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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 TRANSACTION  
IN RELATION TO THE PROPOSED FORMATION OF A JOINT VENTURE  
AND  
CONTINUING CONNECTED TRANSACTION**

**PROPOSED FORMATION OF THE JOINT VENTURE**

The Board is pleased to announce that on 22 December 2009, the Company has conditionally agreed to invest in Deng Feng Development, which is currently a wholly state-owned enterprise established in the PRC, by converting it into a sino-foreign joint venture (being the JV Company) pursuant to the JV Agreements (including the JV Capital Increase and Subscription Agreement, the JV Set-up Agreement, the JV Articles of Association and the Framework Agreement) for the development and operation of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot. Pursuant to the JV Agreements, the Company will subscribe for 51% of the enlarged registered capital of the JV Company by contributing approximately RMB68.85 million in cash, RMB51 million of which will be contributed towards the registered capital of the JV Company and the remaining RMB17.85 million will be treated as capital reserve of the JV Company.

**PROPOSED CONTINUING CONNECTED TRANSACTION**

Songshan Management and the JV Company shall enter into the Franchise Agreement on the Effective Date, pursuant to which Songshan Management agrees to appoint the JV Company to exclusively manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot for a period of 40 years in exchange for a franchise fee and the JV Company shall assume management responsibility and other responsibilities.

Upon the Effective Date, the transactions to be entered into between the JV Company and Songshan Management will become continuing connected transactions of the Company and subject to the applicable requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the JV Agreements are greater than 5% but less than 25%, the JV Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, Songshan Management, which owns 100% of the equity interest in Deng Feng, which in turn holds 49% of the equity interest in the JV Company, shall become a connected person to the Company upon the Effective Date. The transactions contemplated under the Franchise Agreement shall constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules in respect of the Continuing Connected Transaction, on an annual basis, shall exceed 0.1% but less than 2.5% and have an annual consideration of more than HK\$1,000,000, thus, the Continuing Connected Transaction is only subject to reporting and announcement requirements and exempt from independent shareholders' approval under the Listing Rules. However, as the Franchise Agreement will have a term of more than 3 years, Optima Capital has been appointed as an independent financial adviser to review why a longer period for the Franchise Agreement is required and whether it is normal business practice for contract of this type to be of such duration. Optima Capital has confirmed that the Franchise Agreement which has a term of 40 years is in line with the business of the Group and that it is normal business practice for contract of this type to be of such duration.

## **INTRODUCTION**

The Board is pleased to announce that on 22 December 2009, the Company entered into the JV Agreements with Deng Feng (except that the Framework Agreement was entered into between the Company, Songshan Management and the People's Government of Deng Feng Shi) in relation to the establishment of the JV Company in the PRC for, among other things, the development and operation of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot in Henan Province of the PRC.

## **PROPOSED FORMATION OF THE JOINT VENTURE**

The Company has conditionally agreed to invest in Deng Feng Development, which is currently a wholly state-owned enterprise established in the PRC, by converting it into a sino-foreign joint venture (being the JV Company) pursuant to the JV Agreements (including the JV Capital Increase and Subscription Agreement, the JV Set-up Agreement, the JV Articles of Association and the Framework Agreement) for, among other things, the development and operation of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot in Henan Province of the PRC.

## **(1) THE JV CAPITAL INCREASE AND SUBSCRIPTION AGREEMENT**

### **Date**

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

### **Parties**

- (1) the Company (in the capacity of equity subscriber); and
- (2) Deng Feng (in the capacity of existing equity holder and equity subscriber).

