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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)

**RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS
WITH CTS (HOLDINGS) GROUP**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

 **SOMERLEY LIMITED**

Reference is made to the announcements of the Company dated 16 April 2004, 13 July 2004, 27 November 2006, 29 December 2006 and circulars of the Company dated 19 April 2004 and 5 December 2006 in respect of the continuing connected transactions between certain members of the Group and the CTS (Holdings) Group.

As the 2006 CTSH Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2009, the Company entered into the 2009 CTSH Master Agreement with CTS (Holdings) on 18 November 2009 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2010 and ending on 31 December 2012, and to enlarge the scope of services of certain continuing connected transactions in the 2006 CTSH Master Agreement, where the CTS (Holdings) Group will continue to provide the services thereunder to the Company.

CTS HK has been providing Travel Permit Administration services to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. At the extraordinary general meeting of the Company held on 22 December 2006, the then Independent Shareholders approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$400 million for the Travel Permit Administration for each of the three years ending 31 December 2009. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the annual cap for the Travel Permit Administration for the three years ending 31 December 2012 is required to be renewed in order to comply with the Listing Rules.

As CTS (Holdings) is a substantial shareholder of the Company, the members in CTS (Holdings) Group are connected persons of the Company.

It is expected that the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules for (i) the annual cap of the amount payable or receivable (as the case may be) for each of the Continuing Connected Transactions will exceed 0.1% but less than 2.5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements in accordance with Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirements; and (ii) the cap for the Travel Permit Administration shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus the renewal of the annual cap and continuing provision of the Travel Permit Administration is subject to the reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the EGM for the purpose of approving the renewal of the Travel Permit Administration (including the cap).

A circular containing, among others, further details of the renewal of the Travel Permit Administration (including the annual cap), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

1. BACKGROUND INFORMATION

Reference is made to the announcements of the Company dated 16 April 2004, 13 July 2004, 27 November 2006, 29 December 2006 and circulars of the Company dated 19 April 2004 and 5 December 2006 in respect of the continuing connected transactions between certain members of the Group and the CTS (Holdings) Group.

2009 CTSH Master Agreement

As the 2006 CTSH Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2009, the Company entered into the 2009 CTSH Master Agreement with CTS (Holdings) on 18 November 2009 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2010 and ending on 31 December 2012, and to enlarge the scope of services of certain continuing connected transactions in the 2006 CTSH Master Agreement, where the CTS (Holdings) Group will continue to provide the services thereunder to the Group.

AGENCY AGREEMENT

CTS HK and CTS (Holdings) entered into the Agency Agreement on 15 May 2001 to document the transactions relating to Travel Permit Administration for a fixed term of 46 years. Travel Permit Administration became a continuing connected transaction of the Company on 15 May 2001 when the Acquisition was completed.

At the extraordinary general meeting of the Company held on 22 December 2006, the Independent Shareholders approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$400 million for the Travel Permit Administration for each of the three years ending 31 December 2009. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the annual cap for the Travel Permit Administration for the three years ending 31 December 2012 is required to be renewed in order to comply with the Listing Rules. The agency fees will be payable monthly in cash.

2. PARTICULARS OF THE 2009 CTSH MASTER AGREEMENT

(a) Provision of insurance brokerage services by the CTS (Holdings) Group

Transaction Nature

The CTS (Holdings) Group will continue to provide insurance brokerage services to the Group in relation to the selection of appropriate insurance policies and negotiation with insurance underwriters.

Pricing Basis

The prices of these services shall not exceed the prevailing market price at which these services are available to the Group from Independent Third Parties and will be payable in cash in accordance with the terms of each individual insurance contract, which are normally payable on an annual basis.

(b) Lease arrangements with the CTS (Holdings) Group as lessor

Transaction Nature

(i) Office rental

The Group will continue to rent office premises from the CTS (Holdings) Group. Pursuant to such arrangement, the Group will renew and/or enter into several tenancy agreements with the CTS (Holdings) Group to rent certain office premises from the CTS (Holdings) Group, which shall expire on or before 31 December 2012.

