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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: 308)

## **CONTINUING CONNECTED TRANSACTIONS WITH CHINA CTS (HK) GROUP AND USCTS**

On 19 August 2008, the Company and China CTS (HK) entered into the Tour Group Services Agreement in relation to the CTII Tour CCT and the China CTS Tour CCT. The Original Annual Caps for the two years ending 31 December 2009 in relation to the CTII-USCTS CCT and USCTS CCT are also revised.

As China CTS (HK) and USCTS are connected persons of the Company, the Continuing Connected Transactions constitute continuing connected transactions of the Company. Since one or more of the applicable percentage ratios in respect of each of the Continuing Connected Transactions, on an annual basis, is more than 0.1% but are all less than 2.5%, the Continuing Connected Transactions and the Caps are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **I. NEW CONTINUING CONNECTED TRANSACTIONS**

#### **1. The Tour Group Services Agreement—provision of tour group services by the Group and China CTS (HK) Group to each other**

***Date***

19 August 2008

***Parties***

The Company  
China CTS (HK)

***Duration***

1 January 2008 to 31 December 2010

### ***Transaction Nature***

Provision of tour group services by the Group and China CTS (HK) Group to each other.

### ***Terms***

In relation to the provision of tour group services by the Group to China CTS (HK) Group, the charges of these services shall not be lower than that which the Group may charge independent third parties.

In relation to the provision of tour group services by China CTS (HK) Group to the Group, the charges of these services shall not be higher than the prevailing market price at which these services are charged by independent third parties to the Group.

The payment terms of the each individual transaction under the Tour Group Services Agreement will be agreed by the relevant parties from time to time on the basis referred to above.

## **2. Historical Figures**

According to the audited consolidated accounts of the Group for the year ended 31 December 2007 and the unaudited consolidated management accounts of the Group for the seven months ended 31 July 2008, the amounts for the CTII Tour CCT and the China CTS Tour CCT are as follows:

	<b>For the financial year ended 31 December 2007 HK\$'000</b>	<b>For the seven months ended 31 July 2008 HK\$'000</b>
Provision of tour group services by the Group to China CTS (HK) Group	6,405	2,602
Provision of tour group services by China CTS (HK) Group to the Group	6,898	6,315

The amounts of each of the CTII Tour CCT and the China CTS Tour CCT for the financial year ended 31 December 2007 and the period from 1 January 2008 to 31 July 2008 did not exceed the de minimis threshold under Rule 14A.33(3) of the Listing Rules.

## II. REVISION OF ANNUAL CAPS

### 1. Background

As disclosed in the announcement of the Company dated 29 December 2006, on 29 December 2006, the Company and USCTS entered into the Travel Services Agreement pursuant to which the Group and USCTS would provide travel related services to each other.

### 2. Revision of Annual Caps

The amounts of the CTII-USCTS CCT and USCTS CCT (based on the audited consolidated accounts of the Group for the year ended 31 December 2007 and the unaudited consolidated management accounts of the Group for the seven months ended 31 July 2008) and the annual caps thereof are as follows:

	For the year ended 31 December 2007		For the year ending 31 December 2008		For the year ending 31 December 2009
	Original Annual Cap <i>HK\$'000</i>	Actual amount <i>HK\$'000</i>	Original Annual Cap <i>HK\$'000</i>	Actual amount <i>HK\$'000</i>	Original Annual Cap <i>HK\$'000</i>
Travel related service fees payable by the Group to USCTS	5,303	4,890	6,364	2,152 (for the seven months ended 31 July 2008)	7,636
Travel related service fees payable by USCTS to the Group	7,470	6,933	9,711	2,517 (for the seven months ended 31 July 2008)	11,653

The corresponding projected aggregate amounts of the CTII-USCTS CCT and the USCTS CCT for the two years ending 31 December 2009 are likely to exceed the Original Annual Caps. The Company and USCTS entered into the Travel Services Supplemental Agreement on 19 August 2008 to remove references to the annual caps for the CTII-USCTS CCT and the USCTS CCT in the Travel Services Agreement.

### III. ANNUAL CAPS/REVISED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

The annual caps/ revised annual caps for the Continuing Connected Transactions are as follows:

	Caps/ revised caps for the year ending 31 December		
	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Provision of tour group services by the Group to China CTS (HK) Group	19,840	43,240	59,520
Provision of tour group services by China CTS (HK) Group to the Group	29,080	34,900	41,870
Travel related service fees payable by the Group to USCTS	11,410	65,280	–
Travel related service fees payable by USCTS to the Group	14,720	19,130	–

The Caps are determined based on the following:

- (a) historical amounts of the Continuing Connected Transactions;
- (b) the Company's internal projections;
- (c) in relation to the CTII Tour CCT and the China CTS Tour CCT, an expected increase in the interactions between the Group and the China CTS (HK) Group as a result of the continuous reorganization and merger of the travel enterprises of China CTS (HK) in mainland China, the relaxation on the United States' policy on Chinese visitors in June 2008 and the Beijing Olympic Games 2008; and
- (d) in relation to the CTII-USCTS CCT and the USCTS CCT, an expected increase in the number of transactions as a result of the relaxation on the United States' policy on Chinese visitors in June 2008 and the Beijing Olympic Games 2008.

