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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to China Travel International Investment Hong Kong Limited

Morgan Stanley

The Directors are pleased to announce that on 22 June 2009 (entered into after the close of trading hours of the Stock Exchange), CTS (Holdings) and Fame Harvest, an indirectly wholly-owned subsidiary of CTS (Holdings), entered into the Agreement with the Company and HKCTS pursuant to which the Company and HKCTS conditionally agreed to sell and Fame Harvest conditionally agreed to acquire the Target Companies at an aggregate Consideration of HK\$205,343,587.

The Group and the CTIL Group currently provide tour group services to each other. On Completion, CTIL shall cease to be a wholly-owned subsidiary of the Company and the continuing provision of tour group services by the Group and the CTIL Group to each other shall constitute continuing connected transactions for the Company under the Listing Rules.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. CTS (Holdings) is a substantial Shareholder, and thus a connected person of the Company. Therefore the Disposal also constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Disposal is subject to the approval by the Independent Shareholders at the EGM under Rule 14A.17 of the Listing Rules. Further, one or more of the applicable percentage ratios (except for the profits ratio which is not applicable) as defined in Rule 14A.10 of the Listing Rules in respect of the Continuing Connected Transactions, on an annual basis, shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus, the Continuing Connected Transactions and the Cap are also subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Agreement, the Tour Group Services Supplemental Agreement and the transactions contemplated thereunder.

An Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Agreement and the Tour Group Services Supplemental Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. An independent financial adviser, Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Agreement, the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole and to advise whether the Independent Shareholders should vote in favour of the relevant resolutions at the EGM.

A circular containing, among others, further details of the Agreement and the Tour Group Services Supplemental Agreement and the transactions contemplated thereunder, the respective advice of the independent financial adviser and the Independent Board Committee in relation to the Agreement and the Tour Group Services Supplemental Agreement and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

THE AGREEMENT

Date

22 June 2009 (entered into after the close of trading hours of the Stock Exchange)

Parties to the Agreement

- (1) Purchaser: Fame Harvest, an indirectly wholly-owned subsidiary of CTS (Holdings), the controlling Shareholder;
- (2) Vendors:
 - (i) the Company;
 - (ii) HKCTS, a wholly-owned subsidiary of the Company; and
- (3) CTS (Holdings), the controlling Shareholder.

The assets to be disposed of

- (1) the entire shareholding in the registered capital of CTIL; and
- (2) the 25% shareholding in the registered capital of CTI (Hangzhou).

Consideration

The Consideration of HK\$205,343,587, including HK\$203,613,848 for the consideration of the disposal of entire shareholding in the registered capital of CTIL and HK\$1,729,739 for the consideration of the disposal of the 25% shareholding in the registered capital of CTI (Hangzhou), will be satisfied entirely by cash payable by Fame Harvest to the Vendors within 10 Business Days from the Completion Date.

The Consideration was determined after arm's length negotiation between the Vendors and Fame Harvest and after taking into account of: (i) the unaudited consolidated net asset value of CTIL Group (excluding minority interests) as at 31 December 2008 of approximately HK\$233,481,003; (ii) the unaudited net asset value as at 31 December 2008 attributable to the 25% shareholding in the registered capital of CTI (Hangzhou) held by the Company of approximately HK\$1,729,739 (*Figures in items (i) and (ii) above were adopted in the preparation of the 2008 audited accounts of the Group in accordance with the HKFRS*); (iii) the dividend of HK\$29,867,155 declared by CTIL on 31 May 2009; and (iv) the financial position, business outlook and future prospect of the CTIL Group.

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 the independent financial advisor) consider that the Consideration is fair and reasonable and the Agreement was made on normal commercial terms.

Conditions precedent

Completion of the Agreement is conditional upon fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM (with CTS (Holdings) and its associates abstaining from voting) of resolution(s) approving, among other things, the Agreement, the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (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 Agreement and any of the transactions contemplated thereunder; and
- (iii) the representations, warranties and undertakings given by Fame Harvest and the Vendors respectively remaining true and correct in all material respects on the Completion Date.

Fame Harvest may waive condition (iii) 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 parties to the Agreement, the Agreement will be terminated and all obligations of the parties under the Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist and none of the parties to the Agreement shall have any claims against the other (save for any antecedent breach).