After the renewal and/or entering into such tenancy agreements, the aggregate rent payable by the Group would be approximately HK\$1,544,000 per month (inclusive of rates, Government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) for 2010 with an average rental rate of approximately HK\$32 per square foot, and the rental rate for 2011 and 2012 shall not exceed HK\$37 per square foot and HK\$43 per square foot respectively.

(ii) Car parking space rental

The Group will continue to rent car parking spaces from the CTS (Holdings) Group.

(iii) Warehouse rental

The Group will continue to rent warehouse spaces for storage from the CTS (Holdings) Group.

(iv) Rental for hotel operations

Reference is made to the announcement of the Company dated 1 November 2007 and circular of the Company dated 21 November 2007 in relation to the acquisition of Hotel Group by the Company. After completion of the Hotel Acquisition on 9 May 2008, Shanghai Weilv became an indirect wholly-owned subsidiary of the Company and continued to rent the premises for hotel operations from the CTS (Holdings) Group. The Group will continue to rent premises for hotel operations from the CTS (Holdings) Group.

Pricing Basis

The rental and other charges charged by the CTS (Holdings) Group to the Group shall not exceed the prevailing market rent and will be payable monthly in cash.

(c) Provision of ASP related services to the CTS (Holdings) Group

Transaction Nature

The Group will continue to provide ASP related services to the CTS (Holdings) Group.

Pricing Basis

The ASP related services to be provided by the Group will be charged by reference to the fees charged by the Group to other Independent Third Parties, which is charged on a monthly basis and payable in cash within 14 days upon receipt of the invoices.

The Directors (including the independent non-executive Directors) consider that the terms of the 2009 CTSH Master Agreement and the Continuing Connected Transactions (including the annual caps) are entered into in the ordinary and usual course of business fair and reasonable and in the interest of the Shareholders and the Company as a whole. The Continuing Connected Transactions were negotiated on an arm's length basis and were arrived at on normal commercial terms no less favourable to the Group than terms available from Independent Third Parties.

3. PARTICULARS OF THE TRAVEL PERMIT ADMINISTRATION

Transaction nature

CTS HK and CTS (Holdings) agreed that CTS HK would provide general administration services in Hong Kong to CTS (Holdings) for the application for tourist visas and travel permits for entry into the PRC, for a fixed term until 30 June 2047.

Pricing basis

In accordance with the terms of the Agency Agreement determined on an arm's length basis between the parties, CTS (Holdings) agreed to pay CTS HK 45% of the gross fee revenue from permit applications for the services provided by CTS HK in relation to Travel Permit Administration.

Term of the Agency Agreement

CTS HK and CTS (Holdings) entered into the Agency Agreement on 15 May 2001 to document the transaction relating to Travel Permit Administration for a fixed term of 46 years. The 46-year term of the Agency Agreement was part and parcel of the term of the Acquisition, which was then approved by the Independent Shareholders. The Company believes that a fixed contractual term of 46 years enabling CTS HK to provide Travel Permit Administration until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

The Directors (other than the independent non-executive Directors whose opinion will be included in the circular to be despatched to Shareholders) consider that the terms of the Agency Agreement are on normal commercial terms and that the terms of the Agency Agreement and the annual caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

4. HISTORICAL FIGURES

According to the audited consolidated accounts of the Group for the three years ended 31 December 2008 and the unaudited condensed consolidated accounts of the Group for the eight months ended 31 August 2009 that are prepared in accordance with Hong Kong Financial Reporting Standards, the amount of the Continuing Connected Transactions and the continuing connected transaction in connection with Travel Permit Administration for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 is as follows:

	Year ended 31 December			For the eight months ended
	2006	2007	2008	31 August 2009
	(Audited)	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Provision of insurance brokerage services by CTS (Holdings) Group	5,795	5,191	5,146	3,103
(b) Lease arrangements with CTS (Holdings) Group as lessor (Note 1 and 2)	11,246	15,409	17,090	11,099
(c) Provision of ASP related services to CTS (Holdings) Group	13,518	14,013	9,734	11,654
(d) Provision of Travel Permit Administration by CTS HK	313,730	308,457	300,111	233,064

