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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: 00308)

CONNECTED TRANSACTIONS

CHCIP, a subsidiary of the Company held as to 70% by the Nominee and 30% by Splendid China has proposed to increase its registered capital from RMB10 million (approximately HK\$9.8 million) to RMB40 million (approximately HK\$39.2 million). The Additional Capital will be contributed solely by the Nominee. As direct foreign investment in formation of art and cultural show performance group in the PRC is currently restricted under PRC law and regulations, the Company will indirectly contribute to the proposed investment in the Additional Capital by entering into the Contractual Arrangements on 8th November 2006 with the Nominee. As Overseas Chinese Town, which owns 49% interest in Splendid China, also owns 49% interest in Window of the World, which is another non-wholly owned subsidiary of the company, CHCIP is a connected person of the Company. Taking into account the amount of the proposed investment in the Additional Capital, the transactions contemplated under the Contractual Arrangements constitute connected transactions for the Company under Rule 14A.32 of the Listing Rules, and are subject to the disclosure requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Details of the transactions contemplated under the Contractual Arrangements will be included in the next published annual report of the Company in accordance with Rule 14A.45 of the Listing Rules.

DETAILS OF THE CONTRACTUAL ARRANGEMENTS

CHCIP is a subsidiary of the Company held as to 70% by the Nominee and 30% by Splendid China. As disclosed in the Company's announcement dated 10 August 2004, the Nominee holds the interests in CHCIP as a nominee of the Company and the Company is deemed to be interested in the said interest in CHCIP through the existing contractual arrangements with the Nominee. Together with the indirect interest of the Company in CHCIP through its shareholdings in Splendid China, the Company is beneficially interested in 85.3% of the share capital in CHCIP, whose results have been consolidated as a subsidiary into the financial statements of the Company. As direct foreign investment in formation of art and cultural show performance group in the PRC is currently restricted under PRC law and regulations, the Company will indirectly contribute to the proposed investment in the Additional Capital by entering into the Contractual Arrangements on 8th November 2006 with the Nominee.

CHCIP has proposed to increase its registered capital from RMB10 million (approximately HK\$9.8 million) to RMB40 million (approximately HK\$39.2 million). The Additional Capital will be contributed solely by the Nominee. As a result, the Nominee's holding in the registered capital of CHCIP will be increased from RMB7 million (approximately HK\$6.9 million) (representing 70% thereof) to RMB37 million (approximately HK\$36.3 million) (representing 92.5% thereof). Splendid China's interest in the registered capital of CHCIP will remain as RMB3 million (approximately HK\$2.9 million) (representing 30% thereof as at the date hereof and 7.5% thereof after the contribution of the Additional Capital). After the aforesaid increase in the registered capital of CHCIP, the beneficial interest in CHCIP held by the Company will be increased from 85.3% to 96.325%.

Date

8th November 2006

Parties

The Company; and

the Nominee.

Save for the nominee arrangements between the Company and the Nominee relating to the existing holding of 70% interest in CHCIP, the Nominee is independent of and not connected with the directors, chief executive and substantial shareholders of the Company and/or its subsidiaries and their respective associates. The Nominee is the general manager of the finance department of China Travel Service (Hong Kong) Limited, a wholly-owned subsidiary of the Company.

The Loan Agreement

The Company and the Nominee entered into the Loan Agreement, under which the Company will grant a non-interest bearing loan in an aggregate value of RMB30 million (approximately HK\$29.4 million) to the Nominee solely for financing his contribution to the Additional Capital. As a guarantee for repayment of the said loan, the Nominee shall pledge the Additional Capital to the Company and execute the Share Pledge Agreement. The loan will be financed by the internal resources of the Group.

Unless otherwise agreed by the Company and the Nominee, the obligations of the Nominee under the Loan Agreement can only be discharged by the completion of the Option Agreement and the release from the share pledge pursuant to the Share Pledge Agreement and the loan cannot be repaid by other means including but not limited to repayment of cash or cash equivalents.

The Share Pledge Agreement

The Company and the Nominee entered into the Share Pledge Agreement, under which the Nominee pledges the Additional Capital as security for the performance of his obligations under the Loan Agreement and the Option Agreement. The Company has the right to sell the pledged Additional Capital to any third parties when the Nominee fails to fulfil his obligations under the Loan Agreement and the Option Agreement, or when the Company reasonably considers that the Nominee is unable to fulfil such obligations.

The Option Agreement

The Company and the Nominee entered into the Option Agreement, under which the Company has been granted an option, exercisable by the Company at its sole discretion, by the Nominee to acquire the Additional Capital as and when direct investment in CHCIP by the Company is allowed under PRC law and regulations. The Nominee is obliged to complete the transfer of the Additional Capital within 30 days upon receiving written notice from the Company. Consideration for such transfer shall be the discharge of all repayment obligations and other obligations of the Nominee under the Loan Agreement and the release of the pledge over the Additional Capital pursuant to the Share Pledge Agreement.