Other terms of the Agreement

Pursuant to the Agreement, CTS (Holdings) and Fame Harvest have unconditionally and irrevocably:

- (i) undertaken to the Company that they will actively complete the consolidation and integration of all of its travel agency business in the PRC (including the CTIL Group) (the “**Consolidated and Integrated Travel Agency Business**”) within three years after the Completion Date and will consult and report to the Company from time to time as to the procedures and progress of the said consolidation and integration;
- (ii) granted, subject to regulatory approval (if any), at nil consideration an option to the Company for the Company or its nominee to acquire the Consolidated and Integrated Travel Agency Business as recognised by the Company within a period of three years after the Completion Date or such extended period of up to 6 years after the Completion Date upon request by the Company (the “**Option Exercise Period**”), at a consideration to be negotiated at arm’s length between the Company and CTS (Holdings) with reference to the value of the Consolidated and Integrated Travel Agency Business to be evaluated by an independent valuer. The Company (or its nominee) also has a first right of refusal to acquire the Consolidated and Integrated Travel Agency Business during the Option Exercise Period.

Pursuant to the Agreement, the Company has undertaken to Fame Harvest, within a period of 6 months after the Completion:

- (i) to transfer the 25% shareholding in the registered capital of CTI (Hangzhou) held by the Company to Fame Harvest at a consideration of HK\$1,729,739 as disclosed in the section headed “Consideration”; and
- (ii) to procure its wholly-owned subsidiary, China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd., to transfer the 30% shareholding in the registered capital of CTI Cosco held by it as nominee on behalf of CTIL back to CTIL.

Completion

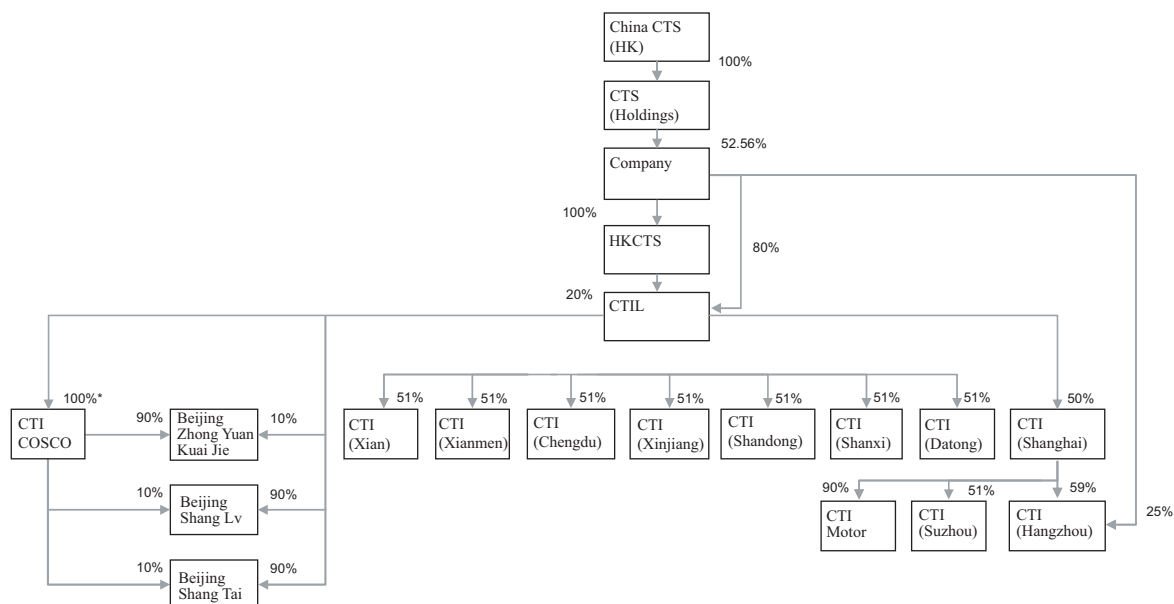
Completion shall take place on the date upon which the new business licence of CTIL is issued. Upon Completion, CTIL will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET COMPANIES

CTIL

CTIL was incorporated in Beijing, PRC, in 2001 and commenced operations in 2002. The CTIL Group operates 13 travel agencies in provinces and municipality cities including Beijing, Shanghai, Sichuan, Fujian, Zhejiang, Jiangsu, Shandong, Shanxi, Shaanxi and Xinjiang. It provides outbound travel, inbound travel, domestic travel, business travel and tourist guide services, as well as reservation service in collaboration with hotels and airlines. CTIL Group is the flagship operator of Mainland travel agency services of the Group.