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, at the date of this announcement, Deng Feng Development, Deng Feng and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Subscription for the enlarged registered capital of Deng Feng Development**

Deng Feng Development, a state-owned limited company established in the PRC, is currently an indirect wholly-owned subsidiary of Songshan Management (through its wholly-owned subsidiary of Deng Feng), which is a state administrative institutional unit in the PRC. As at the date of this announcement, the registered capital of Deng Feng Development is RMB20 million. Pursuant to the JV Capital Increase and Subscription Agreement, the parties thereto have conditionally agreed (1) to set up the JV Company by converting Deng Feng Development into a sino-foreign joint venture (being the JV Company) of the Company and Deng Feng; and (2) to increase the registered capital of Deng Feng Development to RMB100 million (“enlarged registered capital of the JV Company”), in which RMB49 million, being 49% of the enlarged registered capital, shall be contributed by Deng Feng by way of injection of the entire net assets of Deng Feng Development (the audited net asset value of Deng Feng Development as at 30 November 2009 was approximately RMB42.11 million, RMB20 million of which is the registered capital of Deng Feng Development and RMB18.56 million is reserves convertible into registered capital of Deng Feng Development) and approximately RMB10.44 million in cash into the JV Company. The value of Deng Feng’s contribution, being the sum of the appraised net asset value of the Deng Feng Development as at 30 November 2009 of approximately RMB55.72 million (which is based on an asset based approach) and the cash injection of approximately RMB10.44 million into the JV Company, amounts to approximately RMB66.15 million.

The Company shall contribute approximately RMB68.85 million in cash to the JV Company (being RMB66.15 million (i.e. the value of Deng Feng’s contribution) ÷ 49% x 51%), RMB51 million of which will be contributed towards the registered capital of the JV Company, being 51% of the enlarged registered capital of the JV Company, and the remaining RMB17.85 million will be treated as capital reserve of the JV Company. The total investment of the JV Company will be RMB200 million.

The payment from the Company shall be made within 3 Business Days upon receipt of notice from the JV Company that the approval from the Zhengzhou Ministry of Commerce approving the capital increase has been obtained and the related foreign currency account has been set up. The registered capital required to be paid up by the Company, which is determined by reference to the shareholding in the JV Company and the amount of investment required for the establishment and operation of the JV Company, will be funded by internal resources of the Group.

The terms of the JV Capital Increase and Subscription Agreement, including the amount of the Subscription were determined after arm's length negotiations between the Company and Deng Feng by taking into account: (1) the amount of investment required for the establishment and operation of the JV Company; and (2) the appraised net asset value of Deng Feng Development of approximately RMB55.72 million (which is based on an asset based approach) as at 30 November 2009 and the cash contribution of approximately RMB10.44 million by Deng Feng to the JV Company. Apart from the contribution of approximately RMB68.85 million in cash to the JV Company and the potential contribution towards the total investment amount of the JV Company, there is no further capital commitment of the Company pursuant to the JV Agreements. The Directors consider that the proposed investment by the Company in the JV Company pursuant to the JV Agreements are in the interests of the Group and the Shareholders as a whole, and the terms of the JV Agreements are entered into by the parties thereto on normal commercial terms and are fair and reasonable.

### **Conditions of the JV Capital Increase and Subscription Agreement**

Completion of the JV Capital Increase and Subscription Agreement is subject to, among other matters, the following conditions:

- (a) the completion of the Re-organization;
- (b) the increase in the registered capital of Deng Feng Development and the establishment of the JV Company having been approved by the relevant government authorities in the PRC, shareholders and/or equity holders of the parties and/or any third parties and these approvals continue to be in full force and effect;
- (c) no Force Majeure having occurred since the date of the JV Capital Increase and Subscription Agreement;
- (d) all necessary internal approvals of the parties have been obtained; and
- (e) all the necessary consents from the assignees relating to the assignment of the Account Payables from Deng Feng Development to Deng Feng have been obtained.

## **(2) THE JV SET-UP AGREEMENT AND THE JV ARTICLES OF ASSOCIATION**

### **Date**

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

### **Parties**

- (1) the Company (in the capacity of holder of equity interest in the JV Company); and
- (2) Deng Feng (in the capacity of holder of equity interest in the JV Company).