The Nominee undertakes to the Company that, commencing from the effective date of the Option Agreement, he will seek the instructions from the Company in respect of the exercise of his shareholder's rights in CHCIP (including the rights to appoint directors and legal representative, to vote in shareholders' meetings and to receive dividends) from time to time and exercise the said rights in accordance with such instructions or appoint the Company or any person nominated by the Company to exercise such rights on his behalf.

Information on CHCIP

CHCIP is a domestic enterprise established under the PRC law. The principal activities of CHCIP and its subsidiary and associated company are sponsoring, organising and promoting art and cultural shows and art and cultural exhibitions in the PRC as well as overseas. The remaining 30% shareholding interest in CHCIP is owned by Splendid China, a non-wholly owned subsidiary of the Company. Splendid China is owned as to 51% by the Company and as to 49% by Overseas Chinese Town. Apart from the shareholding interest in Splendid China, Overseas Chinese Town also owns 49% interest in Window of the World, another non-wholly owned subsidiary of the Company. In light of the aforesaid connection of Overseas Chinese Town and Splendid China with the Company, CHCIP is regarded as a connected person of the Company.

According to the unaudited consolidated accounts of CHCIP prepared in accordance with the generally accepted accounting principles of China for the two years ended 31 December 2005, its financial information is summarised as follows:

	For the year ended 31 December	
	2005	2004
	RMB	RMB
Profit before tax	1.61 million	1.09 million
Profit after tax	1.31 million	0.81 million
	As at 31 December	
	2005	2004
	RMB	RMB
Total assets	31.11 million	24.66 million
Total liabilities	18.17 million	12.94 million
Net assets	12.94 million	11.72 million

INFORMATION ON THE GROUP

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

REASONS AND BENEFITS OF ENTERING INTO THE CONTRACTUAL ARRANGEMENTS

The Directors believe the art and cultural 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 and that the proposed investment in the Additional Capital will allow the Company to increase its economic interest in the growth potential of CHCIP.

As direct foreign investment in the formation of art and cultural show performance group in the PRC is currently restricted under PRC laws and regulations, the Company has entered into the Contractual Arrangements in respect of the nominee arrangements in order to enjoy the economic benefits of CHCIP.

The terms of the proposed investment in the Additional Capital and the Contractual Arrangements are made after arm's length negotiations between the respective parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the proposed investment in the Additional Capital and the Contractual Arrangements are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As CHCIP is a connected person of the Company, taking into account of the proposed investment in the Additional Capital, the transactions contemplated under the Contractual Arrangements constitute connected transactions for the Company under the Listing Rules, and are subject to the disclosure requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. Details of the Contractual Arrangements will be included in the next published annual report of the Company in accordance with Rule 14A.45 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Additional Capital”	the increase in registered capital of CHCIP of RMB30 million to be solely contributed by the Nominee;
“associate(s)” and “connected person(s)”	have the meanings as ascribed to them respectively under the Listing Rules;
“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;
“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;
“Contractual Arrangements”	<ol style="list-style-type: none">1. the Loan Agreement;2. the Share Pledge Agreement; and3. the Option Agreement;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the loan agreement dated 8th November 2006 entered into between the Company and the Nominee, details of which are set out above;
“Nominee”	Mr. Du Xinjian, a PRC citizen;

“Option Agreement”	the option agreement dated 8th November 2006 entered into between the Company and the Nominee, details of which are set out above;
“Overseas Chinese Town”	Shenzhen Overseas Chinese Town Holding Company (深圳華僑城控股股份有限公司);
“PRC”	The People’s Republic of China;
“Share Pledge Agreement”	the share pledge agreement dated 8th November 2006 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 subsidiary of the Company, owned as to 51% by the Company and as to 49% by Overseas Chinese Town;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Window of the World”	Shenzhen The World Miniature Co., Ltd. (深圳世界之窗有限公司), a subsidiary of the Company, owned as to 51% by the Company and as to 49% by Overseas Chinese Town;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated to HK\$ at an exchange rate of RMB1.02 = HK\$1.0.

By order of the Board
China Travel International Investment Hong Kong Limited
Xiong Weiping
Vice Chairman & General Manager

Hong Kong, 8th November 2006

** for identification purposes only*

The Directors as at the date of this announcement:

Executive Directors:

Mr. Zhang Xuewu, Mr. Xiong Weiping, Mr. Zheng Heshui, Mr. Lo Sui On, Mr. Zheng Hongqing, Ms. Jiang Yan, Mr. Mao Jianjun, 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