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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 under the Companies Ordinance)*

(Stock Code: 308)

## **COMPLIANCE WITH THE REVISED LISTING RULES IN RELATION TO CERTAIN ONGOING CONNECTED TRANSACTIONS**

### **SUMMARY**

In February 2004, the Stock Exchange granted a waiver to the Company from strict compliance with the announcement/shareholders' approval requirement in connection with certain ongoing connected transactions for an indefinite period. Details of the waiver application were set out in the Company's announcement dated 12 January 2004.

On 13 July 2004, the Company entered into the Master Agreement to record the Ongoing Connected Transactions, in accordance with Chapter 14A of the Listing Rules which took effect on 31 March 2004.

It is expected that each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the annual total consideration to be payable by the Group for the Ongoing Connected Transactions each year hereafter, will exceed 0.1% but less than 2.5%. As such, the Ongoing Connected Transactions are classified as continuing connected transactions exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules but will be subject to the annual review and reporting requirement under Chapter 14A of the Listing Rules.

### **1. BACKGROUND INFORMATION**

The Group is engaged in travel and travel-related services, theme park business, transportation business, hotel business, golf club business and investment in infrastructure. CTS Holdings is the holding company of the Company with 58.95% interest and is engaged in various other business including hotels in PRC, trading, industrial investment, real estate development and technology.

The Group has in the past entered into certain ongoing connected transactions with CTS Holdings Group in the following categories:

- (a) Provision of insurance brokerage services by CTS Holdings Group;
- (b) Provision of decoration and maintenance services by CTS Holdings Group;
- (c) Provision of sightseeing cruiser services by CTS Holdings Group;
- (d) Sale of tourism services/products to CTS Holdings Group;
- (e) Provision of stevedoring services by CTS Holdings Group;

(f) Lease arrangements; and

(g) Provision of ASP related services to CTS Holdings Group.

CTS Holdings is the controlling shareholder of the Company and holds about 58.95% of the issued share capital of the Company.

In February 2004, the Stock Exchange granted a waiver to the Company from strict compliance with the announcement/shareholders' approval requirement in connection with the above categories of ongoing connected transactions for an indefinite period.

The Company entered into the Master Agreement to record the Ongoing Connected Transaction on 13 July 2004 for a term commencing on 1 January 2004 and ending on 31 December 2006, in accordance with Chapter 14A of the Listing Rules.

## **2. PARTICULARS OF THE MASTER AGREEMENT**

Set out below are the particulars of the services to be provided or received by the Group under the Master Agreement:

### **(a) Provision of insurance brokerage services by connected person**

#### *Transaction nature*

CT Insurance, a wholly-owned subsidiary of the Company's controlling shareholder, will continue to provide insurance brokerage services to the Group in relation to the selection of appropriate insurance policies and negotiation with insurance underwriters.

#### *Pricing basis*

The prices of these services shall not exceed the prevailing market price at which these services are available to the Group from independent third parties.

### **(b) Provision of decoration and maintenance services by connected person**

#### *Transaction nature*

It is envisaged that CT Building, a wholly-owned subsidiary of the Company's controlling shareholder, may from time to time provide office decoration and maintenance services to the Group.

#### *Pricing basis*

The decoration and maintenance services to be provided by CT Building will be charged on normal commercial terms which will be determined after arm's length negotiation. The prices of these services shall not exceed the prevailing market price at which these services are available to the Group from independent third parties.

### **(c) Provision of sightseeing cruiser services by connected person**

#### *Transaction nature*

It is envisaged that HYR Splendid, a subsidiary of the Company's controlling shareholder, may from time to time provide sightseeing cruiser services to CTS HK.

#### *Pricing basis*

The prices at which the sightseeing cruiser to be provided to CTS HK shall not exceed the prevailing market price at which similar services are available to CTS HK from independent third parties.

**(d) Sale of tourism services/products to connected person**

*Transaction nature*

CTS HK will continue to provide/sell its tourism services/products to the following connected persons, which are subsidiaries of the Company's controlling shareholder:

- (i) China Travel Service, Inc. (91.8% owned by CTS Holdings);
- (ii) China Travel Service (Thailand) Co. Ltd. (60% owned by CTS Holdings); and
- (iii) China Travel System (M) Sdn. Bhd. (a wholly-owned subsidiary of CTS Holdings).

*Pricing basis*

The prices at which the services/products of CTS HK are provided/sold to the connected persons mentioned in (i) to (iii) above shall not be lower than the price at which these tourism services/products are provided/sold by CTS HK to independent third parties.