In order to regulate the future affairs relating to the business and management of, as well as the respective rights and obligations of the owners of the equity interests in the JV Company, the Company and Deng Feng entered into the JV Set-up Agreement and the JV Articles of Association. The principal terms of the JV Set-up Agreement and the JV Articles of Association are as follows:

#### **(a) Operative term**

The operative term of the JV Company will be 40 years from the date of establishment of the JV Company and such term shall be extended upon agreement by the Company and Deng Feng and subject to the approval by the relevant government authorities and applicable rules and regulations.

#### **(b) Business scope**

The JV Company will engage in the development and sales of tourist products, tourists reception, tourism-related trading, provision of services relating to car parks and electronic touring vehicles, the maintenance and cleaning of tourism infrastructure facilities at scenic spots.

#### **(c) Board of directors of the JV Company**

The board of directors of the JV Company comprises 7 directors (including the chairman and vice chairman of the board of directors), as to 2 directors nominated by Deng Feng, 3 directors nominated by the Company and 2 independent directors nominated jointly by the Company and Deng Feng. The directors shall serve a term of 4 years. The first chairman and vice chairman of the board of directors of the JV Company shall be nominated by the Company and Deng Feng respectively.

(d) Profit sharing

Within six months after the end of each financial year of the JV Company, the board of directors of the JV Company would decide whether or not to declare any dividends or make any distributions to the equity holders. Any dividends declared or other kind of distributions of the JV Company made will be shared by the equity holders according to their respective equity interest in the JV Company.

(e) Transfer restrictions on the equity interest in the JV Company

Any transfer of the equity interest of the JV Company by an equity holder, except transfer of entity within the same group of the equity holder, is subject to the written approval from the other equity holder (which shall have the right of first refusal in respect of such transfer) and of the relevant government authorities in the PRC.

(f) Effective Date

The formation of the JV Company shall be effective upon the obtaining of all necessary approvals from government or regulatory authorities which are necessary in connection with the execution and performance of the JV Agreements and any of the transactions contemplated thereunder. Upon the Effective Date, the Company will own 51% of the equity interest of the JV Company and the financial results of the JV Company will be consolidated into the Group's financial statements.

### (3) THE FRAMEWORK AGREEMENT

#### **Date**

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

#### **Parties**

- (1) the Company;
- (2) Songshan Management; and
- (3) People's Government of Deng Feng Shi.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, at the date of this announcement, Songshan Management, the People's Government of Deng Feng Shi and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

In order to regulate the future affairs relating to the JV Arrangement and the rights and obligations of the owners of the equity interests in the JV Company as well as the protection of interests of the Company as a proposed investor to Deng Feng Shi, the Framework Agreement was entered into between the Company and Songshan Management where the People's Government of Deng Feng Shi was also joined as a party to the same to procure and assist the performance of Songshan Management's respective obligations under the Framework Agreement. The key terms of the Framework Agreement are as follows:

*Undertaking from Songshan Management*

- (a) Songshan Management shall authorize the JV Company as the sole entity to manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot for a period of not less than the term of the JV Company in accordance with the terms of the Franchise Agreement;
- (b) Songshan Management shall lease certain parcels of land in Shaolin Scenic Spot with an aggregate area of 109,800 square metres to the JV Company for office and operation use and the corresponding lease agreement between Songshan Management and the JV Company shall be approved by the People's Government of Deng Feng Shi and the Land Management Department of Deng Feng Shi; and
- (c) Songshan Management undertakes to indemnify the JV Company and the Company for all taxes, duties, employees compensations or any other legal penalties or liabilities assumed by Deng Feng Development prior to its conversion into the JV Company.

