARD



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)

DIRECTORS:

Executive Directors:

Mr. Fu Zhuoyang (*Chairman*)
Mr. Lo Sui On (*Vice Chairman*)
Mr. Jiang Hong (*General Manager*)
Mr. Chen Xianjun
Mr. You Cheng
Mr. Yang Hao
Mr. Wu Qiang (*Executive Deputy General Manager*)

Independent Non-Executive Directors:

Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

REGISTERED OFFICE:

12th Floor, CTS House
78-83 Connaught Road Central
Hong Kong

7 November 2019

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION –
2019 FINANCIAL SERVICES SUPPLEMENTAL AGREEMENT AND
REVISION OF DEPOSIT CAP RELATING TO THE CONTINUING
CONNECTED TRANSACTIONS CONTEMPLATED UNDER
THE 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT
AND
(2) PROPOSAL FOR RE-ELECTION OF DIRECTOR
AND
(3) NOTICE OF EGM**

**A. MAJOR AND CONNECTED TRANSACTION – 2019 FINANCIAL SERVICES
SUPPLEMENTAL AGREEMENT AND REVISION OF DEPOSIT CAP
RELATING TO THE CONTINUING CONNECTED TRANSACTIONS
CONTEMPLATED UNDER THE 2018 FINANCIAL SERVICES FRAMEWORK
AGREEMENT**

INTRODUCTION

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

LETTER FROM THE BOARD

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 RMB210,000,000 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 circular.

Saved as disclosed in this circular, 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.

LETTER FROM THE BOARD

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:

	Maximum historical daily deposit amount (including interest income) (RMB'000)
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:–

	For the year ending 31 December		
	2019	2020	2021
	<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

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 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

LETTER FROM THE BOARD

The Maximum Annual Interest Receivable

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

	For the year ending 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
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 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 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 the 2019 Financial 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;

LETTER FROM THE BOARD

- (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.

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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 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 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 as 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

LETTER FROM THE BOARD

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) and 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 and the revision of the Deposit Caps of the continuing connected transactions under the 2018 Financial Services Framework Agreement 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.

LETTER FROM THE BOARD

Recommendation

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 18 to 19 of this circular. The Directors (including the Independent Board Committee who has taken into account and based on the recommendation of the Independent Financial Adviser, and excluding the Mr. Fu Zhuoyang, Mr. Jiang Hong, Mr. Chen Xianjun and Mr. Yang Hao who have abstained from voting on the Board resolutions approving the 2019 Financial Services Supplemental Agreement and the Revised Deposit Caps) consider that the 2019 Financial Services Supplemental Agreement and the revision of the Deposit Caps to the Revised Deposit Caps are being carried out under normal commercial terms in the ordinary and usual course of business of the Company, such terms are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed to approve the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps) and the transactions contemplated thereunder.

Additional Information

Your attention is also drawn to the “Letter from the Independent Board Committee”, “Letter from Independent Financial Adviser” and the additional information set out in Appendix I and II to this circular.

B. RE-ELECTION OF DIRECTOR

Introduction

Reference is made to the announcement of the Company dated 23 August 2019 in relation to the appointment of an independent non-executive director. Pursuant to Article 92 of the Articles, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Code Provision A.4.2 of the corporate governance code as set out in Appendix 14 of the Listing Rules requires that all directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. At the EGM, Mr. Song Dawei will retire as an Independent Non-Executive Director and, being eligible, offer himself for re-election.

Biographical details of the Director to be re-elected at the EGM which are required to be disclosed under the Listing Rules are set out in Appendix III to this circular.

Recommendation

The Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

EGM

A notice convening the EGM is set out on pages 40 to 41 of this circular. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting at the EGM (or adjourned meeting or of the poll, as the case may be) if you so wish.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 27 November 2019 to Friday, 29 November 2019 (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 share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 26 November 2019.

Yours faithfully,

By Order of the Board

China Travel International Investment Hong Kong Limited

Fu Zhuoyang

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the 2019 Financial Services Supplemental Agreement and the Revised Deposit Caps in relation to the continuing connected transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



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)

7 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**THE 2019 FINANCIAL SERVICES SUPPLEMENTAL AGREEMENT
AND
THE REVISION OF DEPOSIT CAP RELATING TO THE CONTINUING
CONNECTED TRANSACTIONS CONTMEPLATED UNDER
THE 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 7 November 2019 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on whether the terms 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 are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 17 of the Circular and the letter from the Independent Financial Adviser as set out on pages 20 to 29 of the Circular.

