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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)

## CONNECTED TRANSACTION

On 4 April 2005, CTS Cargo, a wholly-owned subsidiary of the Company, reached an agreement with the CTSIT Management whereby CTS Cargo would sell all its interest in the entire registered capital of SHIEC for a consideration of RMB14,295,387.69 (approximately HK\$13,486,214.80).

The CTSIT Management are directors and senior management of CTSIT and therefore are connected persons of the Company. The Disposal constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is more than 0.1% but less than 2.5%, the Disposal falls within the provision of Rule 14A.32 and is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements. Details of the Disposal is accordingly disclosed in this announcement and will be included in the next published annual report of the Company in accordance with Rule 14A.45.

### DETAILS OF THE DISPOSAL AGREEMENT

**Date:** 4 April 2005

**Parties:**

- (1) CTS Cargo acting through its agents, as the vendor; and
- (2) CTSIT Management, as the purchasers.

**Assets disposed**

The entire registered capital of SHIEC will be sold under the Disposal Agreement. For further information about SHIEC, please refer to the paragraph headed "Information on SHIEC" below. The CTSIT Management will take up the entire registered capital of SHIEC in the following proportion:

Name	Share of consideration	% in SHIEC to be acquired
汪家璈 (Wang Jia Ao)	RMB2,859,077.54 (approximately HK\$2,697,242.96)	20%
顧平普 (Gu Ping Pu)	RMB2,382,540.79 (approximately HK\$2,247,679.99)	16.6665%
周敘清 (Zhou Xu Qing)	RMB1,977,480.98 (approximately HK\$1,865,548.09)	13.833%
蔡顯忠 (Cai Xian Zhong)	RMB1,977,480.98 (approximately HK\$1,865,548.09)	13.833%
劉宏 (Liu Hong)	RMB1,977,695.41 (approximately HK\$1,865,750.39)	13.8345%
董偉中 (Dong Wei Zhong)	RMB1,215,107.95 (approximately HK\$1,146,328.26)	8.5%
祝兆榮 (Zhu Zhao Rong)	RMB953,002.02 (approximately HK\$899,058.51)	6.6665%
馬傳有 (Ma Chuan You)	RMB953,002.02 (approximately HK\$899,058.51)	6.6665%
<b>TOTAL:</b>	<b>RMB14,295,387.69</b> (approximately HK\$13,486,214.80)	<b>100%</b>

Under the Disposal Agreement, all the earnings of SHIEC for the period commenced from 30 June 2004 will belong to the CTSIT Management

### **Completion**

After the signing of the Disposal Agreement, the parties will apply for the approval from the relevant State Administration for Industry and Commerce for the transfer contemplated under the Disposal Agreement. The Disposal will be deemed to be completed once such approval is obtained. If such approval cannot be obtained within 2 months from the signing of the Disposal Agreement, the consideration shall be refunded to CTSIT Management without interest and the Disposal will lapse.

### **Other arrangement**

In consideration of the Disposal Agreement, the CTSIT Management has agreed to waive their entitlement to bonuses of RMB14.7 million payable by CTSIT in 2004.

### **Consideration**

The consideration for the Disposal of RMB14,295,387.69 (approximately HK\$13,486,214.80) were payable in cash by each of the CTSIT Management in proportion to their respective proposed shareholding percentage in SHIEC. 20% of such consideration has been paid as deposit upon signing of the Disposal Agreement, and the balance of such consideration will be paid within 7 days from the signing of the Disposal Agreement.

The above consideration was arrived at after arm's length negotiations between the parties based on an agreed valuation of RMB70 million (approximately HK\$66 million) for CTSIT, in which SHIEC has a 20% interest and the carrying value of the investment of SHIEC of HK\$13,486,214.80. The said agreed valuation of RMB70 million (approximately HK\$66 million) of CTSIT was agreed between the parties to the Disposal based on a recent proposed disposal of CTSIT of its 4% interest in CTSIT at RMB2.8 million (approximately HK\$2.6 million) by an independent third party minority shareholder which is not connected with the directors, chief executives and substantial shareholders of the Company and its subsidiaries, and any of their associates.

It is expected that no gain or loss will be accrued to the Company, as the consideration equals to the carrying value of the investment of SHIEC of HK\$13,486,214.80 as recorded in the unaudited management accounts of the Company as at 31 December 2004. The proceeds of consideration received as a result for the Disposal will be applied by the Group as general working capital.

