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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)

## **CONNECTED TRANSACTION – COUNTER GUARANTEE GRANTED TO CHINA CTS (HK)**

On 26 January 2011, China Heaven, a non wholly-owned subsidiary of the Company applied for a RMB 30 million loan from the Bank under the Loan Agreement for its investment in its newly-acquired White House Theatre in Branson, Missouri, the United States. Pursuant to the requirements of the Bank, a guarantee from a company incorporated in the PRC (with assets of not less than RMB 1 billion and annual profits of not less than RMB 80 million) to secure the repayment obligations of China Heaven is required for the loan application. On 26 January 2011, China CTS (HK), the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, provided a credit guarantee in favour of the Bank to secure the repayment obligations of China Heaven under the Loan Agreement. At the same time, in consideration of China CTS (HK)'s request, the Company provided the Counter Guarantee of equivalent value in favour of China CTS (HK).

As China CTS (HK) is the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, China CTS (HK) is a connected person of the Company and the provision of the Counter Guarantee to China CTS (HK) constitutes the provision of financial assistance and a connected transaction of the Company under Rule 14A.13(2)(a)(i) of the Listing Rules. As the applicable percentage ratios in respect of the provision of the Counter Guarantee exceed 0.1% but are less than 5%, the provision of the Counter Guarantee is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under the Listing Rules.

## **INTRODUCTION**

On 26 January 2011, China Heaven, a non wholly-owned subsidiary of the Company applied for a RMB 30 million loan from the Bank under the Loan Agreement for its investment in its newly-acquired White House Theatre in Branson, Missouri, the United States. Pursuant to the requirements of the Bank, a guarantee from a company incorporated in the PRC (with assets of not less than RMB 1 billion and annual profits of not less than RMB 80 million) to secure the repayment obligations of China Heaven

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## **COUNTER GUARANTEE**

The salient terms of the Counter Guarantee are summarised below:

### ***Parties***

- (1) The Company, as the guarantor; and
- (2) China CTS (HK) as the beneficiary.

### ***Amount guaranteed***

Pursuant to the terms of the Counter Guarantee, the Company shall provide the Counter Guarantee to China CTS (HK) for the amount of loan drawn down from the Loan Agreement together with any interests, penalty, compensation and other related fees and expenses which may be payable by China CTS (HK) contemplated under the credit guarantee provided by China CTS (HK) to the Bank.

## **LOAN AGREEMENT**

### ***Date***

26 January 2011

### ***Parties***

- (1) China Heaven, a non wholly-owned subsidiary of the Company, as the borrower; and
- (2) The Bank, as the lending bank.

### ***Loan amount***

The Bank has agreed to provide a loan of an aggregate of RMB 30 million to China Heaven to be drawn by China Heaven within a period of 24 months from the date of the Loan Agreement, subject to the receipt of documents from the Ministry of Culture of the PRC requesting the Bank to support the Project. The loan is repayable in installments commencing from 28 January 2013 with the last payment due on 28 July 2015.

### ***Interest***

The annual interest rate applicable to the first quarterly interest payment for the Loan Agreement is 4.01%. The interest payable by China Heaven for the loan thereafter shall be determined with reference to the one-year export seller's credit interest rate promulgated by the People's Bank of China of similar category of loan on a quarterly basis. Interest will be payable by China Heaven in arrears on a quarterly basis on the 21st day of March, June, September and December each calendar year with the last interest payment date falls on the maturity date. In the event of any late repayment, an additional default interest payment in the amount of 50% of the original amount of the interest payable will be charged on the principal overdue.

### ***Purpose of the loan***

The loan is provided to China Heaven solely for the following purposes:

- investment in the newly-acquired White House Theatre in Branson, Missouri, the United States;
- the payment of accommodation fee for the actors;
- the payment of the remuneration of the actors and the sales persons;
- the payment of promotion fee;
- the payment for property maintenance; and
- the payment for purchase of consumable products for the performance and the souvenirs.

### ***Credit guarantee***

Pursuant to the requirements of the Bank, a guarantee from a company incorporated in the PRC (with assets of not less than RMB 1 billion and annual profits of not less than RMB 80 million) to secure the repayment obligations of China Heaven is required for the loan application. In this regard, China CTS (HK), the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, provided a credit guarantee in favour of the Bank to secure the repayment obligations of China Heaven under the Loan Agreement.

### **REASONS FOR, AND BENEFITS OF, PROVIDING THE FINANCIAL ASSISTANCE**

Given that the loan is provided by a licensed bank in the PRC to China Heaven on normal commercial terms or better, and the Counter Guarantee only gives China CTS (HK) a back-to-back guarantee in respect of China CTS (HK)'s guarantee obligations under the Loan Agreement for the purpose of facilitating the loan application of China Heaven, the Directors (including the independent non-executive Directors) consider that the terms of the Counter Guarantee are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As China CTS (HK) is the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, China CTS (HK) is a connected person of the Company and the provision of the Counter Guarantee constitutes the provision of financial assistance and a connected transaction of the Company under Rule 14A.13(2)(a)(i) of the Listing Rules. As the applicable percentage ratios in respect of the provision of the Counter Guarantee exceed 0.1% but are less than 5%, the provision of the Counter Guarantee is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under the Listing Rules. As none of the Directors has any material interest in the above transactions, no Director has abstained from voting on the board resolution approving the transactions.

## **INFORMATION OF THE PARTIES**

The principal business activities of the Group include travel agencies and related operations, online travel consolidator, hotels, scenic spots, resorts, passenger transportation, golf club, art performances and infrastructure investment.

China CTS (HK), the ultimate controlling shareholder of CTS (Holdings) and the Company, is a central state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The China CTS (HK) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading.

The principal business activities of China Heaven include sponsoring, organising and promoting art and cultural shows and art and cultural exhibitions in the PRC and overseas.

## **DEFINITIONS**

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

“Bank”	Export-Import Bank of China (中國進出口銀行), a PRC-licensed bank under the direct leadership of the State Council of the PRC
“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 central state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“China CTS (HK) Group”	China CTS (HK) and its subsidiaries, but excluding the Group for the purpose of this announcement

“China Heaven”	天創國際演藝制作交流有限公司 (China Heaven Creation International Performing Arts Co. Ltd.*), a company incorporated in the PRC and is 70% owned by the Company and 30% owned by Shenzhen Splendid China Development Co., Ltd., a 51% owned subsidiary of the Company
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”, “controlling shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Counter Guarantee”	the counter guarantee executed by the Company in favor of China CTS (HK) on 26 January 2011
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in approximately 53% of the issued share capital of the Company and a connected person of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 26 January 2011 entered into between the Bank and China Heaven for a loan of RMB 30 million
“PRC”	The People’s Republic of China, for the purpose of this announcement, exclusively refers to Mainland China
“Project”	the investment and development in the newly-acquired White House Theatre in Branson, Missouri, the United States by China Heaven
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)” shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Hong Kong, 26 January 2011

*As at the date of this announcement, the Board of the Company comprises eight executive Directors, namely Mr. Zhang Xuewu, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Fang Xiaorong, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang 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*