Having considered the terms of the 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement, the situations of the Company, the factors and reasons considered by First Shanghai and its opinion as stated in its letter of advice, we consider that 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 are being carried out under normal commercial terms in the ordinary and usual course of business of the Company, such terms are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed to approve the 2019 Financial Services Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,

**The Independent Board Committee of
China Travel International Investment Hong Kong Limited**

Mr. Tse Cho Che Edward

Mr. Zhang Xiaoke

Mr. Huang Hui

Mr. Chen Johnny

Mr Song Dawei

Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2019 Financial Services Supplemental Agreement and the Revised Deposit Caps in relation to the continuing connected transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

7 November 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Deposit Services under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement, the details of which are set out in the circular of the Company to the Shareholders dated 7 November 2019 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, (i) terms used in this letter shall have the same meanings as those defined in the Circular; and (ii) the exchange rate of RMB0.90 to HK\$1.00 (being the approximate mid-price as at the date of the 2019 Financial Services Supplemental Agreement quoted from the People’s Bank of China) has been adopted for illustrative purposes in this letter.

With reference to the announcement of the Company dated 8 November 2018, the Company and CTS Finance entered into the 2018 Financial Services Framework Agreement, where CTS Finance provides a variety of services including the 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 commencing 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 existing Deposit Caps are expected to be insufficient, therefore

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 (other terms of the 2018 Financial Services Framework Agreement remain unchanged).

CTS Finance is a subsidiary of China CTS (the ultimate controlling shareholder of the Company) and is therefore a connected person of the Company. Accordingly, the Deposit Services contemplated under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As stated in the letter from the Board in the Circular, the Deposit Services (including the Revised Deposit Caps) contemplated under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement are subject to, among other requirements, approval by the Independent Shareholders at the EGM.

The Independent Board Committee, 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, has been established to advise the Independent Shareholders in respect of the Deposit Services (including the Revised Deposit Caps) contemplated under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We had acted as the independent financial adviser for certain continuing connected transactions regarding the travel permit administration of the Company as disclosed in the circular of the Company dated 28 November 2018 (the “**Previous Engagement**”). Apart from the Previous Engagement and the current engagement, we did not have any business relationship with the Company within the past two years from the Latest Practicable Date. Given (i) our independent role in the Previous Engagement; (ii) our fee for the Previous Engagement represented an insignificant percentage of the revenue of our parent group; and (iii) the Previous Engagement had been completed, we consider the Previous Engagement would not affect our independence to form our opinion in respect of our current engagement regarding the Deposit Services (including the Revised Deposit Caps) contemplated under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group. We have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and the China CTS Group (including but not limited to CTS Finance). We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with note 1 to Rule 13.80 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Deposit Services (including the Revised Deposit Caps) contemplated under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement, we have taken into account the following principal factors and reasons:–

1. BACKGROUND OF THE PARTIES

a) *Background of the Group*

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 and passenger transportation operations. The majority of the revenue of the Group was generated from Mainland China for each of the years ended 31 December 2017 and 2018. The following table sets out a summary of the recent financial performance of the Group based on the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”).

	For the year ended 31 December		For the six months ended 30 June	
	2017	2018	2018	2019
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(audited)	(audited)	(unaudited)	(unaudited)
<i>Continuing operations:</i>				
Revenue	4,909	4,518	2,078	2,220
Gross profit	1,945	1,958	955	1,013
Profit before tax	1,562	1,039	572	638
Profit for the year/period attributable to equity owners of the Company	1,127	687	379	419

Regarding the continuing operations of the Group for the year ended 31 December 2018, the Group recorded a slight annual decline in revenue but achieved a slight annual growth in gross profit, however the profit before tax of the Group recorded an annual decline of approximately HK\$523 million (or approximately 33%) mainly due to the annual reduction in other income and gains by approximately HK\$709 million, which in turn was

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

primarily attributable to an one-off gain of approximately HK\$674 million generated from assets operation during the year ended 31 December 2017, and there was no such gain during the year ended 31 December 2018. Regarding the continuing operations of the Group for the six months ended 30 June 2019, the overall financial performance of the Group, including revenue, gross profit and profit before tax, recorded year on year improvements.

The following table sets out a summary of the recent financial position of the Group based on the 2019 Interim Report.

