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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 with limited liability)
(Stock Code: 00308)

**MAJOR, DISCLOSEABLE, CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to China Travel International Investment Hong Kong Limited

PiperJaffray

Piper Jaffray Asia Limited

The Directors are pleased to announce that on 1 November 2007 (entered into after the close of trading hours of the Stock Exchange) the Company and the Purchasers, wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with the Vendors pursuant to which the Vendors conditionally agreed to sell and the Purchasers conditionally agreed to acquire the entire issued share capital or registered capital of respective members of the Hotel Group and the respective shareholder's loan owed by respective members of the Hotel Group to the Vendors, which as at 31 August 2007, amounted to approximately HK\$1,086,038,000, at a consideration of HK\$1,107,260,000, which will be settled entirely by cash funded by the internal resources of the Group. On the same date, the Disposal Vendors entered into the Disposal Agreement with CTS (Holdings) and CTS Logistics pursuant to which the Disposal Vendors conditionally agreed to sell and CTS Logistics conditionally agreed to acquire (a) the entire issued ordinary share capital of Common Well; (b) the net amount of shareholder's loan owed by Common Well to the Company and/or its associates; and (c) the entire issued ordinary share capital of CTS Cargo at a consideration of HK\$853,640,000 which will be settled entirely in cash.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. CTS (Holdings) is a substantial shareholder of the Company, and thus a connected person of the Company. Therefore the Acquisition and the Disposal also constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Acquisition and the Disposal therefore are subject to the approval by the Independent Shareholders at an EGM under Rule 14A.17 and Rule 14.44 of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for the purpose of approving the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder, the respective advice of Somerley and the Independent Board Committee in relation to the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable.

THE ACQUISITION AGREEMENT

Date

1 November 2007 (entered into after the close of trading hours of the Stock Exchange)

Parties

- (1) The Company
- (2) Purchasers: Allied Well
United Capital
- (3) Vendors: CTS (Holdings)
CTS Building Contractors
CTS Investments

The Company confirmed that the Group did not have any prior transactions with the Vendors and their ultimate beneficial owners that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchasers have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of (i) the entire issued share capital of CTS Hotels Management; (ii) the entire issued share capital of Wisepak; (iii) the entire issued share capital of Ruskin Overseas; (iv) the entire registered capital of CTS Hotel Beijing; and (v) the respective shareholder's loans owed by the abovementioned companies to the Vendors, which as at 31 August 2007, amounted to approximately HK\$1,086,038,000, at the Acquisition Consideration which will be settled entirely by cash funded by internal resources of the Group.

The Acquisition Consideration was determined after arm's length negotiation between the Company and CTS (Holdings) and after taking into consideration (i) financial position, business outlook and future prospect of the Hotel Group; (ii) the prospects of the hotel industry in the PRC (iii) the valuation of other comparable hotel operators listed on the Stock Exchange and other exchanges; (iv) the property valuation of the Three Hotels as issued by RHL, an independent valuer, based on the direct comparison method; and (v) the Guaranteed Profit. The Acquisition Consideration represents a discount of 1.2% to the sum of the unaudited consolidated equity attributable to equity holders of the parent of respective members of the Hotel Group, adjusted for the respective shareholder's loans owed by respective members of the Hotel Group to the Vendors as at 31 August 2007 and a property valuation of the Three Hotels by RHL as at 30 September 2007. The Acquisition Consideration also represents a price-earnings multiple of approximately 24.07 times the Guaranteed Profit which is made with reference with the price-earnings multiple range of comparable hotel operators listed on the Stock Exchange and other exchanges.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of Somerley) consider that the Acquisition Consideration is fair and reasonable.

Conditions precedent

Acquisition Completion is conditional upon fulfilment of the following conditions:

- (i) the approval by the Independent Shareholders in an EGM of the Acquisition Agreement and the transactions contemplated thereunder;
- (ii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Acquisition Agreement and any of the transactions contemplated thereunder;
- (iii) the completion of due diligence reviews by the Company and the Purchasers on, but not limited to, the legal, financial and business aspects of the Hotel Group and such reviews having been accepted by the Company and the Purchasers in all respects;
- (iv) the representations, warranties and undertakings given by the Vendors remaining true and correct in all material respects on the Acquisition Completion Date;
- (v) the Vendors having performed and complied in all material respects with all of their agreements and obligations contained in the Acquisition Agreement that are required to be performed or complied with by them on or before Acquisition Completion; and
- (vi) the Disposal Agreement becoming unconditional.

