



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)

CONNECTED TRANSACTION

On 15 August 2003, CTS Cargo, a wholly-owned subsidiary of the Company, reached an agreement with Shanghai Overseas Chinese Service Centre (or SOCS) for the purchase of all the interest in the capital of SHIEC for a consideration of RMB12,000,000 (i.e. approximately HK\$11,320,755).

SHIEC has, among other things, a 20% shareholding in CTS International Transportation Co. Ltd. (or CTSIT), which is currently a 76% owned subsidiary of the Company through CTS Cargo.

SOCS, being a substantial shareholder of CTSIT (through SHIEC), is a connected person of the Company and the Acquisition constitutes connected transaction for the Company under the Listing Rules. As the consideration and value of the Acquisition is less than 3% of the book value of the net tangible assets of the Group, the Acquisition falls within the de minimus provision of and is subject to the disclosure requirements set out in Rule 14.25(1) of the Listing Rules. Details of the Acquisition will be included in the next published annual report of the Company in accordance with Rules 14.25(1)(A) to (D) of the Listing Rules.

DETAILS OF THE ACQUISITION AGREEMENT

Date 15 August 2003

Parties (1) CTS Cargo acting through its agents, as the purchaser; and
(2) SOCS, as the vendor.

Assets acquired

The entire registered capital of SHIEC, being all the interests SOCS in SHIEC. SHIEC, among other things, holds a 20% shareholding in CTSIT. The Group will indirectly acquire the said 20% shareholding in CTSIT as a result of the Acquisition. For further information about SHIEC and CTSIT, please refer to the paragraph headed "Information of SHIEC and CTSIT" below.

Completion

Completion is scheduled to take place on or before 25 September 2003 (or such later dates the parties may agree), subject to the obtaining of all the relevant PRC approvals for the transaction as contemplated by the Acquisition Agreement and a valuation report on the assets of SHIEC issued by a qualified PRC valuer. The valuation report has already been issued, which formed the basis of the consideration as described in the paragraph headed "Consideration" below. If the relevant PRC approvals required for the transaction cannot be obtained by the date of Completion, all the consideration paid to the vendor (please see the paragraph headed "Consideration" below) will be refunded to the purchaser without interest.

Consideration

The consideration for the Acquisition is RMB12,000,000 (i.e. approximately HK\$11,320,755) payable in cash as follows:

- RMB1,000,000 upon signing of the Acquisition Agreement to the Shanghai Technology Stock Exchange; and
- the balance of RMB11,000,000 on or before 22 August 2003 (i.e. 7 days from the date of signing of the Acquisition Agreement) to the Shanghai Technology Stock Exchange.

The Shanghai Technology Stock Exchange is a transaction platform established in Shanghai, PRC and is operating under the regulation of the Shanghai Municipal Government, to facilitate transfers of state-owned assets and acts as an agent for SOCS to receive the above consideration on its behalf. The consideration received by the Shanghai Technology Stock Exchange will only be released to SOCS upon the Shanghai Technology Stock Exchange issuing a certificate in favour of the purchaser certifying that the proposed transfer is in order. The relevant PRC approvals such as the approval from the State Administration for Industry and Commerce for the transfer will be obtained after the consideration is released.

The RMB1,000,000 payable upon signing of the Acquisition Agreement is not refundable if Completion does not take place within 3 months of the signing of the Acquisition Agreement as a result other than a default on the part of the vendor.

The above consideration was arrived at after arm's length negotiations between the parties with reference to the valuation of SHIEC as estimated by a PRC valuer, which was appointed by SHIEC and independent from the Company, of approximately RMB16,708,400 (i.e. approximately HK\$15,762,642) as at 30 September 2002. The Acquisition will be funded by the Group's internal resources.

INFORMATION OF SHIEC AND CTSIT

SHIEC is a PRC state-owned enterprise holding a 20% shareholding in CTSIT as its major asset and business. SHIEC also involves in strategic investment in providing services to travelling PRC nationals, and engages in other trading business and investments. After the Acquisition, CTS Cargo intends to phase out all the trading business and investments of SHIEC and to retain only the 20% shareholding in CTSIT and strategic investment in providing services to travelling PRC nationals.