	As at 30 June 2019 <i>HK\$ million</i> (unaudited)
Non-current assets	15,073
Current assets	<u>6,681</u>
Total assets	21,754
Current liabilities	2,615
Non-current liabilities	<u>1,555</u>
Total liabilities	4,170
Net assets attributable to owners of the Company	16,415
Non-controlling interests	<u>1,169</u>
Net assets	<u><u>17,584</u></u>

As at 30 June 2019, (i) property, plant and equipment were the principal assets of the Group, amounting to approximately HK\$10,313 million, representing approximately 47% of total assets; (ii) cash and bank balances of the Group amounted to approximately HK\$2,292 million; and (iii) the net assets attributable to owners of the Company was approximately HK\$16,415 million.

b) Background information on CTS Finance and the China CTS Group

CTS Finance is a non wholly-owned subsidiary of China CTS and a non-banking financial institution approved and regulated by the PBOC (中國人民銀行) and the CBRC (中國銀行業監督管理委員會). 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

China CTS, which is the ultimate controlling shareholder of 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 (中國國務院國有資產監督管理委員會). The China CTS Group is principally engaged in travel business, real estate development and finance.

2. THE DEPOSIT SERVICES

a) *Background to and benefits of the Deposit Services*

We are advised by the management of the Group that the Group, from time to time, for the facilitation of its routine business operations, requires the comprehensive financial services under the 2018 Financial Services Framework Agreement (as to be supplemented by the 2019 Financial Services Supplemental Agreement), including the Deposit Services, the Comprehensive Credit Line Services, the Entrustment Loan Services and the Cross-Border RMB Cash Pooling Services. 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 existing Deposit Caps are 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 (other terms of the 2018 Financial Services Framework Agreement remain unchanged).

The Group would continue to place deposit at CTS Finance, which is a subsidiary of China CTS. Therefore, in respect of the credibility of CTS Finance and China CTS, we have primarily considered the following areas:

- CTS Finance is a non-banking financial institution approved and regulated by the PBOC (中國人民銀行) and the CBRC (中國銀行業監督管理委員會). We note that CTS Finance had (i) recorded total assets of approximately RMB11,095 million and net assets attributable to shareholders of approximately RMB2,426 million as at 30 June 2019; and (ii) generated net profit of approximately RMB120 million for the year ended 31 December 2018;
- as advised by the management of the Group, CTS Finance has not had any record of non-compliance with laws, rules or regulations (including but not limited to meeting the required financial ratios) since its establishment up to the Latest Practicable Date;
- 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;
- China CTS 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 (中國國務院國有資產監督管理委員會). Listed subsidiaries of China CTS include the Company and China International Travel Service Corporation Limited (中國國旅股份有限公司) (listed in Shanghai with stock code 601888);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- in respect of the financial position of China CTS, we have reviewed the financial reports of China CTS published on the website of the Shanghai Stock Exchange, where we noted that China CTS had (i) recorded consolidated total assets of approximately RMB111,632 million and net assets attributable to shareholders of approximately RMB21,488 million as at 30 June 2019; and (ii) generated net profit attributable to shareholders of approximately RMB1,417 million for the year ended 31 December 2018; and
- in respect of the credit rating of China CTS, we have reviewed the credit rating report of China CTS dated June 2019 issued by United Credit Ratings Co., Ltd. (“**United Ratings**”) published on the website of the Shanghai Stock Exchange and the website of United Ratings, where we note that (i) according to the classification of United Ratings, credit ratings scaling from worst to best are “C”, “CC”, “CCC”, “B”, “BB”, “BBB”, “A”, “AA” and “AAA”; (ii) China CTS had a very high credit rating of “AAA”, meaning China CTS has extremely strong capacity for repayment of liabilities and has extremely low default risk; and (iii) United Ratings is a credit rating agency recognised by, among other entities, the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) and the PBOC (中國人民銀行).

The Independent Shareholders should note that 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 service, or at all under the 2018 Financial Services Framework Agreement (as to be supplemented by 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.

Taking into account, in particular, (i) the Group requires, from time to time, to facilitate its routine business operation, the Deposit Services and other financial services from CTS Finance, which are part and parcel to the 2018 Financial Services Framework Agreement (as to be supplemented by the 2019 Financial Services Supplemental Agreement); (ii) 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 service; (iii) the credibility of CTS Finance which is backed by China CTS (a central state-owned enterprise with high credit rating); and (iv) the terms of the Deposit Services shall be no less favourable than those offered by at least two mainstream PRC financial institutions as further discussed below, we are of the view that the Deposit Services under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

b) Principal terms of the Deposit Services

The 2018 Financial Services Framework Agreement (as to be supplemented by the 2019 Financial Services Supplemental Agreement) shall be valid for a term of three years commencing from 1 January 2019 to 31 December 2021. The deposit interest rates to be offered by CTS Finance to the PRC Subsidiaries shall not be lower than the benchmark deposit interest rates promulgated by the PBOC for the same period and the deposit interest rates offered by at least two mainstream PRC financial institutions to the PRC Subsidiaries for deposits of similar nature and of similar term.