Note:

- The historical figures in respect of the lease arrangements with the CTS (Holdings) Group as lessor do not include storage fee payable to CTS (Holdings) Group. The amounts of such storage fee payable to the CTS (Holdings) Group were approximately HK\$437,000, HK\$498,000, HK\$426,000 and HK\$297,000 for the years ended 2006, 2007 and 2008 and the eight months ended 31 August 2009 respectively.
- The historical figures in respect of the lease arrangements with the CTS (Holdings) Group as lessor do not include rental fee for hotel operations payable to CTS (Holdings) Group. The amounts of such rental fee payable to the CTS (Holdings) Group were approximately nil, HK\$305,976, HK\$1,446,394 and HK\$1,698,886 for the years ended 2006, 2007 and 2008 and the eight months ended 31 August 2009 respectively.

5. REASONS FOR ENTERING INTO AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE TRAVEL PERMIT ADMINISTRATION

The Continuing Connected Transactions will continue to be conducted in the ordinary and usual course of business of the Group and its counter-parties, and on normal commercial terms determined on an arm's length basis. In view of past operational convenience and benefits brought to the Group and extended business relationships established between the Group and the CTS (Holdings) Group, such continuing relationships are expected to bring synergies to the parties. Thus, the Board (including the independent non-executive Directors) considers it to be in the interests of the Group to continue to engage in the Continuing Connected Transactions.

CTS HK is the only commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out Travel Permit Administration on behalf of CTS (Holdings). In view of past operational convenience and benefits brought to the Group, the Board (other than the independent non-executive Directors whose opinion will be included in the circular to be despatched to Shareholders) considers it to be in the interests of the Company to continue to engage in Travel Permit Administration and that the terms of the Travel Permit Administration are fair and reasonable and in the interests of the Shareholders as a whole.

The Company proposes to set the annual cap for the Continuing Connected Transactions as follows:

	Year ending 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Provision of insurance brokerage services by CTS (Holdings) Group	5,400	6,200	7,200
(b) Lease arrangements with CTS (Holdings) Group	24,500	29,500	35,500
(c) Provision of ASP related services to CTS (Holdings) Group	11,300	11,300	11,300
(d) Provision of Travel Permit Administration by CTS HK	420,000	420,000	420,000

The above caps are determined based on the following:

- (i) historical transaction amounts for transactions covered by the 2006 CTSH Master Agreement and the Agency Agreement;
- (ii) the Company's internal projections;
- (iii) in relation to the provision of insurance brokerage services by the CTS (Holdings) Group, an expected increase in the purchase of insurance, and premium growth rate of 5% in 2010, 2011 and 2012;

- (iv) in relation to the lease arrangements with the CTS (Holdings) Group as lessor, an expected increase of 15% in office rental, car parking space rental and storage fee in each of 2010, 2011 and 2012, and an expected increase of 40% in rental for hotel operations in each of 2010, 2011 and 2012;
- (v) in relation to the provision of ASP related services to the CTS (Holdings) Group, a steady business volume in 2010, 2011 and 2012;
- (vi) in relation to the provision of Travel Permit Administration by CTS HK, an expected increase in revenue of 20% in 2010 based on the annualized value of the historical figures for the eight months ended 31 August 2009.

The above is merely assumed for the purpose of determining the annual caps and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects.

If any of the annual caps are exceeded during the term of the 2009 CTSH Master Agreement, the Company will re-comply with the requirements under Rule 14A.36 of the Listing Rules.

If during the periods ending 31 December 2012, the aggregate annual value of the Travel Permit Administration exceeds the proposed cap or there is a material change to the Agency Agreement, the Company will take the necessary steps to ensure compliance with the Listing Rules as required.

The Continuing Connected Transactions and the Travel Permit Administration will also be subject to the annual review requirement and the reporting requirement respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 and 14A.46 of the Listing Rules.

