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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)

## **CONTINUING CONNECTED TRANSACTIONS WITH PACIFIC TRAVEL AND USCTS**

On 29 December 2006, the Company and USCTS, a subsidiary of the Company, entered into the Travel Services Agreement, pursuant to which the Company and USCTS has agreed to provide travel related services to each other for fees no less favourable than those charged by Independent Third Parties.

On 29 December 2006, Pacific Travel and USCTS entered into the Ticketing Services Agreement, pursuant to which Pacific Travel has agreed to provide the Ticketing Related Services and the Technical Support Services to USCTS for fees no less favourable than those charged by Independent Third Parties.

USCTS is owned as to 49% by Pacific Travel and Pacific Travel is wholly owned by a director of USCTS, therefore, both of Pacific Travel and USCTS are connected persons of the Company. Taking into account the proposed annual caps for the transactions contemplated under the Travel Services Agreement and the proposed aggregate annual caps for transactions contemplated under the Ticketing Services Agreement, such transactions constitute continuing 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 Continuing Connected Transactions will be included in the next published annual report of the Company in accordance with Rule 14A.46 of the Listing Rules.

### **DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS**

#### **1. THE TRAVEL SERVICES AGREEMENT**

**Date**

29 December 2006

**Parties**

The Company; and

USCTS

**Services to be provided**

- (1) USCTS was appointed to provide travel related services to customers of the Group; and
- (2) the Group was appointed to provide travel related services to customers of USCTS.

**Consideration**

The service fees payable by the Group and USCTS respectively, shall be at a market price no less favourable than those charged by Independent Third Parties.

**Term**

1 January 2007 to 31 December 2009.

**2. THE TICKETING SERVICES AGREEMENT****Date**

29 December 2006

**Parties**

Pacific Travel; and

USCTS

**Services to be provided**

- (1) Ticketing Related Services; and
- (2) Technical Support Services.

**Consideration**

Under the Ticketing Services Agreement, Pacific Travel and USCTS have agreed that all the fees payable thereunder shall be no less favourable than those charged by the Independent Third Parties.

The fees payable by USCTS to Pacific Travel in respect of the Ticketing Related Services shall be the price of the airline tickets charged at the airline contract rates of Pacific Travel plus a fixed fee of US\$5 (approximately HK\$39) for each ticket issued, which shall be settled on a monthly basis with the transaction amount for a given month to be settled on or about the 10th day of the following month. For the Technical Support Services, USCTS shall pay a monthly fee of US\$1,500 (approximately HK\$11,625) to Pacific Travel in 2007 and such monthly fee shall increase by 5% in each of 2008 and 2009.

**Term**

1 January 2007 to 31 December 2009

## **INFORMATION ON PACIFIC TRAVEL AND USCTS**

### **PACIFIC TRAVEL**

Pacific Travel is engaged as a consolidator for airline ticket sales and distribution and also in the out-bound (tour travel leaving the United States) tour business focusing on the Asian client market in the United States. Pacific Travel is wholly owned by a director of USCTS and it also owns a 49% equity interest in USCTS, a non-wholly owned subsidiary of the Company which the Company holds a 51% equity interest. Accordingly, Pacific Travel is regarded as an associate of a director of a subsidiary of the Company and a substantial shareholder of a subsidiary of the Company and thus, a connected person of the Company.

### **USCTS**

USCTS is engaged in the in-bound (tour travel into the United States) and out-bound (tour travel leaving the United States) tour business focusing on the mainstream client market and the Chinese associations and organizations in the United States. Given Pacific Travel is wholly owned by a director of USCTS, USCTS is also regarded as a connected person of the Company.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in travel and travel-related operations, theme park business, hotel and resort operations, passenger and freight transportation, golf club and power generation.

## **REASONS AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT ANNUAL CAPS**

The Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group. The Company believes that the consummation of the Continuing Connected Transactions will bring operational convenience and benefit to the Group.

### **Historical Figures**

For the year ended 31 December 2005 and the ten months ended 31 October 2006, the amounts of all the transactions of the Group with Pacific Travel and USCTS are set out as follows:

<b>Transaction</b>	<b>Year ended 31 December 2005</b>	<b>Ten months ended 31 October 2006</b>
1. Travel related services provided by USCTS to the Group	US\$781,615 (approximately HK\$6,057,516)	US\$438,625 (approximately HK\$3,399,344)
2. Travel related services provided by the Group to USCTS	US\$624,746 (approximately HK\$4,841,782)	US\$669,343 (approximately HK\$5,187,408)
3. Ticketing related services provided by Pacific Travel to USCTS	US\$133,980 (approximately HK\$1,038,345)	US\$789,191 (approximately HK\$6,116,230)
4. Technical support services provided by Pacific Travel to USCTS	0 (Note)	0 (Note)

*Note :* Pacific Travel provided technical support services to USCTS in 2006 on a free of charge basis.

USCTS and Pacific Travel became connected persons of the Company when USCTS, the shareholders of USCTS (being subsidiaries of the Company) and Pacific Travel entered into a conditional agreement on 24 March 2006 pursuant to which Pacific Travel agreed to subscribe for new shares in USCTS.