In respect of the internal control measures for the Deposit Services, we understand and are advised by the management of the Group that:–

- the Group's finance department will (a) check the current deposit benchmark rates published by the PBOC; and (b) 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 deposit services;
- the Group'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 will, no less frequent than on a quarterly basis, evaluate the financial performance and position of CTS Finance. If the Group is aware of any material adverse change in the financial conditions of CTS Finance, the Group will adopt measures immediately, such as early withdrawal of deposits, to minimise the potential adverse effects; and
- in accordance with the Listing Rules, (i) the independent non-executive Directors will report annually on whether the Deposit Services are, among other things, conducted on normal commercial terms; and (ii) the independent auditors of the Company will also report on the Deposit Services.

In respect of the Deposit Services, we have reviewed recent samples consisting (i) deposit rates which CTS Finance offered to the Group; (ii) the then prevailing deposit rates published by the PBOC; and (iii) the corresponding deposit rates offered by at least two independent third parties, where we noted that the deposit rates which CTS Finance offered to the Group were no less favourable than those published by the PBOC and offered by independent third parties to the Group.

Taking into account, in particular, (i) the deposit rates under the Deposit Services shall be no less favourable than those published by the PBOC and offered by independent third parties; (ii) the aforesaid credibility of CTS Finance which is backed by China CTS (a central state-owned enterprise with high credit rating); and (iii) the internal control measures of the Group, particularly the review of the terms offered by at least two independent third parties, we are of the view that the terms of the Deposit Services

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contemplated under the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

c) Revised Deposit Caps

The following table sets out the historical actual amounts and the Revised Deposit Caps in respect of the Deposit Services.

	Historical actual amounts			Revised Deposit Caps		
	For the year ended 31 December	For the year ended 31 December	For the eight months ended 31 August	For the year ending 31 December	For the year ending 31 December	For the year ending 31 December
	2017	2018	2019	2019	2020	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Maximum daily deposit balance including interest (the “ Connected Deposit Balance ”)	137	465	491	1,500	1,500	1,500

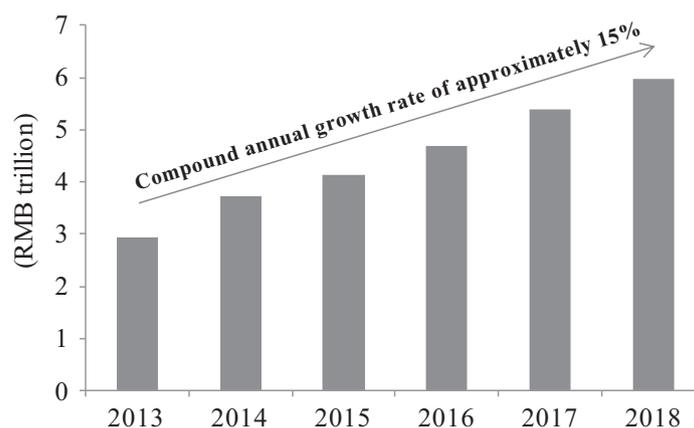
The Connected Deposit Balance was approximately RMB137 million and RMB465 million, representing an annual increase of approximately 60% and 239%, for each of the years ended 31 December 2017 and 2018, respectively. The Connected Deposit Balance reached approximately RMB491 million for the eight months ended 31 August 2019, where the existing Deposit Caps for each of the years ending 31 December 2019, 2020 and 2021 are RMB500 million and are expected to be insufficient, therefore the Company proposes to set the Revised Deposit Caps for each of the years ending 31 December 2019, 2020 and 2021 at RMB1,500 million. The Revised Deposit Cap represents an increase of approximately 205% as compared with the Connected Deposit Balance for the eight months ended 31 August 2019.

