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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 14 June 2005, CTS Zhuhai and CTI, both wholly-owned subsidiaries of the Company, entered into an agreement with Cosco whereby CTS Zhuhai agreed to acquire 30% of the entire registered capital of CTI Cosco for a consideration of RMB7,980,000 (i.e. approximately HK\$7,528,302) (subject to a third-party tender procedure set out below). At present, the other 70% of the entire issued registered capital of CTI Cosco is owned by CTI and CTI Cosco is a subsidiary of the Company. Upon completion, CTI Cosco will become a wholly-owned subsidiary of the Company.

Cosco is a substantial shareholder of the Company's subsidiary (i.e. CTI Cosco) and therefore is a connected person of the Company. The Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the consideration and value of the Acquisition are more than 0.1% but less than 2.5%, the Acquisition falls within the provision of Rule 14A.32 and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and is exempt from the independent shareholders' approval requirements. Details of the Acquisition will be included in the next published annual report of the Company in accordance with Rule 14A.45.

DETAILS OF THE CONDITIONAL ACQUISITION AGREEMENT

Date: 14 June 2005

Parties:

- (1) Cosco, as the vendor;
- (2) CTS Zhuhai, as the purchaser; and
- (3) CTI, as the guarantor.

Assets acquired

30% of the entire registered capital of CTI Cosco. Please refer to the paragraph headed "Information on CTI Cosco" below.

Consideration and Completion

Within 5 days after the signing of the Conditional Acquisition Agreement, Cosco will put the Asset to tender on the Shanghai Asset Stock Exchange for a period of 20 days, subject to a pre-emption right exercisable by CTS Zhuhai.

If no third-party offer is received during the tender period, the parties should proceed to completion at the agreed consideration of RMB7,980,000 (i.e. approximately HK\$7,528,302). If third-party offers are received during the tender period, CTS Zhuhai has the right to acquire the Asset at the highest tender price.

After the tender period, if there is no third-party tender or CTS Zhuhai exercises the pre-emption right, CTS Zhuhai and Cosco shall enter into transfer agreement in the prescribed form under the supervision of the Shanghai Asset Stock Exchange. The completion of the transfer shall take place upon, among other things, the registration with the relevant State Administration for Industry and Commerce regarding the transfer. It is expected that completion will take place in August 2005. The consideration will be payable within 5 days after the execution of the transfer agreement in the prescribed form, to a designated settlement accounts with the Shanghai Asset Stock Exchange pending release to Cosco upon completion.

The agreed consideration of RMB7,980,000 (i.e. approximately HK\$7,528,302) was arrived at with reference to a valuation report on the assets of CTI Cosco issued by a qualified PRC valuer who is independent from the Company and not connected with the directors or substantial shareholders of the Company. The assets of CTI Cosco were valued at RMB29.53 million (i.e. approximately HK\$27.86 million) as at 30 June 2004. The valuation report was issued in March 2005. CTI agreed to guarantee the obligations of CTI Zhuhai under the Conditional Acquisition Agreement. The paid up capital of 30% of the entire registered capital of CTI Cosco was RMB7,886,183.86 (i.e. approximately HK\$7,439,796.09).

The consideration will be funded with internal resources of the Group.

The Shanghai Asset Stock Exchange is a transaction platform established in Shanghai, PRC and is operating under the regulation of the Shanghai municipal government, to facilitate transfers of state-owned assets.

Should CTS Zhuhai exercise such pre-emption right at a price higher than the aforesaid agreed consideration or should it decide not to exercise such pre-emption right, a further announcement will be made by the Company. If such price exceeds the threshold under Rule 14A.32 of the Listing Rules, the Company will comply with any reporting, disclosure or shareholders' approval requirements under the Listing Rules as and when appropriate.

INFORMATION ON CTI COSCO

CTI Cosco (formerly known as Cosco International Travel Ltd.) was initially established in 31 December 1993 in the PRC as a limited liability company by Cosco as its wholly-owned subsidiary, providing local and overseas tours in the PRC. In January 2003, CTI acquired 70% of CTI Cosco from Cosco, and CTI Cosco became a 70%-owned subsidiary of the Company. CTI Cosco is currently a 70%-owned subsidiary of the Company, and will become a wholly-owned subsidiary of the Company upon Completion.

As at 31 December 2004, the audited net asset value (in accordance with PRC GAAP) of CTI Cosco was RMB31.33 million (i.e. approximately HK\$29.56 million). For the financial year ended 31 December 2004, the audited net profit of CTI Cosco (in accordance with PRC GAAP) before and after taxation were RMB12.82 million (i.e. approximately HK\$12.09 million) and RMB9.7 million (i.e. approximately HK\$9.15 million) respectively. For the financial year ended 31 December 2003, the audited net asset value (in accordance with PRC GAAP) of CTI Cosco was RMB21.65 million (i.e. approximately HK\$20.42 million). For the financial year ended 31 December 2003, the audited net loss of CTI Cosco (in accordance with PRC GAAP) before and after taxation were RMB1.54 million (i.e. approximately HK\$1.45 million) and RMB1.55 million (i.e. approximately HK\$1.46 million) respectively.

REASON FOR THE ACQUISITION

The Board considers that the Acquisition will provide a suitable opportunity for the Company to integrate the control of CTI Cosco in order to better capitalise on the potential growth in the local PRC tour business.

The Directors (including all the independent non-executive directors) consider the terms of the Conditional Acquisition Agreement, including the agreed consideration for the Acquisition of RMB7,980,000 (i.e. approximately HK\$7,528,302) to be fair and reasonable and in the interests of the Company and all the shareholders as a whole.

INFORMATION ON THE COMPANY AND COSCO

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

Cosco is engaged in shipping and modern logistics businesses, an independent ship agency and provides with services in freight forwarding, newbuilding, shiprepairing, terminal operation, container manufacturing, trade, financing, real estate, IT and contract employment.

GENERAL

Cosco is a substantial shareholder of the Company's subsidiary (i.e. CTI Cosco) and therefore is a connected person of the Company. The Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the consideration and value of the Acquisition are more than 0.1% but less than 2.5%, the Acquisition falls within the provision of Rule 14A.32 and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and is exempt from the independent shareholders' approval requirements. Details of the Acquisition will be included in the next published annual report of the Company in accordance with Rule 14A.45.

DEFINITIONS

Expressions	Meanings
“Acquisition”	the acquisition anticipated in the Conditional Acquisition Agreement
“Asset”	30% of the entire registered capital of CTI Cosco
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“Completion”	completion of the Acquisition
“Conditional Acquisition Agreement”	the agreement for sale and purchase dated 14 June 2005 between Cosco, CTS Zhuhai and CTI pursuant to which CTS Zhuhai has conditionally agreed to acquire from Cosco 30% equity interest in CTI Cosco
“connected person”	as defined in the Listing Rules
“Cosco”	中國遠洋運輸(集團)總公司China Ocean Shipping (Group) Company, a company established in the PRC
“CTS Zhuhai”	港中旅(珠海)海洋溫泉有限公司China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC
“CTI”	港中旅國際旅行社有限公司China Travel International Ltd., a wholly-owned subsidiary of the Company established in the PRC
“CTI Cosco”	港中旅遠洋國際旅行社有限公司CTI Cosco Travel Ltd., a company established in the PRC
“Directors”	directors of the Company
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	as defined in the Listing Rules

* *Exchange rates used in this announcement are HK\$100 to RMB106*

By Order of the Board
China Travel International Investment Hong Kong Limited
Ng Chi Man, Michael
Executive Director

Hong Kong, 20 June 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