The Purchasers may waive conditions (ii), (iii), (iv) and (v). If the conditions above are not fulfilled or, if applicable, waived on or before the Long Stop Date or such other date as mutually agreed by the Company and CTS (Holdings), the Acquisition Agreement will be terminated and all obligations of the parties under the Acquisition Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist.

Profit guarantee

Pursuant to the Acquisition Agreement, CTS (Holdings) will provide a guarantee on the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group of not less than HK\$46,000,000 for the year ending 31 December 2007 prepared and audited in accordance with HKFRS (but excluding (i) any gain or loss as a result of the changes in fair value of investment properties; (ii) any gain or loss arising due to acquisition and disposal of assets/shares; and (iii) any tax arising as a result of (i) and (ii) as abovementioned). In the event that the Actual Profit is less than the Guaranteed Profit, CTS (Holdings) will pay (within 5 Business Days after the Actual Profit becomes available) to the Company an amount that equals to:

$$\text{Acquisition Consideration X (Guaranteed Profit – Actual Profit)/Guaranteed Profit}$$

In case the Actual Profit is negative, for the purpose of determining the payment payable by CTS (Holdings) pursuant to the above, the Actual Profit will be deemed to be zero

Other terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, upon Acquisition Completion, CTS (Holdings) will grant a first right of refusal to the Company for the Company or its subsidiaries to acquire any hotel-related assets currently or in the future owned or controlled by CTS (Holdings).

Acquisition Completion

Acquisition Completion shall take place on the fifth Business Day upon all the abovementioned conditions have been fulfilled or, if applicable, waived or such other date as mutually agreed by the Company and CTS (Holdings).

Upon completion of the Acquisition, the Hotel Group will become wholly-owned by the Company and the results and assets and liabilities of all members of the Hotel Group will be consolidated into the accounts of the Group.

THE DISPOSAL AGREEMENT

Date

1 November 2007 (entered into after the close of trading hours of the Stock Exchange)

Parties

- (1) CTS (Holdings)
- (2) CTS Logistics – as the purchaser under the Disposal Agreement
- (3) The Disposal Vendors – as the vendors under the Disposal Agreement

The Company confirmed that the Group did not have any prior transactions with CTS (Holdings) and CTS Logistics and their ultimate beneficial owners that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

Assets to be disposed

Pursuant to the Disposal Agreement, CTS Logistics has conditionally agreed to acquire and the Disposal Vendors have conditionally agreed to dispose of (a) the entire issued ordinary share capital of Common Well; (b) the net amount of shareholder's loan owed by Common Well to the Company and/or its associates; and (c) the entire issued ordinary share capital of CTS Cargo, at a consideration of HK\$853,640,000 which will be settled entirely in cash.

The Disposal Consideration was determined after arm's length negotiation between the Company and CTS (Holdings) and after taking into consideration (i) the financial position, business outlook and future prospect of the CTS Cargo Group and Common Well; and (ii) the valuation of other comparable freight forwarding and logistics companies listed on the Stock Exchange and other exchanges. The Disposal Consideration of HK\$853,640,000 represents a price-earnings multiple of approximately 13.39 times the sum of unaudited consolidated profit attributable to equity holders of the parent of the CTS Cargo Group of approximately HK\$63,069,000 and the profit for the year of Common Well of approximately HK\$695,000 for the year ended 31 December 2006, which is made with reference with the price-earnings multiple range of comparable logistics and cargo businesses listed on the Stock Exchange and other exchanges.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of Somerley) consider that the Disposal Consideration is fair and reasonable.

Conditions precedent

Disposal Completion is conditional upon fulfilment of the following conditions:

- (i) the approval by the Independent Shareholders in an EGM of the Disposal Agreement and the transactions contemplated thereunder;
- (ii) the representations, warranties and undertakings given by the Disposal Vendors remaining true and correct in all material respects on the Completion Date;
- (iii) the Disposal Vendors having performed and complied in all material respects with all of their agreements and obligations contained in the Disposal Agreement that are required to be performed or complied with by them on or before Disposal Completion;
- (iv) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Disposal Agreement and any of the transactions contemplated thereunder; and
- (v) the Acquisition Agreement becoming unconditional.

CTS Logistics may waive conditions (ii), (iii) and (iv) above. If the conditions above are not fulfilled or, if applicable, waived on or before the Long Stop Date or such other date as mutually agreed by the Company and CTS (Holdings), the Disposal Agreement will be terminated and all obligations of the parties under the Disposal Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist.