The chart below sets out the corporate structure of the CTIL Group:



* 30% held by China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. as nominee on behalf of CTIL

The unaudited financial information of the CTIL Group prepared in accordance with the HKFRS is as follows (the 2007 and 2008 figures presented below were adopted in the preparation of the 2007 and 2008 audited accounts of the Group in accordance with the HKFRS):

	For the year ended 31 December	
	2007	2008
	<i>(HKD\$'000)</i>	<i>(HKD\$'000)</i>
Profit before tax	15,651	8,009
Profit after tax	10,482	4,766
Profit attributable to equity holders of the parent	9,603	6,230
	As at 31 December	As at 31 May
	2007	2008
	<i>(HKD\$'000)</i>	<i>(HKD\$'000)</i>
Net asset value (excluding minority interests)	213,252	202,490*

* On 31 May 2009, CTIL has declared a dividend of HK\$29,867,155.

CTI (Hangzhou)

Established in July 2005 in Hangzhou, CTI (Hangzhou) is 59% beneficially owned by CTI (Shanghai) (a jointly controlled entity of the Company) and 25% beneficially owned by the Company. CTI (Hangzhou) is principally engaged in group tour operation and ticketing service.

The unaudited financial information of CTI (Hangzhou) prepared in accordance with the HKFRS is as follows (the 2007 and 2008 figures presented below were adopted in the preparation of the 2007 and 2008 audited accounts of the Group in accordance with the HKFRS):

	For the year ended 31 December	
	2007 (HK\$'000)	2008 (HK\$'000)
Profit before tax	631	21
Profit after tax	625	10

	As at 31 December		As at 31 May
	2007 (HK\$'000)	2008 (HK\$'000)	2009 (HK\$'000)
Net asset value	6,452	6,919	6,625

INFORMATION OF THE PARTIES

The principal businesses of the Group include travel agency and related operations, online travel consolidator, hotels, theme parks, resorts, passenger transportation, golf club, art performance and infrastructure investment.

The CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading.

Fame Harvest was incorporated in Hong Kong in 2008. Fame Harvest is an investment holding company and an indirectly wholly-owned subsidiary of CTS (Holdings). The principal assets of Fame Harvest are its equity interest in approximately 21 travel agencies in the major cities in the PRC, including Beijing, Shanghai, Xi'an, Dalian, Wuhan, Fuzhou, Nanjing, Chengdu, Qingdao and Haerbin.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

China CTS (HK), the ultimate controlling shareholder of CTS (Holdings), Fame Harvest and the Company, is a company incorporated in the PRC. It is a state-owned enterprise supervised by SASAC. The China CTS (HK) Group is mainly engaged in the travel related business in the PRC, Hong Kong, Macau and over 14 countries and regions, and the steel, property and logistics business in the PRC. After the merger with China Travel Service (Holdings) Corporation of China supervised by SASAC in 2007, the China CTS (HK) Group owns about 36 travel agencies in the PRC, 13 of which are currently held by the Group through the CTIL Group. The China CTS (HK) Group, through its wholly-owned subsidiary, CTS (Holdings), is devoted to consolidate and integrate all of its travel agency business in the PRC and to further expand its travel agency business through optimizing its network coverage, reshaping the travel agency business model, re-engineering the operation logistics of the travel agency business, promoting and raising the brand recognition as well as streamlining its overlapping branches in some cities, minimizing internal competition, reducing costs and realizing synergies with a view to create the strongest travel agency network and business platform in the PRC.

The Group is the travel-related business flagship and consolidated platform of the China CTS (HK) Group. Since 2008, the Company's travel agency business in the PRC conducted through the CTIL Group has declined due to the economic downturn, natural disasters and fierce competitions from other travel agencies in the PRC. The Company has actively explored alternatives to facilitate the implementation of the consolidation and integration of its travel agency business with the travel agency business within the China CTS (HK) Group. However, it is uncertain in terms of the potential benefit or the timing of the success of the consolidation and integration of the travel agency business, as well as the possible financial impact on the Company's operational and financial results because of the substantial costs potentially to be incurred. The Disposal is expected to maintain a high level of predictability for the Company's financial performance, while facilitating the consolidation and integration of travel agencies within the China CTS (HK) Group as disclosed below and providing the Group with an option to acquire the Consolidated and Integrated Travel Agency Business at a suitable timing in the future.