We note that the maximum month-end deposit balance of the Group (including both the deposits at CTS Finance and the deposits at independent financial institutions) (the “**Total Deposit Balance**”) amounted to approximately RMB2,806 million, RMB4,053 million and RMB2,983 million for each of the years ended 31 December 2017 and 2018 and the eight months ended 31 August 2019, respectively, as advised by the management of the Group. The Revised Deposit Cap of RMB1,500 million represents approximately 53%, 37% and 50% of the Total Deposit Balance for each of the years ended 31 December 2017 and 2018 and the eight months ended 31 August 2019, respectively. We also note that the Revised Deposit Cap represents approximately 10% of the latest published unaudited net assets attributable to owners of the Company as at 30 June 2019 of approximately HK\$16,415 million (equivalent to approximately RMB14,774 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, we understand the business of the Group has a positive outlook in view of the continue business development of the Group and the industry trend, where the Group is expected to continue to require the Deposit Services. With reference to Appendix I to the Circular, the business fundamentals of the overall business of the Company remain steady and healthy and the Company is fully confident in the prospects of future development. We have reviewed information on the website of the Ministry of Culture and Tourism of the PRC (中國文化和旅遊部), from which we understand the PRC government has been putting efforts in developing the tourism industry in the PRC, where the revenue from tourism in the PRC continued to increase in the recent years as illustrated in the chart below:

Revenue from tourism in the PRC (2013-2018)



Source: the website of the Ministry of Culture and Tourism of the PRC

In addition, the maximum annual interest receivable in respect of the Deposit Services under the 2019 Financial Services Supplemental Agreement (the “**Maximum Interests**”) for each of the years ending 31 December 2019, 2020 and 2021 are set out in the letter from the Board in the Circular. We are advised by the management of the Group that the derivation of the Maximum Interests had taken into account an assumed deposit interest rate of 4% per annum (the “**Assumed Rate**”), where (i) the Maximum Interest for the year ending 31 December 2019 of RMB21,293,000 is the sum of (a) the actual interest income received from CTS Finance for the eight months ended 31 August 2019 of approximately RMB11,293,000; (b) the amount of interest for the three months ending 30 November 2019 of RMB5,000,000, derived from the existing Deposit Cap and the Assumed Rate for the period; and (c) the amount of interest for the one month ending 31 December 2019 of RMB5,000,000, derived from the Revised Deposit Cap and the Assumed Rate for the period; (ii) the Maximum Interest for each of the years ending 31 December 2020 and 2021 of RMB60,000,000 was calculated based on the Revised Deposit Cap and the Assumed Rate on a full year basis. To this connection, we have been advised by the management of the Group and noted that the prevailing highest deposit interest rate offered by CTS Finance to the Group for the Deposit Services is 4%. Given the aforesaid, particularly the Assumed Rate is in line with the prevailing highest deposit interest rate offered by CTS Finance, we consider the bases of determining the Assumed Rate and the Maximum Interests to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking in account, in particular, (i) the existing Deposit Caps of RMB500 million are expected to be insufficient in view of the fact that the Connected Deposit Balance had already reached approximately RMB491 million for the eight months ended 31 August 2019; (ii) the historical growth of the Connected Deposit Balance; (iii) the Revised Deposit Cap represents approximately half of the Total Deposit Balance for the eight months ended 31 August 2019 and approximately 10% of the latest published unaudited net assets attributable to owners of the Company; (iv) the positive outlook of the business of the Group, where the Group is expected to continue to require deposit services; (v) the Revised Deposit Caps provide the flexibility rather than an obligation to the Group to deposit its cash with CTS Finance on terms no less favourable than those with independent third parties; (vi) the credibility of CTS Finance which is backed by China CTS (a central state-owned enterprise with high credit rating); and (vii) the internal control measures of the Group aforementioned, we consider the Revised Deposit Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that, in respect of the 2019 Financial Services Supplemental Agreement which supplements the 2018 Financial Services Framework Agreement, (i) the Deposit Services are in the ordinary and usual course of business of the Group; (ii) the Deposit Services are in the interests of the Company and the Shareholders as a whole; and (iii) the terms of the Deposit Services are on normal commercial terms and, together with the Revised Deposit Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to approve the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps) at the EGM.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Sam Chan

Director

Roger Tang

Assistant Director

Note: Mr. Sam Chan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2016. Mr. Roger Tang has been a licensed representative of Type 6 (advising on corporate finance) regulated activity under the SFO since 2007. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. INDEBTEDNESS

Borrowings

As at the close of business on 30 September 2019, the Group has outstanding unsecured bank and other borrowings of approximately HK\$81 million.

Lease liabilities

As at the close of business on 30 September 2019, the Group has lease liabilities of approximately HK\$274 million.

Security

As at the close of business on 30 September 2019, the Group's bank deposits of approximately HK\$23 million were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposit.

