

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

CONNECTED TRANSACTIONS

**TRANSFER OF INTEREST IN
XIANYANG GUANZHONG HOTSPRING COMPANY LIMITED
AND
PROVISION OF FINANCIAL ASSISTANCE**

Chadwick, a wholly-owned subsidiary of the Company, Xibei Power and Shanxi Qinlong (collectively, the "**Weihe Shareholders**") entered into the Transfer Agreement with Weihe Power on 30 July 2007 after the trading hours pursuant to which the Weihe Shareholders agreed to purchase from Weihe Power its entire equity interest in Guanzhong Hotspring for an aggregate consideration of RMB100 million.

Weihe Power is a joint venture company established by the Weihe Shareholders in 1997, and is owned as to 51%, 30% and 19% by Chadwick, Xibei Power and Shanxi Qinlong respectively. Under the Transfer Agreement, Weihe Power's interest in Guanzhong Hotspring will be sold to the Weihe Shareholders in proportion to their respective existing interest in Weihe Power. Accordingly, upon completion of the Transfer Agreement, Guanzhong Hotspring will be owned as to 51%, 30% and 19% by Chadwick, Xibei Power and Shanxi Qinlong respectively.

On the same date, the Weihe Shareholders has also entered into the Shareholders Agreement to govern the management and operations of Guanzhong Hotspring, pursuant to which the Weihe Shareholders may be required to contribute an additional funding of RMB 200 million to Guanzhong Hotspring in proportion to their respective interest therein upon completion of the Transfer Agreement.

On 6 June 2007, Weihe Power, Western Trust and Guanzhong Hotspring entered into the Entrustment Loan Arrangement for a term of 5 years commencing from 6 June 2007 pursuant to which Weihe Power agreed to provide a cash deposit in the amount of RMB150 million as security to Western Trust to facilitate the making of a loan of up to RMB150 million by Western Trust to Guanzhong Hotspring. The Entrustment Loan Arrangement will continue following completion of the Transfer.

Xibei Power and Shanxi Qinlong are the substantial shareholders of Weihe Power, a 51% owned subsidiary of the Company for the purposes of the Listing Rules. Xibei Power and Shanxi Qinlong are therefore connected persons of the Company, and the Transfers and the transactions contemplated under the Shareholders Agreement together constitute connected transactions 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 less than 2.5% and there are no prior transactions or relationship with Xibei Power and Shanxi Qinlong that require aggregation under Rules 14.22 and 14A.25, the said transactions falls within the provision of Rule 14A.32 and are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements.

Upon completion of the Transfer, Xibei Power will become a substantial shareholder of both Weihe Power and Guanzhong Hotspring, and Xibei Power will become a connected person of the Company with two connected relationships. Accordingly, Guanzhong Hotspring, being an associate of Xibei Power, will become a connected person of the Company after completion of the Transfer, and the Financial Assistance contemplated under the Entrustment Loan Arrangement constitute connected transaction of the Company under Rule 14A.13(2)(a) of the Listing Rules. As each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is less than 2.5% and there are no other prior transactions or relationship between Weihe Power and Guanzhong Hotspring that require aggregation under Rules 14.22 and 14A.25, the Financial Assistance falls within the provision of Rule 14A.66 and is only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements.

Details of the Transfer Agreement, the Shareholders Agreement and the Entrustment Loan Arrangement are disclosed in this announcement and will be included in the next published annual report of the Company in accordance with Rule 14A.45.

TRANSFER AGREEMENT

Date

30 July 2007

Parties

- (1) Weihe Power, as the seller; and
- (2) Chadwick, Xibei Power and Shanxi Qinlong, as the purchasers.

Assets involved

100% of the equity interest in Guanzhong Hotspring. Such equity interest will be sold to the Weihe Shareholders in proportion to their respective existing interest in Weihe Power, which is owned as to 51%, 30% and 19% by Chadwick, Xibei Power and Shanxi Qinlong respectively. Accordingly, upon completion of the Transfer Agreement, Guanzhong Hotspring will be owned as to 51%, 30% and 19% by Chadwick, Xibei Power and Shanxi Qinlong respectively.

