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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)

**CONNECTED TRANSACTION  
REPLACEMENT AGREEMENTS IN RELATION TO  
XIANYANG GUANZHONG HOTSPRING COMPANY LIMITED**

Reference is made to the announcement of the Company dated 30 July 2007 on the transfer of interests in Guanzhong Hotspring, a subsidiary of the Company, and provision of financial assistance which constituted connected transactions of the Company under the Listing Rules. The Board announces that on 4 March 2008, Chadwick, a wholly-owned subsidiary of the Company, together with Xibei Power and Shaanxi Qinlong entered into the Replacement Agreements after trading hours, pursuant to which the JV Partners agreed to increase (i) the registered capital of Guanzhong Hotspring from RMB100 million to RMB301 million; and (ii) the total investment amount of Guanzhong Hotspring from RMB300 million to RMB855 million. As the full amount of the increase in registered capital will be contributed in cash by Chadwick solely, upon completion of such increase, the Group's interest in Guanzhong Hotspring will increase from 51% to approximately 83.72%, and the interests of Xibei Power and Shaanxi Qinlong will be diluted from 30% and 19% to approximately 9.97% and 6.31% respectively.

As both Xibei Power and Shaanxi Qinlong are substantial shareholders of Guanzhong Hotspring and Weihe Power, both being subsidiaries of the Company for the purposes of the Listing Rules, they are both connected persons of the Company. As Guanzhong Hotspring is owned by Xibei Power as to 30%, it is an associate of Xibei Power and therefore also a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are more than 0.1% but all of them are less than 2.5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 30 July 2007 on the transfer of interests in Guanzhong Hotspring, a subsidiary of the Company, and provision of financial assistance which constituted connected transactions of the Company under the Listing Rules.

## **THE REPLACEMENT AGREEMENTS**

The Board announces that on 4 March 2008, the Replacement Shareholders Agreement and the Replacement Articles were entered into after trading hours to effect the Capital Increase by replacing the shareholders agreement and the articles of association in relation to Guanzhong Hotspring dated 30 July 2007 respectively, particulars of which are as follows:

### **Date**

4 March 2008

### **Parties**

- (1) Chadwick, a wholly-owned subsidiary of the Company
- (2) Xibei Power
- (3) Shaanxi Qinlong

### **Subject matter**

(i) the registered capital of Guanzhong Hotspring to be increased from RMB100 million (which has already been fully paid) to RMB301 million, with RMB252 million, RMB30 million and RMB19 million being contributed by Chadwick, Xibei Power and Shaanxi Qinlong respectively; and (ii) the total investment amount of Guanzhong Hotspring to be increased from RMB300 million to RMB855 million. As the full amount of the increase in registered capital will be contributed in cash by Chadwick solely, upon completion of such increase, the Group's interest in Guanzhong Hotspring will increase from 51% to approximately 83.72%, and the interests of Xibei Power and Shaanxi Qinlong will be diluted from 30% and 19% to approximately 9.97% and 6.31% respectively.

### **Additional funding**

The requirement for the JV Partners to bear pro rata responsibilities in the event that Guanzhong Hotspring borrows from banks is removed, and there is no express provision as to how additional funding needs will be met and whether any shareholder will be required to provide loan or guarantee in connection with future funding of Guanzhong Hotspring. However, the Entrustment Loan Arrangement will not be affected by the Replacement Agreements. Pursuant to the Replacement Agreements, the JV Partners have not agreed as to how or whether the JV Partners would be responsible for the amount of RMB150 million of the Entrustment Loan Arrangement. The Company will make further announcement if the JV Partners assume direct responsibilities under the Entrustment Loan Arrangement.

## **Board representation**

The board of directors of Guanzhong Hotspring shall comprise of 7 directors. Chadwick shall have the right to nominate 5 directors while Xibei Power and Shaanxi Qinlong shall each have the right to appoint 1 director. Chadwick shall also have the right to appoint the chairman of the board.

## **Condition precedent**

The Replacement Agreements are conditional upon obtaining approvals from the relevant PRC government authorities of the Replacement Agreements.

Save as described above, the terms of the Replacement Shareholders Agreement and the Replacement Articles are substantially the same as those of the shareholders agreement and the articles of association in relation to Guanzhong Hotspring dated 30 July 2007 respectively as disclosed in the announcement of the Company dated 30 July 2007.