*Indemnity and undertaking from Deng Feng to the JV Company*

- (a) As at the date of this announcement, Deng Feng owes approximately RMB80 million to Deng Feng Development (prior to its conversion into the JV Company). To facilitate the formation of the JV Company, Deng Feng undertakes to the Company that it shall repay such debt to the JV Company before the end of 2010 and that it shall pay interest on any outstanding debt at a rate equal to the interest rate charged on outstanding bank loan of the JV Company. If Deng Feng fails to do so, the JV Company could deduct the outstanding debt owed by Deng Feng to the JV Company from the franchise fee under the Franchise Agreement; and
- (b) As at the date of this announcement, Deng Feng Development has provided a guarantee to Zhengzhou branch of China Citic Bank Corporation Limited in respect of the repayment of the loan of RMB30 million granted to 登封市建設投資總公司 (Deng Feng Shi Construction and Investment Company\*), a third party independent to Deng Feng Development, the Company and its connected persons (as defined under the Listing Rules). The guarantee will remain in force until 23 June 2012. Deng Feng undertakes to the Company that it shall liaise with China Citic Bank for the release of the guarantee by 30 June 2010 and shall

provide a counter indemnity to the JV Company to indemnify the JV Company in respect of all the contingent liabilities that may arise in relation to the discharge of the guarantee for a period for five years.

## INFORMATION ON THE JV COMPANY

### Deng Feng Development

Deng Feng Development is currently wholly owned by Deng Feng as at the date of this announcement and is principally engaged in the operation and management of the Shaolin Scenic Spot. Upon completion of the JV Agreements:

- (i) Deng Feng Development will be converted into a sino-foreign joint venture, which will have an enlarged registered capital of RMB100 million and will be held as to 51% and 49% by the Company and Deng Feng respectively and therefore becomes a subsidiary of the Company, for the development and operation of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot; and
- (ii) pursuant to the completed Re-organisation, the principal assets of Deng Feng Development (and thus the JV Company upon completion of the JV Agreements), as at the date of this announcement, are (i) the entire equity interest in Deng Feng Songshan; (ii) 35% equity interest in Henan Chan Ju; and (iii) assets such as coach, vehicles, properties, rights to receive fees for the car parks of Shaolin Scenic Spot.

The unaudited financial information of Deng Feng Development prepared in accordance with the HKFRS is as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2007</b>	<b>2008</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit/(Loss) before tax	36,832	13,620
Profit/(Loss) after tax	27,624	10,215

As at the date of this announcement, the unaudited net asset value of the Deng Feng Development Group is approximately RMB42 million.



## Deng Feng Songshan

Deng Feng Songshan is currently a wholly-owned subsidiary of Deng Feng Development and is principally engaged in the provision of tourist transportation services in the Shaolin Scenic Spot.

The unaudited financial information of Deng Feng Songshan prepared in accordance with the HKFRS is as follows:

	For the year ended	
	31 December	
	2007	2008
	(RMB'000)	(RMB'000)
Profit/(Loss) before tax	(845)	(346)
Profit/(Loss) after tax	(845)	(346)

As at 30 November 2009, the unaudited net asset value of Deng Feng Songshan was approximately RMB12.78 million.

## Henan Chan Ju

Henan Chan Ju is currently 35% owned by Deng Feng Development and it owns a hotel inside the Shaolin Scenic Spot.

The unaudited financial information of Henan Chan Ju prepared in accordance with the HKFRS is as follows:

	For the year ended	
	31 December	
	2007	2008
	(RMB'000)	(RMB'000)
Profit/(Loss) before tax	(1,747)	(1,290)
Profit/(Loss) after tax	(1,747)	(1,290)

As at 31 August 2009, the unaudited net asset value attributable to 35% equity interest of Henan Chan Ju was approximately RMB3.15 million.

## **REASONS FOR AND BENEFITS OF THE JV ARRANGEMENT**

China CTS (HK), the ultimate controlling shareholder of CTS (Holdings) and the Company, is a large state-owned enterprise under the supervision of SASAC. As the travel-related business flagship and consolidated platform of China CTS (HK), the Group has been focusing on the development and consolidation of high-quality travel resources, so as to further develop its core travel and travel related businesses. The formation of the JV Company demonstrates the Company's commitment to further develop its travel and travel related businesses.