During the period from 25 March 2006 to 31 October 2006, the approximate transaction amounts of each of the continuing connected transactions with USCTS and Pacific Travel are as follows:

**Transaction  
Amount**

1. Travel related services provided by USCTS to the Group	HK\$2,763,053
2. Travel related services provided by the Group to USCTS	HK\$4,357,846
3. Ticketing related services provided by Pacific Travel to USCTS	HK\$4,671,138

The applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules for each of the above transaction amounts during the period from 25 March 2006 to 31 October 2006 are below 0.1%. Based on the transaction amounts from the period between 25 March 2006 and 31 October 2006, the Company expects that the applicable percentage ratios for each of the transaction amounts for the above transactions during the period from 25 March 2006 to 31 December 2006 should not exceed 0.1%, or if they shall exceed 0.1%, they shall only exceed 0.1% slightly, in which case such transactions would be subject to reporting and announcement requirements of the Listing Rules. The Directors shall ensure compliance with the relevant Listing Rules at all times.

**Annual caps for the Continuing Connected Transactions**

The annual cap for the service fees payable by the Group to USCTS provided under the Travel Services Agreement for the three years ending 31 December 2009 are HK\$5,303,000, HK\$6,364,000 and HK\$7,636,000 respectively. The annual cap for the service fees payable by USCTS to the Group provided under the Travel Services Agreement for the three years ending 31 December 2009 are HK\$7,470,000, HK\$9,711,000 and HK\$11,653,000 respectively.

The above annual caps are determined based on the following:

- (a) historical transaction amounts;
- (b) the Company's internal projections;
- (c) in relation to the provision of travel services by USCTS to the Group, the annualized transaction amount in 2006 based on the actual transaction amount for the ten months ended 31 October 2006 and a transaction growth rate of 30%, 20% and 20% in 2007, 2008 and 2009 respectively driven by the expected prospering economy in Hong Kong and China, and the expected increase in demand to travel to the United States; and

(d) in relation to provision of travel services by the Group to USCTS, the annualized transaction amount in 2006 based on the actual transaction amount for the ten months ended 31 October 2006 and a transaction growth rate of 20%, 30% and 20% in 2007, 2008 and 2009 respectively driven by the expected increase in the number of visitors to Hong Kong and China.

The respective annual cap for the fees payable by USCTS to Pacific Travel for the Ticketing Related Services and the Technical Support Services for the three years ending 31 December 2009 are as follows:

	<b>The year ending 31 December 2007</b>	<b>The year ending 31 December 2008</b>	<b>The year ending 31 December 2009</b>
<b>Ticketing Related Services</b>	US\$1,712,500 (approximately HK\$13,271,875)	US\$2,467,500 (approximately HK\$19,123,125)	US\$2,961,000 (approximately HK\$22,947,750)
<b>Technical Support Services</b>	US\$18,000 (approximately HK\$139,500)	US\$18,900 (approximately HK\$146,475)	US\$19,845 (approximately HK\$153,799)
<b>Total</b>	US\$1,730,500 (approximately HK\$13,411,375)	US\$2,486,400 (approximately HK\$19,269,600)	US\$2,980,845 (approximately HK\$23,101,549)

The above annual caps for the Ticketing Related Services are determined based on the historical transaction amounts of airline tickets purchased from Pacific Travel and the expected number of airline tickets of 2,500, 3,500 and 4,200 purchased from Pacific Travel in 2007, 2008 and 2009 respectively driven by the competitive pricing of such airline tickets and the expected increase in outbound travel business of USCTS, while the annual caps for the Technical Support Services are agreed by Pacific Travel and USCTS with reference to the expected costs to be incurred by Pacific Travel for the provision of the relevant services.

The terms of the Continuing Connected Transactions were made after arm's lengths negotiations between the respective parties thereto and were arrived at on commercial terms no less favourable to the Group than terms available from Independent Third Parties. The Directors (including the independent non-executive Directors) consider that the terms of the Continuing Connected Transactions and the above annual caps are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole .

#### **LISTING RULES IMPLICATIONS**

As USCTS and Pacific Travel are connected persons of the Company, the transactions contemplated under the Travel Services Agreement and the Ticketing Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Taking into account the proposed annual caps for the transactions contemplated under the Travel Services Agreement and the aggregate proposed annual caps for the transactions contemplated under the Ticketing Services Agreement, such transactions constitute continuing connected transactions for the Company which are subject to the disclosure requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. Details of the Continuing Connected Transactions will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules and the Company will also comply with Rules 14A.37 to 14A.40 of the Listing Rules.

## **DEFINITIONS**

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

“associate(s)” and “connected person(s)”	have the meanings as ascribed to them respectively under the Listing Rules;
“Board”	the board of Directors;
“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;
“Continuing Connected Transactions”	the transactions contemplated under the Travel Services Agreement and the Ticketing Services Agreement;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	party(ies) who is (are) independent from and not connected with the Company, any of the connected persons(as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Pacific Travel”	Pacific Travel and Trade Corporation, a corporation incorporated in California, the United States;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technical Support Services”	the provision of technical support services by Pacific Travel to USCTS in respect of the maintenance of its computer system, as contemplated under the Ticketing Services Agreement;
“Ticketing Related Services”	the provision of airline ticketing services by Pacific Travel to USCTS, as contemplated under the Ticketing Services Agreement;

“Ticketing Services Agreement”	the agreement entered into between Pacific Travel and USCTS on 29 December 2006, pursuant to which Pacific Travel agreed to provide airline ticketing and technical support services to USCTS;
“Travel Services Agreement”	the agreement entered into between the Company and USCTS on 29 December 2006, pursuant to which the Group and USCTS agreed to provide travel related services to each other;
“USCTS”	U.S. China Travel Service, Inc., a corporation incorporated in California, the United States;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the legal currency in the United States; and
“%”	per cent.

*Unless otherwise specified in this announcement and for the purpose of illustration only, US\$ is translated to HK\$ at an exchange rate of US\$1.00 = HK\$7.75 .*

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

Hong Kong, 29 December 2006

*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*