As disclosed above, the Company has retained an option to acquire the Consolidated and Integrated Travel Agency Business to maintain a long-term interest in the travel agency operation in the PRC. Accordingly, despite the Disposal, the Company will continue to be the travel-related business flagship of the China CTS (HK) Group.

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 the independent financial advisor) consider the terms of the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED CONSOLIDATION AND INTEGRATION

As mentioned above, the China CTS (HK) Group, through its wholly-owned subsidiary, CTS (Holdings), is devoted to consolidate and integrate all its travel agency business in the PRC and to further expand its travel agency business through optimizing its network coverage, reshaping the travel agency business model, re-engineering the operation logistics of the travel agency business and promoting and raising the brand recognition as well as integrating its management team and streamlining its overlapping branches in some cities. The consolidated and integrated travel agencies will then focus on the standardization of travel product offerings and establishment of an integrated platform. All travel agencies will operate under the same “CTS” brand to promote brand recognition and will uniformly leverage on the online sales capabilities of Mangocity.

It is expected the consolidated and integrated travel agencies would generate synergies through increased bargaining power and economies of scale. Competitiveness would be enhanced as a result of the optimization of the business operation logistics and the business model. The rationalisation of branch network and streamlined management would promote operational efficiency and reduce operating costs. In all, a more optimised business structure resulting from the consolidation and integration is expected to boost the business performance and provide greater resistance to operational and financial risks.

China CTS (HK) aims to complete the consolidation and integration of all of its travel agency business, through its wholly-owned subsidiary, CTS (Holdings), in approximately 3 years. Upon the completion of consolidation and integration, the Consolidated and Integrated Travel Agency Business is expected to consist of 8 regional operation centres, more than 150 local travel agencies and 500 outlets all over PRC. The consolidation and integration would shape a leading travel agency business in the PRC with seamless linkages between the PRC, Hong Kong, Macau and its overseas network.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group do not expect to have any significant gain or loss as a result of the Disposal. Upon Completion, CTIL will cease to be a subsidiary of the Company.

The proceeds from the Disposal in the amount of approximately HK\$200 million will be used for the Group’s general working capital purposes.

CONTINUING CONNECTED TRANSACTIONS

The CTIL Group and the Group currently provide tour group services to each other. On Completion, CTIL shall cease to be a wholly-owned subsidiary of the Company and the continuing provision of tour group services between the Group and the CTIL Group shall constitute continuing connected transactions for the Company under the Listing Rules.

Tour Group Services Supplemental Agreement

As disclosed in the announcement of the Company dated 19 August 2008, the Company and China CTS (HK) entered into the Tour Group Services Agreement in respect of the provision of tour group services by the Group and the China CTS (HK) Group to each other. It is expected that the original annual cap for the provision of tour group services by the China CTS (HK) Group and the Group to each other contemplated under the Tour Group Services Agreement will be exceeded as a result of the addition of the continuing connected transactions after the Completion and thus, the same should be revised. The Company and China CTS (HK) have entered into the Tour Group Services Supplemental Agreement on 22 June 2009 (entered into after the close of trading hours of the Stock Exchange), which shall become effective on Completion, to extend the term of the Tour Group Services Agreement. All other terms and conditions of the Tour Group Services Agreement shall remain unchanged.