In light of the favourable long-term outlook of PRC economy and the rapid increase in the disposable income of PRC consumers, together with the accelerating construction of tourism infrastructure facilities and initiatives to spur tourism spending by the PRC Government, the Directors are of the view that the development and operation of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot, has attractive prospects and growth potential and represents an important part of the Company's long-term development strategy.

The Directors believe the JV Arrangement to be complementary to the Group's existing businesses, and expect there will be coordinated marketing efforts conducted by the Group targeting to attract more travellers. To this end, the Company intends to leverage on its existing business network to procure an increase of 30% in the number of tourists at the Shaolin Scenic Spot, Zhong Yue Scenic Spot and the Song Yang Scenic Spot under the Songshan Scenic Spot as compared with that for the year ending 31 December 2009.

The Directors, including the independent non-executive Directors, are of the view that the JV Agreements are entered into in the ordinary and usual course of business of the Group, the terms of the JV Agreements are on normal commercial terms and are fair and reasonable and the entering into the JV Agreements are in the interests of the Company and its shareholders as a whole.

## **CONTINUING CONNECTED TRANSACTION**

Pursuant to the Framework Agreement, Songshan Management has undertaken to authorize the JV Company as the sole entity to manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot for a period of not less than the term of the JV Company in accordance with the terms of the Franchise Agreement. Upon the Effective Date, the existing and future transactions entered or to be entered into between the JV Company and Songshan Management will become continuing connected transactions of the Company and are therefore subject to the applicable requirements under Chapter 14A of the Listing Rules.

## 1. FRANCHISE AGREEMENT

### Date

To be entered into on the Effective Date

### Parties to the Franchise Agreement

- (1) Songshan Management; and
- (2) JV Company.

### Subject and Term

The Franchise Agreement will become effective upon execution of the Franchise Agreement and the JV Company will be authorized to exclusively manage and operate the Authorized Operations from the Effective Date for a term of 40 years. The JV Company will be responsible for the housekeeping and landscaping of the core portion of the Shaolin Scenic Spot, the daily maintenance of existing sightseeing roads, bridges and safety facilities of the scenic spots, and the advertising, promotion, sales and marketing of the scenic spots.

### Pricing Basis

50% of the net ticket sales, being the ticket sales of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot after deducting business tax, ticket design and production fee and insurance expenses of the scenic spots, will be payable by the JV Company to Songshan Management as franchise fee, which will be settled in cash within 10 Business Days after the end of each calendar month. This pricing basis shall be comparable to the prevailing fees payable under similar franchise arrangements in scenic spots in Huangshan and Emei Shan in the PRC.

### Historical Figures

Below is a summary of the unaudited aggregate ticket sales of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot for the two years ended 31 December 2008 and the eleven months ended 30 November 2009.

<b>For the year ended 31 December 2007</b> <i>(RMB'000)</i>	<b>For the year ended 31 December 2008</b> <i>(RMB'000)</i>	<b>For the eleven months ended 30 November 2009</b> <i>(RMB'000)</i>
106,661	130,820	136,448

## Proposed Caps

<b>For the year ending 31 December 2010</b> <i>(RMB'000)</i>	<b>For the year ending 31 December 2011</b> <i>(RMB'000)</i>	<b>For the year ending 31 December 2012</b> <i>(RMB'000)</i>
79,991	84,015	88,241

The Caps for the three years ending 31 December 2012 for the franchise fee payable by the JV Company to Songshan Management are determined based on the following:

1. historical ticket sales of Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot and the terms of the Franchise Agreement; and
2. the growth prospects of the Authorized Operations.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRANCHISE AGREEMENT**

Songshan Management possesses the right to manage and operate the Authorized Operations and it could authorize a third party to manage and operate the Authorized Operations. The Directors consider that there are opportunities to greatly enhance the number of tourists received and the sales from the Authorized Operations through better management. Therefore, the opportunity to engage in the Authorized Operations by the JV Company may generate favourable revenue for the JV Company and the Company in the future.