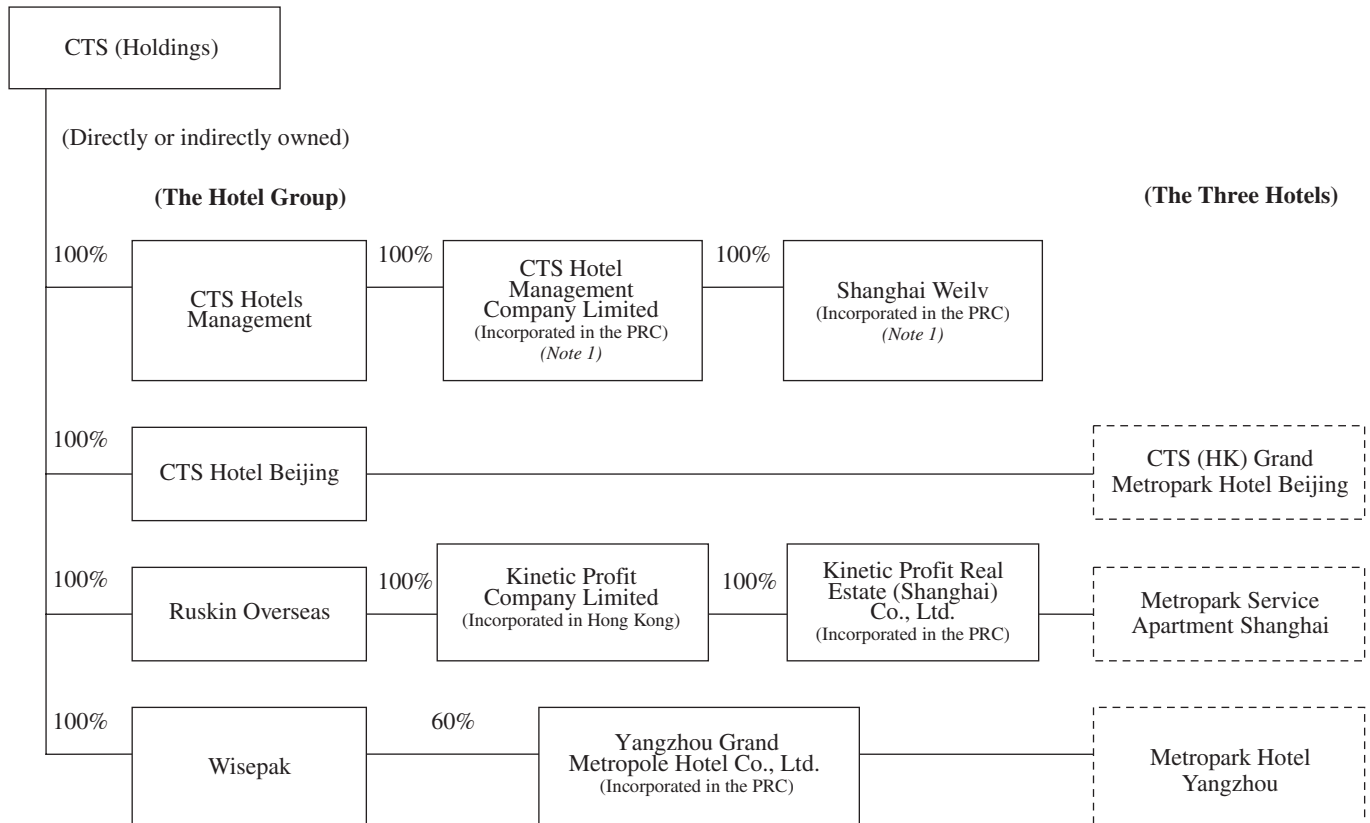
Disposal Completion

Disposal Completion shall take place on the fifth Business Day upon all the abovementioned conditions have been fulfilled or, if applicable, waived or such other date as mutually agreed by the Company and CTS (Holdings).

Upon completion of the Disposal, CTS Cargo and Common Well will cease to be subsidiaries of the Company, and the Group will cease the freight forwarding and transportation services business segment. As at date of this announcement, there are no negotiations or discussions as to the disposal of other existing business interests of the Group.