Original Cap, Cap and Historical figures

	For the year ended	For the year ended	For the	For the year ending	For the	For the year ending	For the year ending				
	31 December 2007	31 December 2008	4 months ended	31 December 2009	4 months ended	31 December 2010	31 December 2011				
		<i>Original</i>	30 April 2008	<i>Original</i>		<i>Original</i>		<i>Original</i>			
	<i>Actual</i>	<i>Annual</i>	<i>Actual</i>	<i>Actual</i>	<i>Annual</i>	<i>Proposed</i>	<i>Actual</i>	<i>Annual</i>	<i>Proposed</i>	<i>Annual</i>	<i>Proposed</i>
<i>Amount</i>	<i>Cap</i>	<i>Amount</i>	<i>Amount</i>	<i>Cap</i>	<i>Cap</i>	<i>Amount</i>	<i>Cap</i>	<i>Cap</i>	<i>Cap</i>	<i>Cap</i>	
(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Provision of tour group services by the China CTS (HK) Group to the Group	5,370	29,080	15,297	5,526	34,900	N/A	5,102	41,870	N/A	N/A	N/A
Provision of tour group services by the CTIL Group to the Group	117,371	N/A	77,849	10,839	N/A	N/A	11,321	N/A	N/A	N/A	N/A
Total	122,741	29,080	93,146	16,365	34,900	100,000	16,423	41,870	150,000	N/A	200,000
Provision of tour group services by the Group to the China CTS (HK) Group	4,335	19,840	6,845	818	43,240	N/A	5,586	59,520	N/A	N/A	N/A
Provision of tour group services by the Group to the CTIL Group	32,928	N/A	21,817	2,343	N/A	N/A	5,264	N/A	N/A	N/A	N/A
Total	37,263	19,840	28,662	3,161	43,240	60,000	10,850	59,520	140,000	N/A	230,000

Cap for the Continuing Connected Transactions

The Cap for the three years ending 31 December 2011 for the provision of tour group services by the China CTS (HK) Group and the Group to each other is determined based on the following:

1. historical transaction amounts as detailed in the table above;
2. the potential gradual recovery in the economy and the organic growth of the travel agency businesses of the China CTS (HK) Group and the Group;

3. an expected increase in the interactions between the Group and China CTS (HK) Group as a result of the consolidation and integration of the travel agency business within the China CTS (HK) Group in the PRC;
4. the amount of the tour group services provided by the China CTS (HK) Group (including the CTIL Group) to the Group in 2008 (as shown in the table above) only accounted for a small percentage of the total transaction amount of the tour group services provided to the Group in the PRC (“**2008 Total PRC Services Amount**”). As the Group intends to strengthen relationship and consolidate business with the China CTS (HK) Group (including the CTIL Group), a premier brand name travel agency partner in the PRC, so as to secure more stable and better services and bargain for a more favourable pricing, a significant increase in procurement of services from the China CTS (HK) Group (including the CTIL Group) is expected. The proposed Cap represents the expected significant increase in the percentage of the total transaction amount of the tour group services provided to the Group in the PRC to be provided by the China CTS (HK) Group (including the CTIL Group) with reference to the 2008 Total PRC Services Amount; and
5. the amount of the tour group services provided by the Group to the China CTS (HK) Group (including the CTIL Group) in 2008 (as shown in the table above) again only accounted for a very small percentage of the total transaction amount of the tour group services provided to the China CTS (HK) Group (including the CTIL Group) outside the PRC (“**2008 Total Outside Services Amount**”). As the China CTS (HK) Group (including the CTIL Group) intends to strengthen relationship and consolidate business with the Group, a premier brand name travel agency partner outside the PRC, so as to secure more stable and better services and bargain for a more favourable pricing, an increase in procurement of services from the Group is expected. The proposed Cap represents the expected significant increase in the percentage of the total transaction amount of the tour group services provided to the China CTS (HK) Group (including the CTIL Group) outside the PRC to be provided by the Group with reference to the 2008 Total Outside Services Amount.

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 the independent financial advisor) consider that the Cap and the terms of the Tour Group Services Supplemental Agreement is fair and reasonable and the Tour Group Services Supplemental Agreement is made on normal commercial terms and in the ordinary course of business.

GENERAL INFORMATION

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. CTS (Holdings) is a substantial Shareholder, and thus a connected person of the Company. Therefore the Disposal also constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Disposal is subject to the approval by the Independent Shareholders at the EGM under Rule 14A.17 of the Listing Rules. Further, one or more of the applicable percentage ratios (except for the profits ratio which is not applicable) as defined in Rule 14A.10 of the Listing Rules in respect of the Continuing Connected Transactions, on an annual basis, shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus, the Continuing Connected Transactions and the Cap are also subject to reporting, announcement and Independent Shareholders' approval under the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Agreement, the Tour Group Services Supplemental Agreement, the Cap 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 Agreement and the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. An independent financial adviser, Somerley Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Agreement, the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole and to advise whether the Independent Shareholders should vote in favour of the relevant resolutions at the EGM.

