

REASONS FOR AND BENEFITS OF THE CHCIP ACQUISITION

The Group is principally engaged in travel and travel-related operations, hotel operations, tourist attraction operations, passenger transportation, golf club operations, freight forwarding and transportation services and power generation.

At present, the Company has an indirect shareholding in CHCIP through the 30% shareholding in CHCIP owned by Splendid China. Splendid China is a 51%-owned subsidiary of the Company. Upon completion of the CHCIP Acquisition, the Company will be deemed to be interested in 80% shareholding in CHCIP including its interests through the Contractual Arrangements with the Nominee. The Directors believe the art and culture show performance business in the PRC has good potential because of the increased demand for leisure and entertainment services due to the improved economy and living standard. CHCIP has participated in various large-scale performances in the PRC. It is also experienced in inviting performers from overseas to perform art and culture shows and activities in the PRC and exporting Chinese performing arts troupes. Since its establishment CHCIP has sent performance troupes to the United States and South Korea. In the opinion of the Directors, the businesses of the Group and CHCIP are complementary with each other and the CHCIP Acquisition, combined with the Group's strength in tourism in the PRC such as organising art and cultural shows at tourist attractions of the Group, will introduce a synergy effect which can enhance the profitability of CHCIP and therefore the Group as a whole. The Directors have also noticed that the price-to-book ratio of the CHCIP Acquisition is comparable to that of companies engaging in similar business that are listed on the Stock Exchange.

As direct foreign investment in art and cultural show performance business in the PRC is currently restricted under the PRC laws and regulations, the Company therefore entered into the Contractual Arrangements so as to enjoy the economic benefits of CHCIP.

CHCIP currently is an indirect associated company of the Company through its shareholding in Splendid China. Upon completion of the CHCIP Acquisition, CHCIP will become an indirect subsidiary of the Company.

In view of the above, the Directors (including the Independent Non-Executive Directors) consider the terms of the CHCIP Acquisition, including the consideration and the Option Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE PROPERTY PURCHASE

Purchase of the Property and related management arrangement

Date:	10 August 2004
Purchaser:	CTI, a wholly owned subsidiary of the Company
Vendor:	“BCTB”, a wholly owned subsidiary of CTS (Holdings), its principal business are sale and lease of office, hotel operation and property management
Property:	The entire 15th Floor of 港中旅大廈 (Gangzhonglu Building*) in Xuan Wu District, Beijing, the PRC (gross floor area of 2,600.89 square meters) , the land use right certificate of which is owned by BCTB and all of the land premiums has been paid up
Consideration:	RMB23,408,010 (equivalent to approximately HK\$22,083,028) payable in cash within 10 days after the signing of the sale and purchase agreement. The transaction is financed by internal resources of CTI
Delivery of possession and completion:	Possession of the Property has been delivered on 4 March 2004
	A new land use and title certificate in respect of the Property is expected to be issued by 北京市國土資源和房屋管理局 (Department of Land and Resources, Beijing) to CTI within six months (or such other later date as the parties may agree) after signing of the sale and purchase agreement, failing which CTI could terminate the sale and purchase agreement and BCTB shall refund the consideration to CTI

The purchase price of the Property has been arrived at with reference to a valuation based on open market value made by RHL Appraisal Ltd., an independent property valuer, which valued the Property at RMB38,000,000 (equivalent to approximately HK\$35,849,057) as at 24 November 2003, and was negotiated on an arm's length basis. The consideration for the purchase of the Property represents a discount of approximately 38.4% to the valuation of the Property.

The Property has been currently occupied rent-free by CTI as its office in Beijing since March 2004. No rental agreement with respect to the occupation of the Property by CTI has been entered into between BCTB and CTI prior to the entering into of the sale and purchase agreement and the Property has been occupied by CTI rent-free up to the date of this announcement. However, CTI is responsible for the management fee and air-conditioning fee (as mentioned below) during the period of its occupancy of the Property up until the date of the entering of the Management Service Agreement. The Directors confirm that, fees incurred during such period did not exceed HK\$1,000,000 or 0.1% under any of the Percentage Ratios (other than the profits ratio), therefore it was exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CTI also entered into the Management Service Agreement on 10 August 2004 with the Manager, a 分支公司 (branch) of BCTB, whereby CTI agreed to pay the Manager, amongst other miscellaneous fees in relation to the Property, a management fee at the rate of US\$3.00 (equivalent to approximately HK\$23.4) per square meter per month, or an aggregate of US\$93,632 (equivalent to approximately HK\$730,330) per annum, for the property management services rendered by the Manager, and an air-conditioning fee of approximately RMB98,282 (equivalent to approximately HK\$92,719) per year. The management fee is payable monthly, five days upon the receipt of the invoice issued by the Manager and the air conditioning fee is payable five days upon the receipt of the invoice issued by the Manager. According to an opinion prepared by RHL Appraisal Ltd., in view of the prevailing market conditions and the price level of management charges of similar properties in the vicinity, the abovementioned fees payable by CTI are not less favourable than the prevailing market rate and charges. The term of the Management Service Agreement commenced on 10 August 2004, and will end on 31 December 2004, and is renewable annually. The Company will comply with the requirements of the Listing Rules in the case of renewal of the Management Services Agreement. The Principle businesses of the Manager are hotel operation and property management.