Consideration

The aggregate consideration under the Transfer Agreement of RMB100 million will be satisfied at completion of the Transfers by offsetting the dividend payable by Weihe Power to each of the Weihe

Shareholders, and the amount of such dividend payable to the Weihe Shareholders would be sufficient to cover the aggregate consideration payable by the Weihe Shareholders under the Transfer Agreement. The consideration for each of the Weihe Shareholders is set out as follows:

<u>Shareholder</u>	<u>Percentage interest to be acquired</u>	<u>Consideration (RMB '000)</u>
Chadwick	51%	51,000
Xibei Power	30%	30,000
Shanxi Qinlong	<u>19%</u>	<u>19,000</u>
Total	<u>100%</u>	<u>100,000</u>

The aggregate consideration under the Transfer Agreement was arrived at after arm's length negotiations between the parties with reference to the audited net asset value of Weihe Power in the sum of RMB100 million as at 31 December 2006.

Completion

There is no condition precedent for the Transfer Agreement, and the Transfers shall be completed upon the relevant PRC registration procedures for the change in shareholding of Guanzhong Hotspring has been completed.

SHAREHOLDERS AGREEMENT

Date

30 July 2007

Parties

- (1) Chadwick;
- (2) Xibei Power; and
- (3) Shanxi Qinlong.

Subject

To govern the management and operations of Guanzhong Hotspring, which will be owned as to 51%, 30% and 19% by Chadwick, Xibei Power and Shanxi Qinlong respectively upon completion of the Transfer Agreement.

Further Funding

The total registered capital of Guanzhong Hotspring is RMB100 million which is fully paid up, and the total investment amount (including the total registered capital) is RMB300 million. Accordingly, under the Shareholders Agreement the Weihe Shareholders may be required to contribute a further

funding of RMB 200 million to Guanzhong Hotspring in proportion to their respective interest therein upon completion of the Transfer Agreement, the breakdown of which is set out below:

<u>Shareholder</u>	<u>Shareholding</u>	<u>Additional Contribution</u> <u>(RMB '000)</u>
Chadwick	51%	102,000
Xibei Power	30%	60,000
Shanxi Qinlong	<u>19%</u>	<u>38,000</u>
Total	<u>100%</u>	<u>200,000</u>

Conditions

The Shareholder Agreement is conditional upon obtaining approvals from the relevant PRC government authorities on the Shareholder Agreement.

Board representation and control

The board of Guanzhong Hotspring shall have 5 directors, and Chadwick will have the right to nominate 3 directors to the board and to appoint the chairman of the board. Under the current articles of association of Weihe Power, the existing sole shareholder of Guanzhong Hotspring, all major decisions of Weihe Power (including Guanzhong Hotspring) has to be approved by at least two-third or all of the directors of Weihe Power. Accordingly, the Group does not have control over Weihe Power (including Guanzhong Hotspring), and Guanzhong Hotspring is currently accounted for as a jointly controlled entity in the books of the Group under the equity method of accounting. As the new articles of association of Guanzhong Hotspring provides that most of the decisions of Guanzhong Hotspring only require approval from more than half of the directors of Guanzhong Hotspring and the Group will have control over the board of Guanzhong Hotspring upon completion of the Transfer Agreement, Guanzhong Hotspring will be accounted for as a subsidiary of the Company and consolidated in the Group's financial statements upon completion.

ENTRUSTMENT LOAN ARRANGEMENT

On 6 June 2007, Weihe Power, Western Trust and Guanzhong Hotspring entered into the Entrustment Loan Arrangement for a term of 5 years commencing from 6 June 2007 pursuant to which Weihe Power agreed to provide a cash deposit in the amount of RMB150 million as security to Western Trust to facilitate the making of a loan of up to RMB150 million by Western Trust to Guanzhong Hotspring. In the event that such loan is defaulted, the Group, by virtue of its 51% interest in Weihe Power, will be responsible to repay 51% of the total outstanding loan amount to Western Trust. The Entrustment Loan Arrangement will continue following completion of the Transfer.

The terms of the Entrustment Loan Arrangement were determined after arm's length negotiations between Weihe Power, Western Trust and Guanzhong Hotspring.