INFORMATION ON THE HOTEL GROUP

The Hotel Group consists of: (i) CTS Hotels Management; and (ii) three investment holding companies holding certain equity interest in the Three Hotels. As at 31 August 2007, the amounts of shareholder's loans owed by CTS Hotel Beijing, Ruskin Overseas and Wisepak to the Vendors were approximately HK\$738.3 million, HK\$290.5 million and HK\$57.2 million respectively. The chart below sets out the current corporate structure of the Hotel Group:



Note 1: The principal activity of CTS Hotel Management Company Limited and Shanghai Weilv is provision of hotel management services and operation of budget hotel respectively.

CTS Hotels Management is a hotel management company which as at the date of this announcement is responsible for the hotel management and daily operations of 23 hotels and serviced apartments in Hong Kong, Macau and other major cities the PRC such as Beijing, Shanghai, Shenzhen, Suzhou, Hangzhou and Yangzhou. Out of the 23 hotels and serviced apartments managed by CTS Hotels Management, five hotels are wholly-owned by the Company, nine hotels are wholly-owned or controlled by CTS (Holdings) and the remaining nine hotels are owned by independent third parties. Hotels managed by CTS Hotels Management are mainly four-star or five-star graded hotels under the “Metropark” brand.

The principal asset of CTS Hotel Beijing is its 100% owned CTS (HK) Grand Metropark Hotel Beijing. CTS (HK) Grand Metropark Hotel Beijing is a hotel of five-star equivalent standard with 13 storeys and has a gross floor area of approximately 69,000 square metres. Two floors of office with a gross floor area of approximately 5,200 square metres were sold to an associate of CTS (Holdings) and a subsidiary of the Company and will not be included in the Acquisition. CTS (HK) Grand Metropark Hotel Beijing comprises, amongst others, 215 guest rooms, four restaurants, a grand ballroom together with three luxurious function rooms, office units, food and beverage outlets, recreational and entertainment facilities. It is located in the heart of the Xuan Wu District, Beijing and is situated close to the city centre with convenient transportation to many tourist attractions in Beijing and the Beijing Capital International Airport and majority of CTS (HK) Grand Metropark Hotel Beijing’s guests are business travellers and international tourists.

Financial information on CTS Hotel Beijing

The unaudited financial information of CTS Hotel Beijing for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit/(loss) before tax	(2,647)	(300)	11,046
Profit/(loss) for the year/period <i>Note 1</i>	(2,647)	(300)	11,046
	As at 31 December		As at 31 August
	2005	2006	2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net liabilities	(149,745)	(165,875)	(160,801)

Note 1: CTS(HK) Grand Metropark Hotel Beijing was closed for approximately six months from the fourth quarter in 2005 to the first quarter in 2006 undergoing reconstruction and renovation, partially contributing to the losses of CTS Hotel Beijing for the two years ended 31 December 2006.

The unaudited net liabilities of CTS Hotel Beijing as at 31 August 2007, adjusted for the shareholder's loan of approximately HK\$738.3 million and an independent property valuation of CTS (HK) Grand Metropark Hotel Beijing of approximately HK\$690.0 million as at 30 September 2007, became net assets of approximately HK\$741.2 million.

Financial information on Ruskin Overseas

The unaudited consolidated financial information of Ruskin Overseas for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	28,192	12,304	7,988
Profit for the year/period <i>Note 2</i>	26,668	9,235	7,988
	As at 31 December		As at 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net liabilities	(88,489)	(79,177)	(63,968)

Note 2: For the year ended 31 December 2005, there was a property revaluation gain of approximately HK\$12.7 million.

The unaudited consolidated net liabilities of Ruskin Overseas as at 31 August 2007, adjusted for the shareholder's loan of approximately HK\$290.5 million and an independent property valuation of Metropark Service Apartment Shanghai of approximately HK\$260 million as at 30 September 2007, became net assets of approximately HK\$259.6 million.

Financial information on Wisepak

The unaudited consolidated financial information of Wisepak for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended		For the
	31 December		eight months
	2005	2006	ended
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	31 August
			2007
			<i>(HK\$'000)</i>
Profit before tax	7,144	9,584	6,832
Profit attributable to equity holders of the parent for the year/period	5,129	6,623	4,129
	As at 31 December	As at 31 August	
	2005	2006	2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Equity attributable to equity holders of the parent	(11,170)	2,048	9,885

The unaudited consolidated equity attributable to equity holders of the parent of Wisepak as at 31 August 2007, adjusted for the shareholder's loan of approximately HK\$57.2 million and an independent property valuation of Metropark Hotel Yangzhou of approximately HK\$140 million as at 30 September 2007, was approximately HK\$100.4 million.