**(e) Provision of stevedoring services by connected person**

*Transaction nature*

Tai Sun, a subsidiary of the Company's controlling shareholder, will continue to provide stevedoring services to the Group.

*Pricing basis*

The fee charged for the stevedoring services to be provided to the Group by Tai Sun, which is the only provider of such services in the market, shall not be higher than the fees charged by Tai Sun to independent third parties.

**(f) Lease arrangements**

***Connected person as lessor***

*Transaction nature*

The Company, Tycoon (Hong Kong), CTS HK and CT Net have renewed their respective tenancy agreements with CTS Holdings, pursuant to which, the Company, Tycoon (Hong Kong), CTS HK and CT Net will rent office premises with a lettable area of about 46,069 sq.ft. in aggregate located at CTS House, 78-83 Connaught Road Central, Hong Kong from CTS Holdings.

*Rental payable by the Company*

Rental: HK\$89,880 per month (inclusive of rates, Government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges).

Effective Date: The new tenancy agreement to be entered into by the Company with CTS Holdings shall take effect retrospectively from 1 September 2003, when the subsisting tenancy expired, and shall expire on 31 December 2006.

*Rental payable by Tycoon (Hong Kong), CTS HK and CT Net*

Rental: About HK\$860,678 per month (inclusive of rates, Government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges).

Effective Date: The new tenancy agreements to be entered into by Tycoon (Hong Kong), CTS HK and CT Net respectively with CTS Holdings shall take effect from 1 January 2004, when the current tenancy agreements expired, and shall expire on 31 December 2006.

*Pricing basis*

The rental and other charges charged by CTS Holdings to the Company, Tycoon (Hong Kong), CTS HK and CT Net shall not exceed the prevailing market rate.

**(g) Provision of ASP related services to connected person**

*Transaction nature*

It is envisaged that CT Net will continue to provide ASP related services to CT Computer Service, a wholly-owned subsidiary of the Company's controlling shareholder.

*Pricing basis*

The ASP related services to be provided by CT Net to CT Computer Service will be charged by reference to fees charged by CT Net to other independent third parties or the costs for the provision of such services plus a margin of not less than 10%, whichever is higher.

The following is a summary of the amount of connected transactions pursuant to the above-mentioned categories for each of the three years ended 31 December 2003:

	<b>Year ended 31st December,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Provision of insurance brokerage services by connected person	6,195	8,003	9,487
(b) Provision of decoration and maintenance services by connected person	4,072	544	0 <i>(Note)</i>
(c) Provision of sightseeing cruiser services by connected person	789	924	0 <i>(Note)</i>
(d) Sale of tourism services/products to connected persons	2,640	2,776	1,336
(e) Provision of stevedoring services by connected person	2,426	2,167	2,002
(f) Lease arrangements Connected person as lessor	8,479	13,982	13,811
(g) Provision of ASP related services to connected person	18,225	14,800	10,002
<b>TOTAL:</b>	<b>42,826</b>	<b>43,196</b>	<b>36,638</b>

*Note: The Group's need for decoration and maintenance services, sightseeing, cruise services/products declined generally in 2002 and 2003 due to the 911 event and SARS and the Group withheld such services from CTS Holdings Group in 2003.*

### 3. BENEFITS OF THE ONGOING CONNECTED TRANSACTIONS

The Ongoing Connected Transactions will continue to be conducted in the ordinary and usual course of business of the Group and its counter-parties, and on normal commercial terms determined on an arm's length basis. In view of past operational convenience and benefits brought to the Group, the Board considers it to be in the interests of the Company to continue to engage in the Ongoing Connected Transactions.

RHL Appraisal Ltd., a firm of independent property valuers, has confirmed that in view of the prevailing market conditions and the rental level of similar properties at the vicinity, the rental payable under the lease arrangements as set out above are fair and reasonable.

### 4. INFORMATION ABOUT THE ONGOING CONNECTED TRANSACTIONS

The Ongoing Connected Transactions are based on normal commercial terms agreed after arms' length negotiations between the parties and pursuant to the terms of the Master Agreement. The Board (including the independent non-executive directors of the Company) considers that the terms of the Ongoing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company proposes to set the maximum aggregate annual consideration for each of the Ongoing Connected Transactions (“Caps” and each a “Cap”) as follows:

	Caps for the year ending		
	31st December,		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
(a) Provision of insurance brokerage services by connected person	10,500	11,550	12,700
(b) Provision of decoration and maintenance services by connected person	4,500	4,950	5,500
(c) Provision of sightseeing cruiser services by connected person	1,000	1,100	1,200
(d) Sale of tourism services/products to connected person	3,100	3,400	3,750
(e) Provision of stevedoring services by connected person	2,700	3,000	3,300
(f) Lease arrangements Connected person as lessor	11,407	11,407	11,407
(g) Provision of ASP related services to connected person	20,000	22,000	24,200
<b>TOTAL:</b>	<b>53,207</b>	<b>57,407</b>	<b>62,057</b>

If such Caps are exceeded during the term of the Ongoing Connected Transaction, the Company will re-comply with the announcement requirement under Rule 14A.35 of the Listing Rules. The Caps were determined based on the following:–

- (a) historical transaction amounts;

- (b) the Company’s internal projection that the level of decoration and maintenance, demand for sightseeing cruiser and stevedoring services, sales of tourism services/products, ASP related services returning to the levels as seen in 2001 and/or 2002 prior to the 911 event and SARS;
- (c) an expected growth of approximately 10% in the respective services for the subsequent years except for the lease arrangement, which Caps are determined based on the terms of the respective tenancy agreement.

It is expected that each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the annual consideration for the Ongoing Connected Transactions each year hereafter, will exceed 0.1% but less than 2.5%. As such, the Ongoing Connected Transactions are classified as continuing connected transactions exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules.

The Ongoing Connected Transactions will be subject to the annual review requirement and the reporting requirement respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 to 14A.46 of the Listing Rules.

## 5. DEFINITIONS

“ASP”	internet and computer application service provider
“Board”	the board of Directors
“Cap(s)”	the maximum aggregate annual consideration for the Ongoing Connected Transactions as referred to above
“Company”	China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司)
“connected person”	as defined in the Listing Rules
“CT Building”	China Travel Building Contractors Hong Kong Limited (香港中旅建築有限公司), a wholly-owned subsidiary of CTS Holdings
“CT Computer Service”	China Travel Computer Services (HK) Limited (香港中旅電腦服務有限公司), a wholly-owned subsidiary of CTS Holdings
“CT Insurance”	China Travel Insurance Advisers Hong Kong Limited (香港中旅保險顧問有限公司), a wholly-owned subsidiary of CTS Holdings
“CT Net”	China Travel Net Limited (中旅網絡有限公司), a wholly-owned subsidiary of the Company
“CTS HK”	China Travel Service (Hong Kong) Limited (香港中國旅行社有限公司), a wholly-owned subsidiary of the Company

<b>“CTS Holdings”</b>	China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司), a company interested in 58.95% of the issued share capital of the Company and a connected person of the Company
<b>“CTS Holdings Group”</b>	CTS Holdings and its subsidiaries
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HYR Splendid”</b>	Hubei Yangtze River Splendid China Cruise Co. Ltd. (湖北揚子江錦繡中華游船有限公司), a subsidiary of CTS Holdings
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Master Agreement”</b>	the master agreement dated 13 July 2004 and entered into between the Company and CTS Holdings in relation to the Ongoing Connected Transactions
<b>“Ongoing Connected Transactions”</b>	the connected transactions to be entered into/or to be continued between the Group and its connected persons on an ongoing basis as described in the paragraph headed “Particulars of the Master Agreement” above
<b>“PRC”</b>	The People’s Republic of China
<b>“Shareholder(s)”</b>	shareholder(s) of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Tai Sun”</b>	Tai Sun Services Company Limited (大新服務有限公司), a subsidiary of CTS Holdings
<b>“Tycoon (Hong Kong)”</b>	Shenzhen Tycoon Golf Club Co., Limited (深圳聚豪會高爾夫球會有限公司), a wholly-owned subsidiary of the Company

By order of the Board  
**China Travel International Investment Hong Kong Limited**  
**Shen Zhuying**  
*Vice Chairman, General Manager*

Hong Kong, 13 July 2004

*The directors of the Company as at the date of this announcement:*

*Executive Directors:*

Mr. Che Shujian, Mr. Zhang Xuewu, Mr. Shen Zhuying, Mr. Zheng Heshui, Mr. Lo Sui On, Mr. Chen Shoujie, Mr. Zheng Hongqing, Mr. Zhang Fengchun, Mr. Ng Chi Man, Michael and Mr. Liu Li

*Independent Non-Executive Directors:*

Dr. Yeh Meou Tsen, Geoffrey (Mr. Yeh V Nee being the Alternate Director to Dr. Yeh Meou Tsen, Geoffrey), Dr. Fong Yun Wah and Mr. Wong Man Kong, Peter