FURTHER INFORMATION ON GUANZHONG HOTSPRING

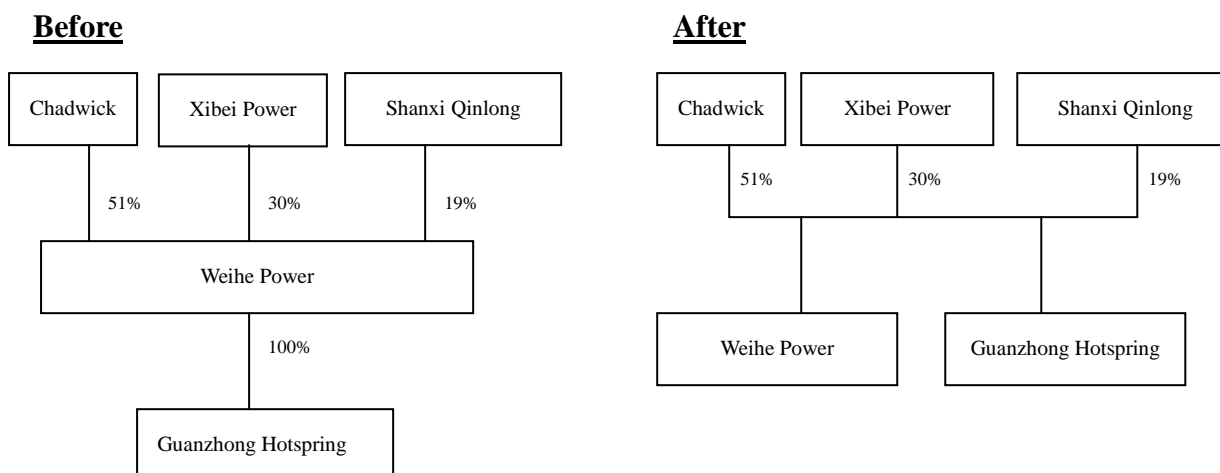
Guanzhong Hotspring is a sino-foreign equity joint venture established in the PRC in January 2006, which owns a hot spring resort development project in Xianyang City of the PRC. The site for such hot spring resort development project is currently under construction, and upon completion of the project, it is expected to comprise a hot spring center with hotel, restaurants, conference centres, healthcare centres and other facilities.

According to the audited accounts of Guanzhong Hotspring prepared in accordance with the generally accepted accounting principles of the PRC, the audited net asset value of Guanzhong Hotspring at 31 December 2006 was RMB100 million, and for the financial year ended 31 December 2006, Guanzhong Hotspring has no profits or losses as it has not yet commenced any operations in 2006. According to the unaudited management accounts of Guanzhong Hotspring prepared in accordance with the generally accepted accounting principles of the PRC, Guanzhong Hotspring has no profits or losses for the six months ended 30 June 2007.

IMPACT ON THE GROUP

The Group currently has an attributable interest of 51% in Guanzhong Hotspring through its 51% interest in Weihe Power. After completion of the Transfer Agreement, the Group will directly own the equity interest in Guanzhong Hotspring, and its interest in Guanzhong Hotspring will remain unchanged at 51%. It is expected that no gain or loss will be accrued to the Company from the Transfer, and that there would be no balance sheet effects on the Company as a whole in respect of the Transfer.

The shareholding structure of Guanzhong Hotspring before and after the completion of the Transfers are as follows :-



REASONS AND BENEFIT OF THE TRANSFER AND THE FINANCIAL ASSISTANCE

As the main business of Weihe Power is electricity supply, the Weihe Shareholders consider that the Transfers would allow Weihe Power to concentrate on its core businesses while allowing the Weihe Shareholders (including the Group) to directly control the operations of Guanzhong Hotspring, which would further enhance stability in the management and operations of Guanzhong Hotspring.