INFORMATION ON CTS CARGO GROUP AND COMMON WELL

The CTS Cargo Group is primarily engaged in freight forwarding business and cargo services in Hong Kong and the PRC.

Common Well is an investment holding company whose principal asset is a parcel of land in Fanling, the New Territories, Kowloon, Hong Kong, which is currently leased to CTS Cargo which operates it as a car parking lot.

Financial information on the CTS Cargo Group

The unaudited consolidated financial information of the CTS Cargo Group for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit before tax	79,811	93,673	62,936
Profit attributable to equity holders of the parent for the year/period	52,066	63,069	41,871
	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Equity attributable to equity holders of the parent	284,846	354,185	403,734

Financial information on Common Well

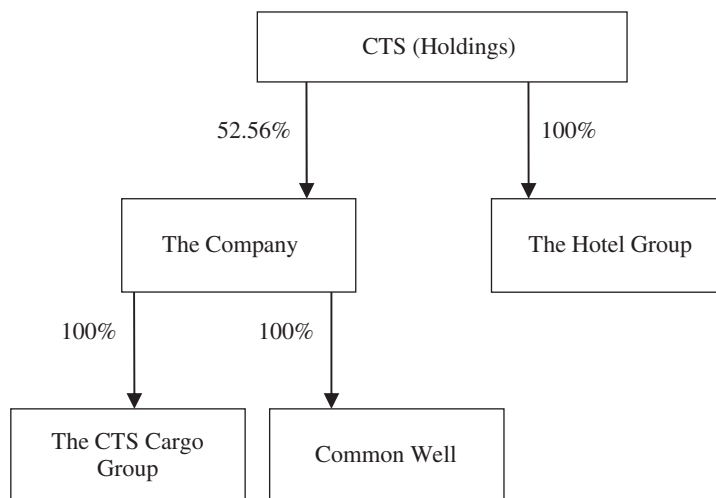
The unaudited financial information of Common Well for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit before tax <i>Note 3</i>	7,208	797	561
Profit for the year/period	7,030	695	561
	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net assets	8,874	9,569	10,130

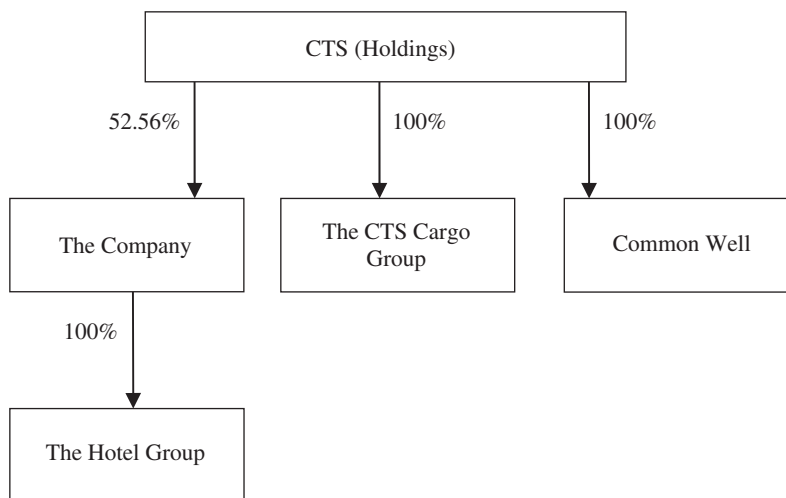
Note 3: For the year ended 31 December 2005, there was a property revaluation gain of approximately HK\$6.4 million.

The unaudited net assets of Common Well as at 31 August 2007, adjusted for the net amount of shareholder's loan of HK\$12.7 million and an independent property valuation of the parcel of land of approximately HK\$22.8 million as at 30 September 2007, were approximately HK\$22.8 million.

Immediately before the Acquisition Completion and the Disposal Completion



Immediately after the Acquisition Completion and the Disposal Completion



INFORMATION ON THE GROUP

The Company is an enterprise whose core businesses are travel-related businesses. The principal businesses of the Company include tour operation, hotels, theme parks, passenger and freight transportation, golf club, leisure resort and infrastructure investment.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT AND DISPOSAL AGREEMENT

According to Mega Trends of Tourism in Asia-Pacific report issued by the World Tourism Organisation in June 2006, China is forecast to become the number one tourist destination in the world by 2020. In addition, a booming economy as a result of an influx of foreign direct investment, has led to an increase in business travel in the PRC. In 2004, China attracted nearly 4 million business travellers and most of them headed to Beijing and Shanghai. With the 2008 Beijing Olympics and 2010 Shanghai World Expo on the way, business travel to these two cities is expected to increase. The same article predicted that by 2020, China will need 70 million room nights to keep up with business travel demand. The Board is therefore optimistic about the prospect of the hotel and tourism industry in the PRC.