Contingent liabilities and guarantees

As at the close of business on 30 September 2019, the Group had the following contingent liabilities: performance bond given to a customer for due performance of a sales contract amounting to HK\$0.3 million.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 30 September 2019, the Group did not have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, mortgages, charges, debentures, obligations under hire purchase contracts or finance leases or guarantees or other material contingent liabilities.

2. FINANCIAL AND TRADING PROSPECTS

The Company is positioned as a tourism and cultural business platform which focuses on tourist attractions with a mission to offer new travel destination lifestyle to its customers. The Group will consolidate its position in city travel destinations, aggressively acquire scarce natural and cultural scenic spots, develop leisure resorts in an orderly manner, and develop supplementary products and businesses in a selective manner.

In respect of existing businesses, the company will adopt targeted measures such as management enhancement, innovation and upgrade of product and business to raise profitability. In addition, the Company will implement industry-leading plans and benchmarking management to increase competitiveness. Also, the Company will strengthen cost control and adopt centralized procurement and quality control to drive down costs and improve efficiency.

The Company will continue to focus on value creation and gradually exit from businesses which are incompatible with its strategy, lacking synergy, and have been loss making for a long time with no prospects of turning around, so as to maintain the Company's high asset quality to ensure favourable operation.

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. Since the interest rates on the Deposit Services offered by CTS Finance, and the interest rates on the provision of loans to CTS Financial Investment and CTS (China) Investment are equal to or more favourable, on a case by case basis, than those offered to the Group by Independent Third Parties for providing services of similar nature and of similar term, this represent potential increase in interest income and cost savings to the Group.

Although the complicated economic situations at home and abroad persists and there is keen competition across the industry, the business fundamentals of the Company's overall business remain steady and healthy. In addition, the Company has a healthy financial position and possesses the capabilities to invest and develop. The Company is fully confident in the prospects of future development guided under its proven strategy. In accordance with the above-mentioned strategy and the requirements of management enhancement and key priorities, the Group will strengthen strategy execution, push forward strategic projects, innovate on business models and enhance profitability, striving its best to execute the initiatives and create shareholder value.

3. STATEMENT OF SUFFICIENT OF WORKING CAPITAL

After due and careful enquiry, the Directors are of the opinion that after taking into account the present internal financial resources of the Group including the internally generated funds, the available banking facilities and the effect of the 2019 Financial Services Supplemental Agreement (including the Revised Deposit Caps), the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2016 are set out from pages 57 to 154 in the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) published on 19 April 2017. The 2016 Annual Report is also posted on the Company's website (<http://www.irasia.com/listco/hk/ctii/annual/index.htm>) and the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0419/ltm20170419880.pdf>).

The audited consolidated financial statements of the Group for the year ended 31 December 2017 are set out from pages 69 to 170 in the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”) published on 25 April 2018. The 2017 Annual Report is also posted on the Company's website (<http://www.irasia.com/listco/hk/ctii/annual/index.htm>) and the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltm201804251376.pdf>).

The audited consolidated financial statements of the Group for the year ended 31 December 2018 are set out from pages 71 to 186 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) published on 25 April 2019.

The 2018 Annual Report is also posted on the Company's website (<http://www.irasia.com/listco/hk/ctii/annual/index.htm>) and the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltm201904251945.pdf>).

There was no qualified audit opinion expressed on the audited consolidated financial statements for the three years ended 31 December 2016, 2017 and 2018.

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019 are set out from pages 5 to 42 in the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) published on 19 September 2019. The 2019 Interim Report is also posted on the Company's website (<http://www.irasia.com/listco/hk/ctii/interim/index.htm>) and the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0919/2019091900463.pdf>).

5. EFFECT OF THE TRANSACTIONS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The First Financial Assistance and the Second Financial Assistance were funded by internal resources and cash deposits of the Group. As a result of entering into the loan agreements under the First Financial Assistance and the Second Financial Assistance, the loan receivables have been increased by HK\$391.2 million and the cash and cashequivalents has been decreased by the same amount. As such, the provision of loans will not have any effects to the total assets and liabilities of the Group. The interest income to be received by the Group from the provision of the loans will be recorded as revenue of the Group. Save for the above, the Directors expect that there will be no material effects on the Group's consolidated profit or loss account.