The Directors consider that providing the Financial Assistance to Guanzhong Hotspring will facilitate the construction of the hot spring resort development project of Guanzhong Hotspring which may in turn enhance the returns to the Company in the long term.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Transfer Agreement, the Shareholders Agreement and the Entrustment Loan Arrangement, are normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The principal businesses of the Group include tour operations, theme parks, hotel and resort operations, passenger and freight transportation, golf club and power generation. Xibei Power and Shanxi Qinlong are both principally engaged in power generation. Western Trust is principally engaged in trust business in the PRC, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Western Trust and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Xibei Power and Shanxi Qinlong are the substantial shareholders of Weihe Power, a 51% owned subsidiary of the Company for the purposes of the Listing Rules. Xibei Power and Shanxi Qinlong are therefore connected persons of the Company, and the Transfers and the transactions contemplated

under the Shareholders Agreement together constitute connected transactions 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 less than 2.5% and there are no prior transactions or relationship with Xibei Power and Shanxi Qinlong that require aggregation under Rules 14.22 and 14A.25, the said transactions falls within the provision of Rule 14A.32 and are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements.

Upon completion of the Transfer, Xibei Power will become a substantial shareholder of both Weihe Power and Guanzhong Hotspring, and Xibei Power will become a connected person of the Company with two connected relationships. Accordingly, Guanzhong Hotspring, being an associate of Xibei Power, will become a connected person of the Company after completion of the Transfer, and the Financial Assistance contemplated under the Entrustment Loan Arrangement constitute connected transaction of the Company under Rule 14A.13(2)(a) of the Listing Rules. As each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is less than 2.5% and there are no other prior transactions or relationship between Weihe Power and Guanzhong Hotspring that require aggregation under Rules 14.22 and 14A.25, the Financial Assistance falls within the provision of Rule 14A.66 and is only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements.

Details of the Transfer Agreement, the Shareholders Agreement and the Entrustment Loan Arrangement are disclosed in this announcement and will be included in the next published annual report of the Company in accordance with Rule 14A.45.

DEFINITIONS

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

"associate(s)", "connected person(s)", "substantial shareholder(s)"	each of which has the meaning ascribed to it under the Listing Rules
"Chadwick"	Chadwick Developments Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
"Company"	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
"Directors"	directors of the Company

"Entrustment Loan Arrangement"	the entrustment loan arrangement entered into between Weihe Power, Western Trust and Guanzhong Hotspring on 6 June 2007 pursuant to which Weihe Power agreed to provide a cash deposit in the amount of RMB150 million as security to Western Trust to facilitate the making of a loan of up to RMB150 million by Western Trust to Guanzhong Hotspring
"Financial Assistance"	the financial assistance provided by Weihe Power to Guanzhong Hotspring under the Entrustment Loan Arrangement
"Group"	the Company and its subsidiaries
"Guanzhong Hotspring"	咸阳关中温泉有限公司 (Xianyang Guanzhong Hotspring Company Limited), a sino-foreign equity joint venture company established in the PRC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Shanxi Qinlong"	陕西秦龙电力股份有限公司 (Shanxi Qinlong Electric Power Co., Ltd.), a state-owned company established in the PRC
"Shareholders Agreement"	the shareholders agreement dated 30 July 2007 between the Weihe Shareholders as the purchasers in respect of the management and governance of Guanzhong Hotspring as joint venture company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transfer Agreement"	the transfer agreement dated 30 July 2007 between Weihe Power as the seller and the Weihe Shareholders as the purchasers in respect of the transfer of Weihe Power's equity interest in Guanzhong Hotspring
"Transfer"	transfers of the equity interest in Guanzhong Hotspring as contemplated under the Transfer Agreement
"Weihe Power"	陕西渭河发电有限公司 (Shanxi Weihe Power Co., Ltd.), a sino-foreign equity joint venture company established in the PRC

"Weihe Shareholders"	collectively Chadwick, Shanxi Qinlong and Xibei Power
"Western Trust"	西部信托投资有限公司 (Western Trust & Investment Co., Ltd.), a company established in the PRC
"Xibei Power"	西北电网有限公司(Northwest China Grid Company Limited), a state-owned company established in the PRC

By Order of the Board
**China Travel International Investment
Hong Kong Limited**

Xiong Weiping
Vice Chairman & General Manager

Hong Kong, 30 July 2007

The Directors as at the date of this announcement:

Executive Directors:

*Mr. Zhang Xuewu, Mr. Xiong Weiping, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Mao Jianju^{2.14}
Zhang Fengchun, and Mr. Liu Li*

Independent Non-Executive Directors:

Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter and Mr. Sze, Robert Tsai To