The Group currently owns five hotels in Hong Kong and Macau. It is the Group's business strategy to focus on its core business of hotel and tourism. The Group has been exploring investment opportunities in further its investments and operation in the tourism and hotel industry in the PRC. The Board considers that the Acquisition represents an opportunity for the Group to further expand its hotel network in the PRC in order to enjoy the expected growth in the PRC tourism industry. The Board considers that the 23 hotels currently managed by CTS Hotels Management and the established "Metropark" brand in the PRC and Hong Kong form a solid foundation for the Group to build on its hotel business. The Board also plans to consolidate its existing hotel operation with that of the Hotel Group to achieve synergy with an aim to attain cost efficiency. It is the intention of the Board to develop the "Metropark" brand and to become one of the dominant players in the hotel industry in the PRC.

The Board also views the Hotel Group to be complementary to the Group's other existing businesses, such as the travel leisure and leisure entertainment business, the passenger travel business and the online travel platform, mangocity.com. The Board expects that following the Acquisition, there will be more cross-selling among the Group's operations and the Group will conduct joint marketing efforts with an aim to generate more income for the Group. The Acquisition also provides a solid platform for the Group to position and leverage its business hotel management service, through CTS Hotels Management, and related products under the "Metropark" branding.

Pursuant to the Acquisition Agreement, upon Acquisition Completion, CTS (Holdings) will grant a first right of refusal to the Company for the Company or its subsidiaries to acquire any hotel-related assets currently or in the future owned or controlled by CTS (Holdings). The Board was informed by CTS (Holdings) that it is the long term intention of CTS (Holdings) to use the Group as its flagship to develop CTS (Holdings)'s tourism and hotel related businesses. CTS (Holdings) has also indicated that it intends to inject the hotels currently or in the future owned or controlled by CTS (Holdings) into the Group in the future as and when the Board deems appropriate and suitable. However, save as the Acquisition, there are no negotiations or discussions regarding any potential acquisition or asset injection between the Group and CTS (Holdings) as at the date of this announcement.

Regarding the Disposal, as stated in the above, it is the intention of the Board to focus on the tourism and hotel related businesses. The Board is of the opinion that the Disposal represents an opportunity to realise its investments in the logistics and cargo business and to deploy more resources to strengthen the Group's presence in the PRC tourism related businesses.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of Somerley) believe that the Acquisition can also enhance the property portfolio of the Group and consider the terms of the Acquisition and the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE DISPOSAL

The audited consolidated equity attributable to equity holders of the Company was approximately HK\$10,649.9 million as at 31 December 2006. Upon Acquisition Completion, the financial results of the Hotel Group will be consolidated into the Group's financial statements. Due to the use of the fair values of the hotel properties of the Hotel Group in calculating depreciation expenses by the Group and the different accounting policies between the Group and CTS (Holdings) in relation to depreciation expenses, the results of the Hotel Group might be affected upon consolidation into the Group's financial statements.

For the Disposal, the Group is expected to realise a book gain of approximately HK\$434.5 million, being the difference between (i) HK\$853.6 million, being the Disposal Consideration attributable to the valuation of the CTS Cargo Group and Common Well being disposed of; and (ii) the sum of the unaudited consolidated equity attributable to equity holders of the parent of the CTS Cargo Group of approximately HK\$403.7 million and the unaudited net assets of Common Well on the group level of HK\$15.4 million as at 31 August 2007 but without taking into account any foreign exchange gain, expenses and taxations that may arise as a result of the Disposal, exact figures to be confirmed when issuing the annual audit of the Company.

CONTINUING CONNECTED TRANSACTIONS

CTS Hotels Management currently provides hotel management services to certain subsidiaries of CTS (Holdings). On Acquisition Completion, CTS Hotels Management shall become a wholly-owned subsidiary of the Company and the continuous provision of hotel management services to CTS (Holdings) and its associates shall constitute continuous connected transactions for the Company under the Listings Rules. On Acquisition Completion, the Company and CTS (Holdings) shall enter into the Hotel Management Services Master Agreement to govern such continuing connected transactions.