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

## **LISTING RULES REQUIREMENTS**

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the JV Agreement are greater than 5% but less than 25%, the JV Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Songshan Management, which owns 100% of the equity interest in Deng Feng, which in turn holds 49% of the equity interest in the JV Company, shall become a connected person to the Company upon the Effective Date. The transactions contemplated under the Franchise Agreement shall constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules in respect of the Continuing Connected Transaction, on an annual basis, shall exceed 0.1% but less than 2.5% and have an annual consideration of more than HK\$1,000,000, thus, the Continuing Connected Transaction is only subject to reporting and announcement requirements and exempt from independent shareholders' approval under the Listing Rules.

According to Rule 14A.35 of the Listing Rules, the period for non-exempt continuing connected transaction must not, in normal cases, exceed three years unless the nature of the transactions requires the contract to be of a duration longer than three years. To comply with the Listing Rules, the Board has appointed Optima Capital as independent financial adviser to review why a longer period for the Franchise Agreement is required.

In arriving at its opinion as to why a longer period for the Franchise Agreement is required and whether it is normal business practice for the Franchise Agreement to be of such duration, Optima Capital has considered a number of factors including (i) the principal activities of the Group; (ii) the background of and reasons for the Franchise Agreement; and (iii) the terms of the Franchise Agreement. Optima Capital has also sought to identify and examine contracts or agreements of similar nature entered into by other companies in Hong Kong and China which are available in the public domain, as well as other contracts or agreements of similar nature entered into by the Group with parties other than Songshan Management and its affiliates (the "Comparable Contracts"). Based on this analysis, Optima Capital noted that most of the Comparable Contracts have duration ranging from 18 to 50 years which are similar to the duration of the Franchise Agreement. Based on the above and having considered the principal activities of the Group and the nature of the operations of scenic spots or theme parks which normally have a long business life cycle, Optima Capital is of the view that the Franchise Agreement, which has a term of 40 years from the Effective Date, is in line with the business of the Group and that it is normal business practice for contract of this type to be of such duration.

## **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. China CTS (HK), the ultimate controlling shareholder of CTS (Holdings) and the Company, is a large state-owned enterprise under the supervision of SASAC.

Deng Feng is a wholly state-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Songshan Management, which is principally engaged in the business of operation and management of scenic spots, tourists reception, tourism-related trading and development of scenic spot projects.

Songshan Management, a state administrative institutional unit in the PRC which holds the entire equity interest in Deng Feng, is authorized by the People's Government of Deng Feng Shi to manage the Songshan Scenic Spot which includes the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot.

## DEFINITIONS

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

“Account Payables”	the amount owed by Deng Feng Development to its creditors as of 30 November 2009
“associates”	has the meaning ascribed to it under the Listing Rules
“Authorized Operations”	the exclusive management and operation of the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot
“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(s)”	the proposed annual caps for the three years ending 31 December 2012 under the Franchise 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 SASAC which beneficially owns the entire issued share capital of CTS (Holdings)
“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
“Continuing Connected Transaction”	the transactions contemplated under the Franchise Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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

“Deng Feng”	登封嵩山少林文化旅游集團有限公司 (Deng Feng Songshan Shaolin Culture Tourism Group Company Limited*), a wholly state-owned enterprise incorporated in the PRC and wholly owned by Songshan Management
“Deng Feng Development”	登封市少林旅遊發展有限責任公司 (Deng Feng Shi Shaolin Tourism Development Company Limited*), a state-owned limited company established in the PRC and currently a wholly-owned subsidiary of Deng Feng
“Deng Feng Development Group”	Deng Feng Development (or the JV Company upon its establishment) and its subsidiaries
“Deng Feng Songshan”	登封嵩山少林旅遊發展有限公司 (Deng Feng Songshan Shaolin Tourism Development Limited*), a state-owned limited company established in the PRC and currently a wholly-owned subsidiary of Deng Feng Development
“Directors”	the directors of the Company
“Effective Date”	the date on which Deng Feng Development becomes the JV Company, being the date on which the JV Business Licence is issued
“Force Majeure”	the matters as set out in the JV Capital Increase and Subscription Agreement
“Framework Agreement”	the agreement dated 22 December 2009 entered into by the Company, Songshan Management and the People’s Government of Deng Feng Shi in relation to the JV Arrangement
“Franchise Agreement”	the franchise agreement to be entered into on the Effective Date between Songshan Management and the JV Company in relation to the Authorized Operations
“Group”	the Company and its subsidiaries
“Songshan Management”	河南省嵩山風景名勝區管理委員會 (Henan Province Songshan Scenic Spot Management Committee*), a state administrative institutional unit in the PRC, which holds the entire equity interest in Deng Feng
“Henan Chan Ju”	河南禪居國際飯店有限公司 (Henan Chan Ju International Hotel Company Limited*), a limited company established in the PRC and is currently 35% owned by Deng Feng Development