## **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 centre, hotel, residential property development, 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 had no profits or losses as it had not yet commenced operations in 2006. According to the unaudited management accounts of Guanzhong Hotspring prepared in accordance with the generally accepted accounting principles of the PRC, the unaudited net asset value of Guanzhong Hotspring as at 31 December 2007 was approximately RMB100 million and Guanzhong Hotspring had no profits or losses for the year ended 31 December 2007.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The increase in total investment of Guanzhong Hotspring from RMB300 million to RMB855 million reflects the additional funds required to finance the construction of the hotel and the residential property development. The hotel and hot spring centre are complementary and will cross enhance their respective customer bases whereas the residential property development is expected to enhance the overall return of the hot spring resort development project.

Upon completion of the increase in registered capital of Guanzhong Hotspring, the Group's interest in Guanzhong Hotspring will increase from 51% to approximately 83.72% and the Group will share more of the expected economic benefits brought by the hot spring resort development project.

The Board (including the independent non-executive Directors) considers that the terms of the Replacement Agreements were negotiated on an arm's length basis, are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES' IMPLICATIONS**

As both Xibei Power and Shaanxi Qinlong are substantial shareholders of Guanzhong Hotspring and Weihe Power, both being subsidiaries of the Company for the purposes of the Listing Rules, they are both connected persons of the Company. As Guanzhong Hotspring is owned by Xibei Power as to 30%, it is an associate of Xibei Power and therefore also a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since there is no agreement between the JV Partners under the Replacement Agreements as to how additional funding needs of Guanzhong Hotspring will be met, none of the JV Partners have committed to contribute to the difference between the new total investment amount of RMB855 million and the new registered capital of RMB301 million. By taking into account the Entrustment Loan Arrangement which was entered into in June 2007, the aggregate total capital commitment of the Company in Guanzhong Hotspring is RMB402 million as at the date hereof. Since one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are more than 0.1% but all of them are less than 2.5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules. The Company will further comply with applicable Listing Rules if and when its total capital commitment in Guanzhong Hotspring agreed with the other JV Partners is further increased.

## **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 Shaanxi Qinlong are both principally engaged in power generation.

## **DEFINITIONS**

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

“Board”	the board of directors of the Company
“Capital Increase”	(i) the increase in the registered capital of Guanzhong Hotspring from RMB 100 million to RMB301 million; and (ii) the increase in the total investment amount of Guanzhong Hotspring from RMB300 million to RMB855 million, pursuant to the Replacement Agreements

“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, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Entrustment Loan Arrangement”	the entrustment loan arrangement entered into between Weihe Power, Guanzhong Hotspring and a financial intermediary on 6 June 2007 pursuant to which Weihe Power agreed to provide a cash deposit in the amount of RMB150 million as security to the financial intermediary to facilitate the making of a loan of up to RMB150 million by the financial intermediary to Guanzhong Hotspring, as described in the announcement of the Company dated 30 July 2007
“Group”	the Company and its subsidiaries
“Guanzhong Hotspring”	咸陽關中溫泉有限公司(Xianyang Guanzhong Hotspring Company Limited), a sino-foreign equity joint venture company established in the PRC
“JV Partners”	the joint venture partners of Guanzhong Hotspring, namely Chadwick, Xibei Power and Shaanxi Qinlong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Replacement Agreements”	the Replacement Shareholders Agreement and the Replacement Articles
“Replacement Articles”	the articles of association of Guanzhong Hotspring dated 4 March 2008 between the JV Partners replacing the articles of association dated 30 July 2007
“Replacement Shareholders Agreement”	the shareholders agreement in respect of Guanzhong Hotspring dated 4 March 2008 between the JV Partners replacing the shareholders agreement dated 30 July 2007
“RMB”	Renminbi, the lawful currency of the PRC

“Shaanxi Qinlong”	陝西秦龍電力股份有限公司(Shaanxi Qinlong Electric Power Co., Ltd.), a state-owned company established in the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the entering into of the Replacement Agreements and the transactions contemplated under the Replacement Agreements
“Weihe Power”	陝西渭河發電有限公司(Shaanxi Weihe Power Co., Ltd.), a sino-foreign co-operative joint venture company established in the PRC
“Xibei Power”	西北電網有限公司(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, 4 March 2008

*English names of the companies/entities established in the PRC are unofficial English transliterations or translations and are for identification purposes only.*

As at the date of this announcement, the Directors are:

*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