Hotel Management Services Master Agreement

Date:	Acquisition Completion Date
Parties involved:	(1) CTS (Holdings), as hotel owner (2) the Company, as hotel manager
Services provided:	hotel management services to be provided by the Company and its subsidiaries to CTS (Holdings) and its associates

Fees: hotel management fees shall be charged at a certain percentage (1.5%-2%) of total revenue of the hotel under management, a certain percentage (2%-6%) of its gross operating profit and as the case maybe, 1% of its room revenue, the aggregate of which shall be comparable to fees charged by independent third parties.

Term: from the date of signing of the agreement to 31 December 2015

The term of different hotel management services agreements underlying the Hotel Management Services Master Agreement

Due to the vast amount of resources committed by the hotel management company to manage a hotel and the desire of hotel owners to secure the provision of quality and stable hotel management services by the hotel management company, it is normal business practice for the hotel management company and hotel owners to enter into long term hotel management services agreements. The existing hotel management services agreements between CTS Hotels Management and certain subsidiaries of CTS (Holdings), excluding the Hotel Group, were entered into on 30 December 2002, 31 December 2002, 20 December 2005 and 1 July 2007 respectively. The terms of such hotel management services agreements shall expire between 31 December 2012 to 31 December 2015. The terms of all different hotel management services agreements underlying the Hotel Management Services Master Agreement shall not exceed the term of the Hotel Management Services Master Agreement, which shall expire on 31 December 2015.

Reasons for and benefits of entering into the continuing connected transactions and the relevant annual caps

The Directors consider that the continuing connected transactions will allow the Group to leverage on the Company's experience in hotel management and will benefit the ongoing operation of the Group's business and facilitate future growth.

The principles for determining the amount of hotel management fees payable under the Hotel Management Services Master Agreement have been arrived at after arm's length negotiation between CTS (Holdings) and the Company.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions (including the relevant annual caps) are entered into in the ordinary course of business, on normal commercial terms, which were arrived at after arm's length negotiations and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical figures

For the two years ended 31 December 2006 and for the eight months ended 31 August 2007, the amount of hotel management fees payable by certain subsidiaries of CTS (Holdings), excluding the Hotel Group, to CTS Hotels Management was as follows:

	For the year ended		For the
	31 December		eight months
	2005	2006	ended
	(HK\$'000)	(HK\$'000)	31 August
			2007
			(HK\$'000)
Hotel management fees	3,778	6,424	4,300

Annual caps for the continuing connected transactions

The annual caps for the hotel management fees payable by CTS (Holdings) and its associates to the Company and its subsidiaries under the Hotel Management Services Master Agreement for the three years ending 31 December 2010 are approximately HK\$9,764,000, HK\$11,326,000 and HK\$13,138,000 respectively. The annual caps are determined based on the following:

- (a) historical transaction amounts;
- (b) the Company's internal projection; and
- (c) the projected transaction amount for the year ending 31 December 2007 and a transaction growth rate of 20%, 16% and 16% in 2008, 2009 and 2010 respectively driven by the 2008 Beijing Olympics Games, the 2010 Shanghai World Expo and the anticipated growth in tourism industry and business travel in the PRC.

Listing Rules' implications

It is expected that the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the annual hotel management fees payable by CTS (Holdings) and its associates to the Company and its subsidiaries under the Hotel Management Services Master Agreement shall exceed 0.1% but be less than 2.5% under Rule 14A.34. As such, the continuing connected transactions are only subject to reporting and announcement requirements under the Listing Rules and do not require independent shareholders' approval. As the term of the Hotel Management Services Master Agreement is expected to exceed three years, Somerley, the independent financial adviser has been appointed to explain why a longer period for the agreement is required and to confirm that it is normal business practice for contracts of this type to be of such duration under Rule 14A.35(1) of the Listing Rules. The opinion of Somerley will be included in the circular to be despatched to the Shareholders. During the term of the Hotel Management Services Master Agreement, the Company shall ensure continuous compliance with Rule 14A.35(2) of the Listing Rules.