CTSIT is engaged in freight-forwarding business in the PRC and is a 76% owned subsidiary of the Company. The remaining 4% shareholding in CTSIT currently is owned by Shanghai Zhongsi Import-Export Company (上海中絲進出口公司), which is an independent third party not connected to the Company.

The audited net asset value of CTSIT as shown in the Group's accounts was RMB81,711,953 (approximately HK\$77,086,748) as at 31 December 2002. The consolidated net profits before and after taxation and extraordinary items of CTSIT as shown in the Group's audited accounts for the last two financial years are set out below:-

Year ended	Net profits of CTSIT before taxation and extraordinary items (HK\$)	Net profits of CTSIT after taxation and extraordinary items (HK\$)
31 December		
2002	22,212,631 (approximately RMB23,545,389)	18,294,864.15 (approximately RMB19,392,556)
2001	18,263,088.68 (approximately RMB19,358,874)	14,980,568.87 (approximately RMB15,879,403)

As at 31 December 2002, the audited net asset value (in accordance with PRC GAAP) of SHIEC was RMB25,824,791.47 (i.e. approximately HK\$24,363,010.82). For the financial year ended 31 December 2002, the audited net profits of SHIEC (in accordance with PRC GAAP) before and after taxation were RMB5,364,033.40 (i.e. approximately HK\$5,060,408.87) and RMB4,559,428.39 (i.e. approximately HK\$4,301,347.54) respectively. For the financial year ended 31 December 2001, the audited net profits of SHIEC (in accordance with PRC GAAP) before and after taxation were RMB2,341,740.67 (i.e. approximately HK\$2,209,189.31) and RMB1,990,479.58 (i.e. approximately HK\$1,877,810.93) respectively.

REASON FOR THE ACQUISITION

At present, CTSIT is a 76% owned subsidiary of the Company through CTS Cargo. Upon Completion, the Company will be able to control SHIEC and therefore another 20% shareholding in CTSIT. The Directors consider that the Acquisition provides a suitable opportunity for the Company to integrate the control of CTSIT in order to better capitalise on the potential growth in the freight-forwarding business in the PRC. The Directors (including all the independent non-executive directors) consider the terms, including the consideration for the Acquisition to be fair and reasonable and in the interests of the Company and all the shareholders as a whole.

GENERAL

SOCS, being a substantial shareholder of CTSIT (through SHIEC), is a connected person of the Company and the Acquisition constitutes connected transaction for the Company under the Listing Rules. As the consideration and value of the Acquisition is less than 3% of the book value of the net tangible assets of the Group, the Acquisition falls within the de minimus provision of and is subject to the disclosure requirements set out in Rule 14.25(1) of the Listing Rules. Details of the Acquisition will be included in the next published annual report of the Company in accordance with Rules 14.25(1)(A) to (D) of the Listing Rules.

DEFINITIONS

Expressions	Meanings
"Acquisition"	acquisition of all the interest in the capital of SHIEC pursuant to the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement dated 15 August 2003 details of which are set out above
"Company"	China Travel International Investment Hong Kong Limited
"CTS Cargo"	China Travel Service Cargo (Investment) Limited (香港中旅貨運(投資)有限公司), a wholly-owned subsidiary of the Company under the laws of the British Virgin Islands
"Completion"	completion of the Acquisition pursuant to the Acquisition Agreement
"connected person"	as defined in the Listing Rules
"CTSIT"	CTS International Transportation Co., Ltd. (華貿國際貨運有限公司)
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries or, where the context so requires, any of them
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"PRC GAAP"	generally accepted accounting principles in the PRC
"SOCS"	Shanghai Overseas Chinese Service Centre (上海華僑服務中心), an entity established under the Shanghai municipal government
"SHIEC"	Shanghai Huajian Import-Export Company (上海市華建進出口公司), a state-owned enterprise established under the laws of PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	as defined in the Listing Rules
"RMB"	Reminbi, the lawful currency of PRC
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

* Exchange rates used in this announcement are HK\$100 to RMB106

By Order of the Board
Shen Zhuying
Managing Director

Hong Kong, 19 August 2003