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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 —
ENTERING INTO ENTRUSTED SOFTWARE DEVELOPMENT CONTRACTS WITH
CHINA NATIONAL TRAVEL SERVICE (HK) GROUP CORPORATION**

The Board announces that on 1 June 2012, Mangocity, a wholly-owned subsidiary of the Company, and China CTS (HK), the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, entered into the Entrusted Software Development Contracts pursuant to which China CTS (HK) entrusted Mangocity to undertake the Software Development for a total entrustment fee of RMB10.9 million.

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 Entrusted Software Development constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Entrusted Software Development is or are more than 0.1% but less than 5%, the Entrusted Software Development is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules.

THE ENTRUSTED SOFTWARE DEVELOPMENT CONTRACTS

Date

1 June 2012

Parties

- (1) Mangocity, a wholly-owned subsidiary of the Company; and
- (2) China CTS (HK), the ultimate controlling shareholder of the Company.

Scope of work and terms of the Entrusted Software Development

Pursuant to the Entrusted Software Development Contracts, China CTS (HK) has entrusted Mangocity to undertake the Software Development, including, among other things, the software development and research and development implementation services involving (i) B2C basic services system upgrade for the China CTS (HK) Group's hotel inquiry services system, wireless (3G) reservation system, financial payments system, open reservation services platform and marketing system, with all works to be completed by 5 June 2013; (ii) business travel services system optimization for the China CTS (HK) Group's business travel management and control system and business travel express system, with all works to be completed by 6 March 2013 and 9 May 2013 respectively; and (iii) membership system upgrade, with all works to be completed by 28 June 2013. The parties agreed, pursuant to the Entrusted Software Development Contracts, that the deadlines for completion of the works to be performed in connection with the Entrusted Software Development may be extended by mutual agreement between the parties, although there shall be no time extension beyond 30 June 2013.

Consideration

The total entrustment fee for the Entrusted Software Development Contracts is RMB10.9 million (the “**Entrustment Fee**”), which is determined after arm's length negotiation between the parties and after taking into account the scope of work as disclosed above and the expected cost to be incurred. The entrustment fee shall be payable by China CTS (HK) to Mangocity by cash in the following manner:

1. RMB2.18 million (being 20% of the Entrustment Fee) shall be payable within 7 days after the signing of the Entrusted Software Development Contracts and other ancillary documents in relation thereto; and
2. RMB8.72 million (being 80% of the Entrustment Fee) shall be payable within 7 days after both parties have confirmed in writing the test results of a 2-month successful online implementation of the subject systems for the Software Development.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED SOFTWARE DEVELOPMENT CONTRACTS

Since the Software Development is large in scale and complex in nature, the Directors consider that the entering into of the Entrusted Software Development Contracts through Mangocity, which is well experienced in software development and research and development and may leverage on its professional experience and strength in managing the Software Development, will enhance the business operations of Mangocity and the Entrustment Fee receivable under the Entrusted Software Development Contracts provides satisfactory returns for Mangocity.

The Directors (including the independent non-executive Directors) consider the terms of the Entrusted Software Development Contracts, including the Entrustment Fee, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

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 Entrusted Software Development constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Entrusted Software Development is or more than 0.1% but less than 5%, the Entrusted Software Development is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules.

Save and except for Mr. Wang Shuai Ting, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Fang Xiaorong and Mr. Zhang Fengchun, who have abstained from voting on the Board resolution in relation to the Entrusted Software Development as they are also directors of CTS (Holdings) and China CTS (HK), none of the Directors has a material interest in the Entrusted Software Development or was required to abstain from voting on the Board resolutions for considering and approving the same.

INFORMATION OF THE PARTIES

The principal business activity of Mangocity is the sale of travel related products through an online platform. The principal businesses activities of the Group include travel agency and related operations, hotels, scenic spots, resorts, passenger transportation, golf club, arts performance and power generation.

China CTS (HK), the ultimate controlling shareholder of the Company, is a central state-owned enterprise under the direct 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.

DEFINITIONS

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

“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 direct 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
“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)”	has the meaning ascribed to it under the Listing Rules
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in approximately 56.01% of the issued share capital of the Company and a connected person of the Company
“Directors”	the directors of the Company
“Entrusted Software Development”	the entrustment of Mangocity by China CTS (HK) to undertake the Software Development
“Entrusted Software Development Contracts”	the contracts entered into on 1 June 2012 between Mangocity and China CTS (HK) in relation to the Entrusted Software Development
“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
“Mangocity”	芒果網有限公司 (Mangocity.com (Shenzhen) Limited*), a company incorporated in the PRC and wholly-owned by the Company

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, exclusively refers to Mainland China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Software Development”	the software development and research and development implementation services involving B2C basic services system upgrade, business travel services system optimization and membership system upgrade pursuant to the terms of the Entrusted Software Development Contracts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
China Travel International Investment Hong Kong Limited
Wang Shuai Ting
Chairman

Hong Kong, 1 June 2012

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Wang Shuai Ting, 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 purpose only*