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VOLUNTARY ANNOUNCEMENT
TRANSACTION OF TRAVEL AGENCY BUSINESS



KING POWER CAPITAL LTD.

(incorporated in the British Virgin Islands with limited liability)

US\$300,000,000 3.875 per cent. Guaranteed Notes due 2019 (Stock Code: 5822)

US\$700,000,000 5.625 per cent. Guaranteed Notes due 2024 (Stock Code: 5823)

unconditionally and irrevocably guaranteed by

CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED

(香港中旅(集團)有限公司)

(incorporated in Hong Kong with limited liability)

TRANSACTION

The board of directors of CTS had resolved on 22 November 2018 to transfer all the shares of China Travel Service Head Office Co., Ltd (the "Target Company") to CNTS, the sole shareholder of CTS.

CONSIDERATION

The consideration is equal to the appraised fair value of the Target Company as evaluated on the valuation date. An independent third-party valuation firm will be employed to conduct the Target Company's valuation. The net asset value of the Target Company on the valuation date will serve as an anchor for the appraised fair value.

REASONS FOR AND BENEFITS OF THE TRANSACTION

CNTS and CTS believe that the transaction will develop an integrated platform for the travel agency business. In addition, they believe that the transaction will increase the synergy of the travel agency

business and boost its competitive position in the marketplace.

CNTS and CTS believe that the transaction will not have a material adverse impact on their business activities or their abilities to service their respective outstanding debt obligations. The Target Company's 2017 pre-tax profit is RMB5.52 million which remains at a relatively low level.

DEFINITIONS

CTS	China Travel Service (Holdings) Hong Kong Limited(香港中旅(集團)有限公司), a limited liability company incorporated in Hong Kong, directly and wholly owned by CNTS.
Target Company	China Travel Service Head Office Co., Ltd.(中國旅行社總社有限公司), a limited liability company incorporated in China, indirectly and wholly owned by CTS.
CNTS	China National Travel Service Group Corporation Limited 中國旅遊集團有限公司, a company established in the PRC with limited liability, wholly owned by SASAC
SASAC	the State-owned Assets Supervision and Administration Commission of the PRC

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translations, the Chinese version shall prevail.

By Order of the Board
China Travel Service (Holdings) Hong Kong Limited
Wan Min
Chairman

Hong Kong, 31 December 2018

As at the date of this announcement, the directors of King Power Capital Ltd. are Zhang Fengchun, Zheng Jiang, Chen Hao and Hui Yuen Ching and the directors of China Travel Service (Holdings) Hong Kong Limited are Wan Min, Du Jiang, Ouyang Qian, Li Wenxin, Zhang Xiaotie, Kao Ruey-Bin and Gu Yueren.