### **INFORMATION ON SHIEC**

SHIEC was a limited liability company established in the PRC with a registered capital of RMB11 million (approximately HK\$10.4 million) and is engaging in strategic investment in providing services to travelling PRC nationals. It holds, as its major asset, a 20% shareholding in CTSIT, which is engaged in freight-forwarding business in the PRC. The Company's interests in SHIEC were accounted for as an investment by the Group as the Company's intention was to hold the 20% interest in CTSIT as investment, and the said 20% interests of CTSIT was therefore not consolidated in the financial statements of the Group as reflected in the Company's financial statements since the acquisition of such interests in 2003. Other than the said 20% interest through SHIEC, the Company is holding 76% interests in CTSIT which has been consolidated in the Group's financial statements since the acquisition of such interests in 1997 and the Company will continue to hold such 76% interests in CTSIT immediately after the Completion. As such, CTSIT will remain a non wholly-owned subsidiary of the Company immediately after the Completion.

As at 31 December 2004, the audited net asset value (in accordance with HK GAAP) of SHIEC (in accordance with HK GAAP) was RMB28.8 million (approximately HK\$27.17 million). For the financial year ended 31 December 2004, the audited net profits of SHIEC (in accordance with HK GAAP) before and after taxation were RMB0.3 million (approximately HK\$0.3 million) and RMB0.3 million (approximately HK\$0.3 million) respectively. For the financial year ended 31 December 2003, the audited net profits of SHIEC (in accordance with HK GAAP) before and after taxation were RMB2.6 million (approximately HK\$2.4 million) and RMB2.2 million (approximately HK\$2.1 million) respectively. For the financial year ended 31 December 2002, the audited net profits of SHIEC (in accordance with HK GAAP) before and after taxation were RMB5.4 million (approximately HK\$5.1 million) and RMB4.6 million (approximately HK\$4.3 million) respectively.

### **REASON FOR THE DISPOSAL**

The Board considers that the Disposal will allow the Group to further capitalise on the potential growth in the freight-forwarding business in the PRC by tapping the management talents of the CTSIT Management through their equity participation in CTSIT.

The Directors (including all the independent non-executive directors) consider the terms of the Disposal Agreement, including the consideration for the Disposal, to be normal commercial terms, and fair and reasonable and in the interests of the Company and all the shareholders as a whole.

### **GENERAL**

The Group is engaged in travel and travel-related services, theme park business, transportation business, hotel business, golf club business and investment in infrastructure.

The CTSIT Management are directors and senior management of CTSIT and therefore are connected persons of the Company. The Disposal constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is more than 0.1% but less than 2.5%, the Disposal falls within the provision of Rule 14A.32 and is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements. Details of the Disposal is accordingly disclosed in this announcement and will be included in the next published annual report of the Company in accordance with Rule 14A.45.

## DEFINITIONS

<b>Expressions</b>	<b>Meanings</b>
“Company”	China Travel International Investment Hong Kong Limited
“Completion”	completion of the Disposal
“connected person(s)”, “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“CTS Cargo”	China Travel Service Cargo (Investment) Limited (香港中旅貨運(投資)有限公司, a wholly-owned subsidiary of the Company
“CTSIT”	CTS International Transportation Co., Ltd. (華貿國際貨運有限公司)
“CTSIT Management”	汪家墩 (Wang Jia Ao), 顧平普 (Gu Ping Pu), 周敘清 (Zhou Xu Qing), 蔡顯忠 (Cai Xian Zhong), 劉宏 (Liu Hong), 董偉中 (Dong Wei Zhong), 祝兆榮 (Zhu Zhao Rong) and 馬傳有 (Ma Chuan You), being directors and senior management of CTSIT and the purchasers of the entire interest in the registered capital of SHIEC under the Disposal Agreement
“Directors”	directors of the Company
“Disposal”	disposal of all the interest in the entire registered capital of SHIEC pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 4 April 2005, details of which are set out above
“Group”	the Company and its subsidiaries
“HK GAAP”	generally accepted accounting principles in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“party” or “parties”	the party or parties to the Disposal Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SHIEC”	Shanghai Huajian Import-Export Company (上海市華建進出口公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

\* Exchange rate used in this announcement is for reference only and is HK\$100 to RMB106

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

Hong Kong, 8 April 2005

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, Mr. Wong Man Kong, Peter and Mr. Sze, Robert Tsai To