CTS Finance in general offers interest rate no less than those offered by the other banks and financial institutions. The Company estimates that, if the maximum deposit amount the Group will deposit with CTS Finance will be RMB1.5 billion for each of the three years ending 31 December 2021, it is expected that the maximum amount of interests the Group will receive during the said period will be RMB21.293 million, RMB60 million and RMB60 million respectively, only represented a small proportion of the Group's profit and assets. Accordingly, the Company considers that the interest income to be derived from the deposit will not have a material impact on the Group's profit, assets and liabilities for the financial years ending 31 December 2019, 2020 and 2021, respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Interests in shares			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at the Latest Practicable Date
	Corporate interest	Personal interest	Family interest			
Mr. Fu Zhuoyang	-	-	-	768,000	768,000	0.01%
Mr. Lo Sui On	-	600,000	-	770,000	1,370,000	0.03%
Mr. Jiang Hong	-	-	-	800,000	800,000	0.01%
Mr. You Cheng	-	450,000	-	-	450,000	0.01%
Mr. Wu Qiang	-	600,000	-	680,000	1,280,000	0.02%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) had interests, directly or indirectly, or short positions in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the Latest Practicable Date
China CTS	Interest of controlled corporation (<i>Note 1</i>)	3,276,164,728	60.05%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (<i>Notes 1 and 2</i>)	3,276,164,728	60.05%
Hongkong New Travel Investments Ltd. (formerly known as Alliance Power Resources Ltd.)	Beneficial owner (<i>Note 2</i>)	1,109,952,705	20.34%
CTS Asset Management (I) Limited	Interest of controlled corporation (<i>Note 2</i>)	1,109,952,705	20.34%
CNIC Corporation Limited (formerly known as GUOXIN International Investment Corporation Limited)	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%
Ryden Holdings Company Limited	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%
中國華馨投資有限公司	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%
博遠投資有限公司	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%

Note 1: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS. CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO and the interests of China CTS in the Company duplicate the interests of CTS (Holdings).

Note 2: Of these 3,276,164,728 shares, 2,145,512,023 shares are held directly by CTS (Holdings). 20,700,000 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,109,952,705 shares are held directly by Hongkong New

Travel Investments Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Note 3: 1,109,952,705 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. Ryden Holdings Company Limited is 100% directly owned by CNIC Corporation Limited, which is 90% directly owned by 博遠投資有限公司, a 100%-owned subsidiary of 中國華馨投資有限公司. Ryden Holdings Company Limited, CNIC Corporation Limited, 博遠投資有限公司 and 中國華馨投資有限公司 are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had any interest, directly or indirectly, or short position in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO. Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2018 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited consolidated accounts of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
First Shanghai Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, First Shanghai Capital Limited had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, First Shanghai Capital Limited was not interested, directly or indirectly, in any assets which had since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

9. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by the members of the Group within two years immediately preceding the issue of this circular and are material:

- (i) the 2019 Financial Services Supplemental Agreement.
- (ii) the 2018 Financial Services Framework Agreement.

- (iii) the conditional assets and equity interest transfer master agreement entered into between the Group and China Travel Service Co., Ltd., a wholly-owned subsidiary of China CTS, on 9 August 2019, pursuant to which the Group will sell its business and assets relating to travel agency to China Travel Service Co., Ltd. at a consideration of HK\$5.13 million following internal reorganization. For details, please refer to the announcement of the Company dated 9 August 2019.
- (iv) The cooperation agreement entered into between the Company and Daxin County People's Government of Chongzuo City on 1 March 2019, pursuant to which the Company will make an investment in Daxin County with a total planned amount of approximately RMB1.45 billion. For details, please refer to the announcement of the Company dated 1 March 2019.
- (v) the management services master agreement entered into between the Company and China CTS on 28 December 2018, pursuant to which the Group will provide management services for subsidiaries of China CTS which engage in real estate projects. For details, please refer to the announcement of the Company dated 28 December 2018.
- (vi) the master lease agreement entered into between the Company and China CTS on 8 November 2018, pursuant to which the Group will continue to obtain lease of office premises from the China CTS Group. For details, please refer to the announcement of the Company dated 8 November 2018.
- (vii) the extension agreement entered into between the Company and CTS Financial Investment on 18 May 2018 to set out the terms and conditions of the extension of the maturity date of the loan provided to CTS Financial Investment. For details, please refer to the announcement of the Company dated 18 May 2018.
- (viii) the tour group services master agreement entered into between the Company and China CTS on 28 December 2017, where the Group and the China CTS Group will continue to provide tour group services to each other. For detail, please refer to the announcement of the Company dated 28 December 2017.

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

11. GENERAL

- (i) The registered office of the Company is situated at 12/F., CTS House, 78-83 Connaught Road Central, Hong Kong.
- (ii) The share registrar of the Company is Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Connaught Road East, Hong Kong.

