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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION IN CONNECTION WITH TRAVEL PERMIT ADMINISTRATION

Reference is made to the announcement made by the Company dated 16 April 2004 and the circular of the Company dated 19 April 2004 in connection with Travel Permit Administration.

CTS HK has been providing Travel Permit Administration services to CTS Holdings as continuing connected transaction under the Agency Agreement since 2001.

At the extraordinary general meeting of the Company held on 13 May 2004, the then Independent Shareholders approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$410 million for the Travel Permit Administration for each of the three years ending 31 December 2006. As the Agency Agreement has not expired and remains in force until 30 June 2047, the Cap under the Agency Agreement for three years ending 31 December 2009 is required to comply with the Listing Rules.

CTS Holdings is a substantial shareholder of the Company, and thus a connected person of the Company. It is expected that the annual turnover to be generated from Travel Permit Administration for each of the three years ending 31 December 2009 will exceed 2.5% of the Group's total turnover. Accordingly, the continuing provision of Travel Permit Administration will be classified as a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules and will need to comply with the relevant disclosure and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

At the EGM, the Company will seek Independent Shareholders' approval for the Travel Permit Administration (including the Cap). In view of the interest of CTS Holdings and its associates in the Travel Permit Administration, CTS Holdings and its associates (as defined in the Listing Rules) will abstain from voting at the EGM in this regard. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

A circular containing the particulars of Travel Permit Administration, a letter from the Independent Board Committee, a letter from the independent financial adviser and the notice convening the EGM, will be despatched to Shareholders as soon as practicable.

1. BACKGROUND INFORMATION

Reference is made to the announcement made by the Company dated 16 April 2004 and the circular of the Company dated 19 April 2004 in connection with Travel Permit Administration.

CTS HK and CTS Holdings entered into the Agency Agreement on 15 May 2001 to document the transactions relating to Travel Permit Administration for a fixed term of 46 years. Travel Permit Administration became a continuing connected transaction of the Company on 15 May 2001 when the Acquisition was completed.

At the extraordinary general meeting of the Company held on 13 May 2004, the Independent Shareholders approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$410 million for the Travel Permit Administration for each of the three years ending 31 December 2006. As the Agency Agreement has not expired and remains in force until 30 June 2047, the Cap under the Agency Agreement for three years ending 31 December 2009 is required to comply with the Listing Rules.

CTS Holdings is a substantial shareholder of the Company, and thus a connected person of the Company. It is expected that the annual turnover to be generated from Travel Permit Administration for each of the three years ending 31 December 2009 will exceed 2.5% of the Group's total turnover. Accordingly, the continuing provision of Travel Permit Administration will be classified as a non-exempt continuing connected transaction under Rule 14A.35 of the Listing Rules and will need to comply with the relevant disclosure and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

The Company will convene the EGM to seek Independent Shareholders' approval on the Travel Permit Administration and the Cap for three years ending 31 December 2009.

2. PARTICULARS OF TRAVEL PERMIT ADMINISTRATION

Set out below are the particulars of the Travel Permit Administration:

Transaction nature

CTS HK and CTS Holdings agreed that CTS HK would provide general administration services in Hong Kong to CTS Holdings for the application for tourist visas and travel permits for entry into the PRC, for a fixed term until 30 June 2047.

Pricing basis

In accordance with the terms of the Agency Agreement determined on an arm's length basis between the parties, CTS Holdings agreed to pay CTS HK 45% of the gross fee revenue from permit applications for the services provided by CTS HK in relation to Travel Permit Administration.

Term of the Agency Agreement

CTS HK and CTS Holdings entered into the Agency Agreement on 15 May 2001 to document the transaction relating to Travel Permit Administration for a fixed term of 46 years. The 46-year term of the Agency Agreement was part and parcel of the term of the Acquisition, which was then approved by the Independent Shareholders. The Company believes that a fixed contractual term of 46 years enabling CTS HK to provide Travel Permit Administration until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

The Directors (other than the independent non-executive Directors whose opinion will be included in the circular to be despatched to Shareholders) consider that the terms of the Agency Agreement are on normal commercial terms and that the terms of the Agency Agreements and the Caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Historical figures

According to the audited consolidated accounts of the Group for the three years ended 31 December 2005 and the unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2006 that are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the Companies Ordinance (Chapter 32 of the laws of Hong Kong), the amount of the continuing connected transaction in connection with Travel Permit Administration for each of the three years ended 31 December 2005 and the six months ended 30 June 2006 is as follows:

	For the year ended 31 December			For the six months ended 30 June
	2003 (Audited) HK\$'000	2004 (Audited) HK\$'000	2005 (Audited) HK\$'000	2006 (Unaudited) HK\$'000
Provision of Travel Permit Administration on behalf of connected person	241,490	281,068	318,749	159,976
Turnover of the relevant financial period	3,300,916	4,802,021	5,646,620	3,162,124
Transaction value expressed as a percentage against turnover	7.32%	5.85%	5.64%	5.06%
Maximum annual aggregate value	660,183	410,000	410,000	410,000

According to the unaudited management accounts of the Group for the nine months ended 30 September 2006, the amount of the continuing connected transaction in connection with Travel Permit Administration for the nine months ended 30 September 2006 was approximately HK\$247.3 million.

3. BENEFITS OF TRAVEL PERMIT ADMINISTRATION

CTS HK is the only commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out Travel Permit Administration on behalf of CTS Holdings. In view of past operational convenience and benefits brought to the Group, the Board (other than the independent non-executive Directors whose opinion will be included in the circular to be despatched to Shareholders) considers it to be in the interests of the Company to continue to engage in Travel Permit Administration and that the terms of the Travel Permit Administration are fair and reasonable and in the interests of the Shareholders as a whole.

4. OTHER INFORMATION FOR THE SHAREHOLDERS

The principal businesses of the Group include tour operations, theme parks, hotel and resort operations, passenger and freight transportation, golf club and power generation. CTS Holdings is principally engaged in travel business, industrial investment in steel production, real estate development, logistics and trading.

The Company proposes to set the Cap at HK\$400 million for each of the three years ending 31 December 2009 on the condition that the Company would re-comply with the Listing Rules when the term of the Cap expires. The Cap was determined based on historical transaction amounts, taking into account the expected growth in Hong Kong-PRC leisure and business travel in the next few years, and is arrived at with reference to a projected 8% per annum increase based on the historical average annual growth rates and the highest amount of annual revenue derived from Travel Permit Administration for the last three financial years. The Company does not propose a separate Cap for 2007 and 2008 because the projected 8% per annum increase is an average and the growth rate of the revenue from Travel Permit Administration may fluctuate. Based on the annual growth rates in the recent years, the annual revenue for the Travel Permit Administration for each of the three years ending 31 December 2009 may become close to the Cap of HK\$400 million.

If during the period ending 31 December 2009 the aggregate annual value of the Travel Permit Administration exceeds the Cap or there is a material change to the Agency Agreement, the Company will take the necessary steps to ensure compliance with the Listing Rules as required.

The Travel Permit Administration will also be subject to the annual review requirement and the reporting requirement respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 and 14A.46 of the Listing Rules.

At the EGM, the Company will seek Independent Shareholders' approval for the Travel Permit Administration (including the Cap). In view of the interest of CTS Holdings and its associates in the Travel Permit Administration, CTS Holdings and its associates (as defined in the Listing Rules) will abstain from voting at the EGM in this regard. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

An Independent Board Committee has been appointed to advise the Independent Shareholders whether or not to vote in favour of the Travel Permit Administration. Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Travel Permit Administration (including the Cap and the term of the Agency Agreement) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing the particulars of Travel Permit Administration, a letter from the Independent Board Committee, a letter from the independent financial adviser and the notice convening the EGM, will be despatched to Shareholders as soon as practicable.

5. DEFINITIONS

“Acquisition”	the Company’s acquisition of CTS HK from CTS Holdings as described above
“Agency Agreement”	the agency agreement dated 15 May 2001 between CTS HK and CTS Holdings in relation to Travel Permit Administration
“Board”	the board of Directors
“Cap”	the maximum aggregate annual value for the Travel Permit Administration as proposed by the Company

“Company”	China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”, “substantial shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“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
“CTS Holdings”	China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司), a company interested in 52.56% of the issued share capital of the Company and a connected person of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, if thought fit, amongst other things, the Travel Permit Administration and the Cap
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board appointed by the Board to advise the Independent Shareholders in respect of the Travel Permit Administration, comprising the independent non-executive directors, namely, Dr. Yeh Meou Tsen, Geoffrey, Mr. Yeh V Nee (alternative Director to Dr. Yeh Meou Tsen, Geoffrey), Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter and Mr. Sze, Robert Tsai To
“Independent Shareholder(s)”	the shareholder(s) of the Company other than CTS Holdings and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Travel Permit
Administration”

the general administration services provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC by CTS HK to CTS Holdings

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

Hong Kong, 27 November 2006

The directors of the Company 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.