“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
“Independent Third Party(ies)”	To the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, a third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“JV Agreements”	the JV Capital Increase and Subscription Agreement, the JV Set-up Agreement and the JV Articles of Association, and the Framework Agreement
“JV Arrangement”	the establishment of the JV Company in the Shaolin Scenic Spot, Henan Province, the PRC as the joint venture between the Company and Deng Feng for the purpose of the development and operation of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot pursuant to the terms of the JV Agreements
“JV Articles of Association”	the new articles of association to be adopted by Deng Feng Development upon it becoming a sino-foreign joint venture of the Company and Deng Feng
“JV Business Licence”	the business licence of the JV Company to be issued by the relevant State Administration for Industry and Commerce of the PRC following completion of the JV Capital Increase and Subscription Agreement
“JV Capital Increase and Subscription Agreement”	the agreement dated 22 December 2009 entered into by Deng Feng and the Company in relation to the increase in the registered capital of Deng Feng Development and the subscription for 51% of the enlarged registered capital of the JV Company by the Company
“JV Company”	港中旅(登封)嵩山少林文化旅遊有限公司 (CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd.), the equity joint venture enterprise set up between the Company and Deng Feng pursuant to the JV Agreements by converting Deng Feng Development into a sino-foreign joint venture
“JV Set-up Agreement”	the joint venture agreement dated 22 December 2009 entered into by Deng Feng and the Company in relation to the set up of the JV Company by converting Deng Feng Development into a sino-foreign joint venture



“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Optima Capital”	Optima Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“PRC” or “Mainland China”	the People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
“Re-organization”	the completed intra-group transfer of, inter alia, (1) the entire equity interest in Deng Feng Development from the People’s Government of Deng Feng Shi to Deng Feng; (2) the entire equity interest in Deng Feng Songshan and 35% equity interest in Henan Chan Ju from Deng Feng to Deng Feng Development; (3) all the other assets (e.g. coach, vehicles, properties, rights to received fees for the car park of Shaolin Scenic Spot) to the Deng Feng Development Group, and attending to the relevant registration procedures prior to the Subscription
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (cap 571)
“Shaolin Scenic Spot”	an area of approximately 70.83 square kilometers (with the core portion of area of approximately 2.18 square kilometers) in Songshan, Henan Province, the PRC as defined under the Franchise Agreement where ancient temples, monuments, geopark could be found within the area
“Shareholder(s)”	shareholders of the Company
“Song Yang Scenic Spot”	an area of approximately 43.4 square kilometers in Songshan, Henan Province, the PRC as defined under the Franchise Agreement where ancient educational institute, temples and monuments could be found within the area
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the Company’s subscription for 51% of the enlarged registered capital of the JV Company by way of cash contribution in the total amount of approximately RMB68.85 million pursuant to the JV Capital Increase and Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Zhong Yue Scenic Spot”	an area of approximately 36 square kilometers in Songshan, Henan Province, the PRC as defined under the Franchise Agreement where ancient temple, waterfall and ancient observatory could be found within the area

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

Hong Kong, 24 December 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.*

\* *For identification purposes only*