GENERAL INFORMATION

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. CTS (Holdings) is a substantial shareholder of the Company, and thus a connected person of the Company. Therefore the Acquisition and the Disposal also constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Acquisition and the Disposal are subject to the approval by the Independent Shareholders at an EGM under Rule 14A.17 and Rule 14.44 of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for the purpose of approving the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder, the respective advice of Somerley and the Independent Board Committee in relation to the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Acquisition”	the acquisition of the Hotel Group by the Purchasers pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement entered into on 1 November 2007 (entered into after the close of trading hours of the Stock Exchange) between the Company, the Purchasers and the Vendors in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition Agreement
“Acquisition Completion Date”	the 5th Business Day after the fulfilment (or waiver) of all of the conditions precedent in the Acquisition Agreement or such other date as agreed by the Company and CTS (Holdings)
“Acquisition Consideration”	HK\$1,107,260,000, being the consideration for the Acquisition

“Actual Profit”	the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group for the year ending 31 December 2007 to be shown in an auditor’s certificate based on the audited consolidated accounts of respective members of the Hotel Group for the year ending 31 December 2007 and the assumptions stipulated in the Acquisition Agreement
“Add-Well”	Add-Well Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Allied Well”	Allied Well Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday) on which banks in Hong Kong are generally open for business
“Common Well”	Common Well Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CTS Building Contractors”	China Travel Building Contractors Hong Kong Limited, a company incorporated in Hong Kong with limited liability and wholly-owned subsidiary of CTS (Holdings)
“CTS Cargo”	China Travel Service (Cargo) Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“CTS Cargo Group”	CTS Cargo and its subsidiaries
“CTS Hotel Beijing”	Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited, a wholly foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of CTS (Holdings)

“CTS Hotels Management”	CTS H.K. Metropark Hotels Management Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder holding approximately 52.56% of the total issued share capital of the Company
“CTS Investments”	China Travel Investments Hong Kong Limited, a company incorporated in Hong Kong with limited liability and wholly-owned subsidiary of CTS (Holdings)
“CTS Logistics”	CTS Logistics Corporation, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“CTS Travel”	China Travel Service (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of (i) the entire issued ordinary share capital of Common Well; (2) the net amount of shareholder’s loan owed by Common Well to the Company; and (3) the entire issued ordinary share capital of CTS Cargo by the Company to CTS Logistics pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement entered into on 1 November 2007 (entered into after the close of trading hours of the Stock Exchange) between the Disposal Vendors, CTS (Holdings) and CTS Logistics in relation to the Disposal
“Disposal Completion”	completion of the Disposal Agreement
“Disposal Completion Date”	the 5th Business Day after the fulfilment (or waiver) of all of the conditions precedent in the Disposal Agreement or such other date as agreed by the Company and CTS (Holdings)
“Disposal Consideration”	HK\$853,640,000, being the consideration for the Disposal
“Disposal Vendors”	the Company, CTS Travel, Add-Well and Noteman

“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve, among others, the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	HK\$46,000,000, being the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group for the year ending 31 December 2007 as guaranteed by CTS (Holdings) pursuant to the terms of the Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Group”	consists of CTS Hotels Management, CTS Hotel Beijing, Ruskin Overseas and Wisepak
“Hotel Management Services Master Agreement”	the master agreement to be entered into between CTS (Holdings) and the Company on Acquisition Completion, pursuant to which the Company shall provide or procure its subsidiaries to provide hotel management services to CTS (Holdings) and its associates
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, formed to advise the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	not later than six months after the date of the Acquisition Agreement and Disposal Agreement
“Macau”	the Macau Special Administrative Region of the PRC

“Noteman”	Noteman Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Purchasers”	Allied Well and United Capital
“RHL”	RHL Appraisal Ltd., independent property valuers
“RMB”	Renminbi, the lawful currency of the PRC
“Ruskin Overseas”	Ruskin Overseas Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“Shanghai Weilv”	上海維旅酒店管理有限公司(for identification purposes, in English, Shanghai Weilv Hotel Management Company Limited), a company incorporated in the PRC with limited liability and a subsidiary of CTS Hotels Management
“Shareholders”	shareholders of the Company
“Somerley”	Somerley Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) having CE registration number AAJ067 and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Three Hotels”	CTS(HK) Grand Metropark Hotel Beijing, Metropark Service Apartment Shanghai and Metropark Hotel Yangzhou
“United Capital”	United Capital Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“Vendors”	CTS (Holdings), CTS Building Contractors and CTS Investments
“Wisepak”	Wisepak Enterprises Limited, a company incorporated in Western Samoa with limited liability and a wholly-owned subsidiary of CTS (Holdings)

For illustration purpose in this announcement, the conversion rate of RMB1.00 = HK\$1.02 was adopted.

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

Hong Kong, 1 November 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 Jianjun, Mr. Zhang Fengchun, and Mr. Wei Qing

Independent Non-Executive Directors:

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