Reasons for the Property Purchase

The Property Purchase is part of the expansion plan of the Group in the PRC as CTI is planning to utilise the Property as its office in Beijing for its development of businesses in Northern China.

The Directors (including the Independent Non-Executive Directors) consider that the Property Purchase together with the Management Service Agreement have been entered into on normal commercial terms and the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

CTS (Holdings), being a substantial Shareholder interested in approximately 58.95% of the issued share capital of the Company as at the date of this announcement, is a connected person to the Company. Therefore, each of the CHCIP Acquisition and the Property Purchase (including the Management Service Agreement) constitutes a connected transaction for the Company under the Listing Rules. As each of the Percentage Ratios (other than the profits ratio) under the CHCIP Acquisition and the Property Purchase (including the Management Service Agreement) is less than 2.5%, the CHCIP Acquisition and the Property Purchase fall within the de minimus provision of Rule 14A.32, and is therefore only subject to the disclosure requirements set out in Rules 14A.45 to 14A.47, of the Listing Rules only. Details of the CHCIP Acquisition and the Property Purchase will be included in the next published annual report of the Company in accordance with Rules 14A.45 of the Listing Rules.

As at the date of this announcement, the Executive Directors are 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 and the Independent Non-Executive Directors are 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.

DEFINITIONS

“BCTB”	北京港中旅大廈有限公司(Beijing China Travel Building Limited*), a wholly owned subsidiary of CTS (Holdings)
“Board”	the board of Directors
“CHCIP”	天創國際演藝製作交流有限公司 (China Heaven Creation International Performing Arts Co., Ltd.*), a domestic enterprise established under the PRC law in 1999
“CHCIP Acquisition”	acquisition of 50% issued share capital in CHCIP pursuant to the CHCIP Sale and Purchase Agreement and the Contractual Arrangements
“CHCIP Sale and Purchase Agreement”	the sale and purchase agreement dated 10 August 2004 entered into between the Nominee, Orlando and CTICL in relation to the acquisition of 50% issued share capital in CHCIP
“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
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Contractual Arrangements”	<ol style="list-style-type: none">the Loan Agreement;the Share Pledge Agreement; andthe Option Agreement;
“CTI”	China Travel International Ltd. (港中旅國際旅行社有限公司), a wholly foreign-owned enterprise established under the PRC law and a wholly owned subsidiary of the Company
“CTICL”	港中旅實業有限公司 (China Travel Industrial Co., Ltd.*), a domestic enterprise established under the PRC law
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司), a company incorporated in Hong Kong with limited liability and is interested in 58.95% of the issued share capital of the Company as at the date of this announcement
“Directors”	the directors of the Company
“Dreamlike”	夢幻灘江演藝傳播有限公司 (The Dreamlike Lijiang Showbiz Co., Ltd.*), a domestic enterprise established under the PRC law
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 10 August 2004 entered into between the Company and the Nominee, details of which are set out above
“Manager”	港中旅新時代大酒店 (China Travel New Times Hotel*), a 分支公司 (branch) of BCTB and the manager of Gangzhonglu Building
“Management Service Agreement”	the management service agreement dated 10 August 2004 entered into between CTI and the Manager, details of which are set out above
“Nominee”	Mr. Du Xinjian, a PRC citizen
“Option Agreement”	the option agreement date 10 August 2004 entered into between the Company and the Nominee, details of which are set out above
“Orlando”	深圳市奧蘭多演藝製作有限公司 (Shenzhen Orlando Performing Arts Co., Ltd.*), a domestic enterprise established under the PRC law
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	The People's Republic of China
“Property”	the entire 15th floor of 港中旅大廈 (Gangzhonglu Building*) in Xuan Wu District, Beijing, the PRC
“Property Purchase”	the purchase of the Property and the entering into of the Management Service Agreement
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Pledge Agreement”	the share pledge agreement dated 10 August 2004 entered into between the Company and the Nominee, details of which are set out above
“Splendid China”	Shenzhen The Splendid China Development Co., Ltd. (深圳錦繡中華發展有限公司), a sino-foreign equity joint venture established under the PRC law which is a subsidiary of the Company, owned as to 51% by the Company and as to 49% by 深圳華僑城控股股份有限公司 (Shenzhen Overseas Chinese Town Holding Company)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.06 and translation of Hong Kong dollars into United States dollars is based on the exchange rate of US\$1.00 = HK\$7.80.

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

Hong Kong, 10 August 2004

* for identification purposes only