A circular containing, among others, further details of the Agreement, the Tour Group Services Supplemental Agreement and the transactions contemplated thereunder, the respective advice of the independent financial adviser and the Independent Board Committee in relation to the Agreement, the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement entered into on 22 June 2009 (entered into after the close of trading hours of the Stock Exchange) between CTS (Holdings), Fame Harvest and the Vendors in relation to the Disposal
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Shang Lv”	China Travel International Business Travel Management (Beijing) Company Limited

“Beijing Shang Tai”	Beijing Shang Tai Ji Ye Economic Information Consultation Co., Ltd.
“Beijing Zhong Yuan Kuai Jie”	Beijing Zhong Yuan Kuai Jie Airline Agency Co., Ltd.
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and public holidays) on which banks in Hong Kong and PRC are generally open for business
“Cap”	the maximum aggregate annual consideration for the Continuing Connected Transactions as referred to above
“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 SASAC which beneficially owns the entire issued share capital of CTS (Holdings)
“China CTS (HK) Group”	China CTS (HK) and its subsidiaries
“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
“Completion”	completion of the Disposal pursuant to the Agreement
“Completion Date”	the date at which Completion takes place, which shall be the date on which the new business licence of CTIL is issued
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$205,343,587, including HK\$203,613,848 for the consideration of the disposal of the entire shareholding in the registered capital of CTIL and HK\$1,729,739 for the consideration of the disposal of the 25% shareholding of the registered capital of CTI (Hangzhou)
“Continuing Connected Transactions”	the provision of tour group services by the China CTS (HK) Group and the Group to each other
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CTI (Chengdu)”	China Travel International (Chengdu) Ltd.

“CTI Cosco”	CTI Cosco Travel Ltd.
“CTI (Datong)”	China Travel International (Datong) Travel Service Co., Ltd.
“CTI (Hangzhou)”	China Travel International (Hangzhou) Ltd., a company incorporated in the PRC and is 59% beneficially owned by CTI (Shanghai) (a jointly controlled entity of the Company) and 25% beneficially owned by the Company
“CTI Motor”	Shanghai China Travel Motor Co., Ltd.
“CTI (Shangdong)”	China Travel International (Shangdong) Ltd.
“CTI (Shanghai)”	Shanghai China Travel International Ltd.
“CTI (Shanxi)”	China Travel International (Shanxi) Travel Service Co., Ltd.
“CTI (Suzhou)”	Suzhou China Travel International Ltd.
“CTI (Xiamen)”	China Travel International (Xiamen) ITG Travel Service Co., Ltd.
“CTI (Xian)”	China Travel International (Xian) Ltd.
“CTI (Xinjiang)”	China Travel International (Xinjiang) Limited
“CTIL”	China Travel International Ltd., a company incorporated in the PRC and wholly-owned by the Company
“CTIL Group”	CTIL and its subsidiaries and affiliates
“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 (Holdings) Group”	CTS (Holdings) and its subsidiaries, which shall exclude the Group for the purpose of this announcement

“Directors”	the directors of the Company
“Disposal”	the disposal of the Target Companies from the Vendors to Fame Harvest pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve, among others, the Agreement, the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder
“Fame Harvest”	Fame Harvest (Hong Kong) Limited, a company incorporated in Hong Kong and wholly owned by CTS (Holdings)
“Group”	the Company and its subsidiaries, which shall exclude the CTIL Group upon Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKCTS”	China Travel Service (Hong Kong) Limited, a company incorporated in Hong Kong and wholly owned by the Company
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Agreement, the Tour Group Services Supplemental Agreement, the Cap and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other person and its associates which has a material interest in the Disposal and the Continuing Connected Transactions
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	not later than 6 months after the date of the Agreement
“PRC” or “Mainland China”	the People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Companies”	the entire shareholding in the registered capital of CTIL and the 25% shareholding in the registered capital of CTI (Hangzhou)
“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 the China CTS (HK) Group to each other
“Tour Group Services Supplemental Agreement”	the conditional agreement entered into between the Company and China CTS (HK) on 22 June 2009 (entered into after the close of trading hours of the Stock Exchange) (effective upon Completion), which is supplemental to the Tour Group Services Agreement to cover the additional Continuing Connected Transactions arising from the Disposal
“Vendors”	collectively, the Company and HKCTS

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

Hong Kong, 22 June 2009

As at the date of this announcement, the Board comprises eight executive Directors, namely Mr. Zhang Xuewu, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Mao Jianjun, Mr. Fang Xiaorong, Mr. Zhang Fengchun and Mr. Xu Muhan and four independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.