- (iii) The company secretary of the Company is Mr. Lai Siu Chung, who is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, and a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lai holds a bachelor of law degree from University of London and master of arts degree from the Chinese University of Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office in Hong Kong at 12/F., CTS House, 78-83 Connaught Road Central, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 29 of this circular;
- (c) the consent letter of the independent Financial Adviser referred to in the section headed "Expert's Qualification and Consent of Expert" in this appendix;
- (d) the Articles;
- (e) the annual reports of the Group for the two years ended 31 December 2017 and 31 December 2018;
- (f) the interim report of the Company for the six months ended 30 June 2019;
- (g) the material contracts referred to in the paragraph headed "9. Material Contracts" of this appendix;
- (h) the loan agreement entered into between CTS (Shenzhen) and CTS (China) Investment on 2 August 2019 as stated in this circular;
- (i) the loan agreement entered into between the Company and CTS Financial Investment on 17 May 2019 as stated in this circular; and
- (j) this circular.

Particulars of the retiring Director subject to re-election at the EGM are set out below:

MR. SONG DAWEI *Independent Non-Executive Director*

Aged 64, appointed in August 2019, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. Mr Song was a Supervisor and the chairman of the Supervisory Committee of China COSCO Holdings Company Limited (now known as China COSCO SHIPPING Holdings Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1919), a director and a member of the CPC committee of China Ocean Shipping (Group) Company and the head of its CPC Discipline Inspection Committee. Mr. Song was the director of Industrial Production Committee of Fuxin City, the deputy director of the Economic and Trade Commission of Liaoning Province, the deputy director of the General Office, the deputy secretary-general and the director of the Research Center of the Restructuring Economic Systems of Liaoning Provincial Government. He was also the director of the Research Department of Social Development, Comprehensive Research Department of the State Council of the PRC. Mr. Song graduated from the Department of National Economy at the School of Economics and Management of Liaoning University with a master's degree in economics.

Save as disclosed above, Mr. Song has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. Pursuant to the director appointment letter entered into between the Company and Mr. Song, he is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. The director's fees payable to the Directors for their service in each year is approved by the Shareholders at the annual general meeting. Pursuant to the authorization granted by the Shareholders, the Board will then determine the director's fee payable to each Director with reference to his/her performance and the prevailing market conditions and trends. The director's fee of Mr. Song as an Independent Non-Executive Director of the Company for the year 2019 currently proposed is approximately HK\$350,000, such fee is determined based on the general duties and responsibilities as an Independent Non-Executive Director of the Company and the prevailing market conditions, and is payable on a time pro-rata basis for any non-full year's service.

Save as disclosed above, Mr. Song not hold any other position with the Company or its subsidiaries and does not have any relationship with any directors, senior management or substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Song does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Song has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of China Travel International Investment Hong Kong Limited (the “**Company**”) will be held at Cafe du Parc, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 29 November 2019 at 2:30 p.m. to consider as special business and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolution:

1. “**THAT**

- (a) The supplemental agreement to the 2018 Financial Services Framework Agreement (as defined below) dated 17 October 2019 (the “**2019 Financial Services Supplemental Agreement**”) entered into between the Company and China National Travel Service (HK) Finance Company Limited (“**CTS Finance**”) pursuant to which the Company and CTS Finance have agreed to amend the deposit caps for each of the three years ending 31 December 2021 under the financial services framework agreement entered into between the Company and CTS Finance dated 8 November 2018 (the “**2018 Financial Services Framework Agreement**”) to the Revised Deposit Caps (as further detailed in the circular of the Company dated 7 November 2019 (the “**Circular**”)), be and is hereby approved, confirmed and ratified;
- (b) The Revised Deposit Caps under the 2019 Financial Services Supplemental Agreement as set out in the Circular for each of the three years ending 31 December 2021 be and are hereby approved and confirmed;
- (c) Any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2019 Financial Services Supplemental Agreement”

2. “**THAT**

To re-elect Mr. Song Dawei as an Independent Non-Executive Director.”

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

Hong Kong, 7 November 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint more than one proxy to attend and, vote instead of him. A proxy need not be a member of the Company. A proxy form for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the Meeting, his form of proxy will be deemed to have been revoked.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time of the Meeting or any adjournment thereof.
- (4) In the case of joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (5) The Register of Members of the Company will be closed from Wednesday, 27 November 2019 to Friday, 29 November 2019 (both dates inclusive), for the purposes of ascertaining Shareholders' entitlement to attend and vote at the meeting. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share 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 Tuesday, 26 November 2019.
- (6) The votes to be taken at the Meeting shall be by way of poll.
- (7) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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.