6. LISTING RULES IMPLICATIONS

As CTS (Holdings) is a substantial shareholder of the Company, the members in the CTS (Holdings) Group are connected persons of the Company.

It is expected that the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules for (i) the annual cap of the amount payable or receivable (as the case may be) for each of the Continuing Connected Transactions will exceed 0.1% but less than 2.5% and the annual consideration is more than HK\$1,000,000, the Continuing Connected Transactions are subject to the reporting and announcement requirements in accordance with Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirements; and (ii) the annual cap for the Travel Permit Administration shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus the renewal of the annual cap and continuing provision of the Travel Permit Administration is subject to the reporting, announcement and independent

shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the EGM for the purpose of approving the renewal of the Travel Permit Administration (including the annual cap).

At the EGM, the Company will seek Independent Shareholders' approval for the renewal of the Travel Permit Administration (including the annual cap). In view of the interest of CTS (Holdings) and its associates in the continuing provision of Travel Permit Administration, CTS (Holdings) and its associates (as defined in the Listing Rules) will abstain from voting at the EGM in this regard. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

An Independent Board Committee has been appointed to advise the Independent Shareholders whether or not to vote in favour of the renewal of the Travel Permit Administration (including the annual cap). Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the renewal of the Travel Permit Administration (including the annual cap and the term of the Agency Agreement) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among others, further details of the renewal of the Travel Permit Administration (including the annual cap), the respective advice of the Independent Financial Adviser and the Independent Board Committee in relation to the renewal of the Travel Permit Administration (including the annual cap) and the notice of the EGM will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules

7. PRINCIPAL BUSINESS ACTIVITIES 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. CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel production, real estate development, logistics and trading.

8. DEFINITIONS

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

“2006 CTSH Master Agreement”	the master agreement dated 29 December 2006 and entered into between the Company and CTS (Holdings) in relation to the Continuing Connected Transactions
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“2009 CTSH Master Agreement”	the master agreement dated 18 November 2009 and entered into between the Company and CTS (Holdings) in relation to the Continuing Connected Transactions
“Acquisition”	The Company’s acquisition of CTS HK from CTS (Holdings) in 2001
“Agency Agreement”	the agency agreement dated 15 May 2001 between CTS HK and CTS (Holdings) in relation to Travel Permit Administration
“ASP”	Computer application service provider
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 which owns the entire issued share capital of CTS (Holdings)
“China CTS (HK) Group”	China CTS (HK) and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“Company”	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
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the 2006 CTSH Master Agreement and the 2009 CTSH Master Agreement
“CTS HK”	China Travel Service (Hong Kong) Limited, a wholly-owned subsidiary of the Company
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 52.56% of the issued share capital of the Company and a connected person of the Company

“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates (including China CTS (HK) Group), but excluding the Group for the purpose of this announcement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolution(s) to be proposed to approve, among others, the renewal of the Travel Permit Administration (including the cap)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Acquisition”	the acquisition of the Hotel Group by the Group pursuant to the hotel acquisition agreement dated 1 November 2007
“Hotel Group”	consists of CTS H.K. Metropark Hotels Management Company Limited, Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited, Ruskin Overseas Limited and Wisepak Enterprises Limited, all of them are wholly-owned subsidiaries of CTS (Holdings) before the completion of Hotel Acquisition
“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 renewal of the Travel Permit Administration (including the cap)
“Independent Financial Adviser”	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 renewal of the Travel Permit Administration (including the cap)

“Independent Shareholder(s)”	the shareholder(s) of the Company other than CTS (Holdings) and its associates
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “Mainland China”	The People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
“Shanghai Weilv”	Shanghai Weilv Hotel Management Company Limited* (上海維旅酒店管理有限公司), a company incorporated in PRC with limited liability and a subsidiary of CTS H.K. Metropark Hotels Management Company Limited
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Travel Permit Administration”	the general administration services provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC by CTS HK to CTS (Holdings)

* *For identification purposes only*

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

Hong Kong, 18 November 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.