### IV. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

China CTS (HK) is engaged in travel business. In view of past operational convenience and benefits brought to the Group, the Board considers it to be in the interests of the Group to engage in the CTII Tour CCT and the China CTS Tour CCT and that the Group will benefit from the extensive coverage of the traveling network of China CTS (HK) Group. The CTII Tour CCT and the China CTS Tour CCT will enable the Group to launch new products with China CTS (HK) Group and to provide one-stop services to clients. The Board believes that the resources of the Group will be allocated more efficiently and the cost will be lowered as a result.

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. The Board believes that the consummation of the CTII-USCTS CCT and the USCTS CCT will bring operation convenience and benefit to the Group.

The Board (including the independent non-executive Directors) believes that the terms of the Continuing Connected Transactions have been negotiated on an arm's length basis and on normal commercial terms, and the terms thereof and the Caps are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

## **V. LISTING RULES IMPLICATIONS**

China CTS (HK) is a substantial shareholder of the Company. USCTS, in which the Company holds a 51% equity interest, is owned as to 49% by Pacific Travel. Pacific Travel is wholly owned by a director of USCTS, who is also the brother of another director of USCTS. Accordingly, USCTS is an associate of a substantial shareholder and director of a subsidiary of the Company. China CTS (HK) and USCTS are therefore connected persons of the Company under the Listing Rules. The Continuing Connected Transactions constitute continuing connected transactions of the Company.

Since one or more of the applicable percentage ratios in respect of each of the Continuing Connected Transactions, on an annual basis, is more than 0.1% but are all less than 2.5%, the Continuing Connected Transactions and the Caps are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company did not have any other prior tour group transactions with each of China CTS (HK) and USCTS which required aggregation with the Continuing Connected Transactions under the Listing Rules.

## **VI. GENERAL INFORMATION**

The principal businesses of the Group include tour operations, theme parks, hotel and resort operations, passenger and freight transportation, golf club and power generation.

## **VII. DEFINITIONS**

“Board”	the board of Directors
“Caps”	the maximum aggregate annual amounts for the Continuing Connected Transactions as referred to in this announcement
“China CTS Tour CCT”	the provision of tour group services by China CTS (HK) Group to the Group as contemplated under the Tour Group Services Agreement

“China CTS (HK)”	China National Travel Service (HK) Group Corporation (中國港中旅集團公司), a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China
“China CTS (HK) Group”	China CTS (HK) and its associates
“Company” or “CTII”	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 of Hong Kong Limited
“Continuing Connected Transactions”	the China CTS Tour CCT, the CTII Tour CCT, the CTII-USCTS CCT and the USCTS CCT
“CTII Tour CCT”	the provision of tour group services by the Group to China CTS (HK) Group as contemplated under the Tour Group Services Agreement
“CTII-USCTS CCT”	the provision of travel related services by the Group to USCTS as contemplated under the Travel Services Agreement (as supplemented by the Travel Services Supplemental Agreement)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Annual Caps”	the original annual caps for the provision of travel related services by the Group and USCTS to each other contemplated under the Travel Services Agreement as set out in the announcement of the Company dated 29 December 2006
“Pacific Travel”	Pacific Travel and Trade Corporation, a corporation incorporated in California, the United States
“PRC”	the People’s Republic of China

“Tour Group Services Agreement”	the agreement dated 19 August 2008 entered into between the Company and China CTS (HK) in relation to the provision of tour group services by the Group and China CTS (HK) Group to each other
“Travel Services Agreement”	the agreement dated 29 December 2006 entered into between the Company and USCTS in relation to the provision of travel related services by the Group and USCTS to each other
“Travel Services Supplemental Agreement”	the agreement dated 19 August 2008 entered into between the Company and USCTS, which is supplemental to the Travel Services Agreement
“USCTS”	U.S. China Travel Service, Inc., a corporation incorporated in California, the United States
“USCTS CCT”	the provision of travel related services by USCTS to the Group as contemplated under the Travel Services Agreement (as supplemented by the Travel Services Supplemental Agreement)

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

Hong Kong, 19 August 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. Fang Xiaorong, Mr. Zhang Fengchun and Mr. Xu Muhan.

*Independent Non-Executive Directors:*

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