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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)

CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser

 **SOMERLEY LIMITED**

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 18 November 2009, 24 December 2009 and 14 October 2011 in relation to the continuing connected transactions contemplated under the 2009 CTSH Master Agreement, the 2009 Services Agreement, the Franchise Agreement and the Agency Agreement.

As the 2009 CTSH Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2012, the Company entered into the 2012 CTSH Master Agreement with CTS (Holdings) on 6 November 2012 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2013 and ending on 31 December 2015, where the CTS (Holdings) Group and the Group will continue to provide the services thereunder to each other.

As the 2009 Services Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2012, CTS Scenery Resort, a wholly-owned subsidiary of the Company, entered into the 2012 Services Agreement with China CTS Asset Management, a wholly-owned subsidiary of China CTS (HK), on 6 November 2012 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2013 and ending on 31 December 2015, where China CTS Asset Management will continue to provide the management services thereunder to CTS Scenery Resort and its subsidiaries.

On 4 January 2010, CTS (Dengfeng) and Songshan Management entered into the Franchise Agreement pursuant to which CTS (Dengfeng) is authorized 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 from 25 December 2009 for a term of 40 years. As the caps approved for the Franchise Agreement are up to the financial year ending 31 December 2012, the Company proposes new caps for the Franchise Agreement for each of the three years ending 31 December 2015 to comply with the Listing Rules.

CTSHK 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 18 December 2009, the independent shareholders of the Company approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$420 million for the Travel Permit Administration for each of the three years ending 31 December 2012. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the annual cap for the Travel Permit Administration for each of the three years ending 31 December 2015 is required to be renewed in order to comply with the Listing Rules.

CTS (Holdings) is a connected person of the Company by virtue of being a substantial Shareholder. As China CTS (HK) is the sole shareholder of CTS (Holdings), the China CTS (HK) Group and the CTS (Holdings) Group are connected persons of the Company. Songshan Management, which owns 100% of the equity interest in Deng Feng, which in turn holds 49% of the equity interest in CTS (Dengfeng), is a connected person of the Company. Therefore, the transactions underlying each of the CCT Agreements 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(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 contemplated under the 2012 CTS Master Agreement and the 2012 Services Agreement will exceed 0.1% but less than 5%, the Continuing Connected Transactions contemplated under each of the 2012 CTS Master Agreement and the 2012 Services Agreement are subject to the reporting, announcement and annual review requirements under the Listing Rules and is exempt from the independent shareholders' approval requirement; (ii) the annual cap for the Continuing Connected Transactions contemplated under the Franchise Agreement will exceed 1% but less than 5%, the Continuing Connected Transactions contemplated under the Franchise Agreement are subject to the reporting, announcement and annual review requirements under the Listing Rules and is exempt from the independent shareholders' approval requirement; and (iii) the annual cap for the Travel Permit Administration shall exceed 5% and have an annual consideration of more than HK\$10,000,000, the renewal of the annual cap and continuing provision of the Travel Permit Administration is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under the Listing Rules.

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.

(2) REVISION OF ANNUAL CAPS FOR THE PROVISION OF TOUR GROUP SERVICES BY THE GROUP TO THE CHINA CTS (HK) GROUP

Reference is made to the announcement of the Company dated 14 October 2011 in respect of the continuing connected transactions in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other under the 2011 Tour Group Services Master Agreement.

As the aggregate amount of the tour group services actually required by the China CTS (HK) Group for each of the three years ending 31 December 2014 may exceed the original projection, the Company has resolved to revise the annual caps for each of the three years ending 31 December 2014 to re-comply with Rule 14A.35 in accordance with Rules 14A.36 of the Listing Rules.

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Background Information

Reference is made to the announcements of the Company dated 18 November 2009, 24 December 2009 and 14 October 2011 in relation to the continuing connected transactions contemplated under the 2009 CTSH Master Agreement, the 2009 Services Agreement, the Franchise Agreement and the Agency Agreement.

As the 2009 CTSH Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2012, the Company entered into the 2012 CTSH Master Agreement with CTS (Holdings) on 6 November 2012 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2013 and ending on 31 December 2015, where the CTS (Holdings) Group and the Group will continue to provide the services thereunder to each other.

As the 2009 Services Agreement relating to the continuing connected transaction provided thereunder will expire on 31 December 2012, CTS Scenery Resort, a wholly-owned subsidiary of the Company, entered into the 2012 Services Agreement with China CTS Asset Management, a wholly-owned subsidiary of China CTS (HK), on 6 November 2012 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2013 and ending on 31 December 2015, where China CTS Asset Management will continue to provide the management services to CTS Scenery Resort and its subsidiaries.

On 4 January 2010, CTS (Dengfeng) and Songshan Management entered into the Franchise Agreement pursuant to which CTS (Dengfeng) is authorized 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 from 25 December 2009 for a term of 40 years. As the caps approved for the Franchise Agreement are up to the financial year ending 31 December 2012, the Company proposes new caps for the Franchise Agreement for each of the three years ending 31 December 2015 to comply with the Listing Rules.

CTSHK 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 18 December 2009, the independent shareholders of the Company approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$420 million for the Travel Permit Administration for each of the three years ending 31 December 2012. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the annual cap for the Travel Permit Administration for each of the three years ending 31 December 2015 is required to be renewed in order to comply with the Listing Rules.

The 2012 CTSH Master Agreement

Date

6 November 2012

Parties

- (i) the Company
- (ii) CTS (Holdings)

Transaction Nature

1. Lease arrangements with the CTS (Holdings) Group as lessor

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 2015. After the renewal and/or entering into such tenancy agreements, the aggregate rent payable by the Group would be approximately HK\$1,300,000 per month for 2013.

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

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

Pricing Basis

1. Lease arrangements with the CTS (Holdings) Group as lessor

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.

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

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.

Annual Caps

The annual caps under the 2012 CTSH Master Agreement are as follows:

	Year ending 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Lease arrangements with the CTS (Holdings) Group as lessor	20,000	23,000	26,500
(b) Provision of ASP related services to the CTS (Holdings) Group	30,000	33,000	36,300

The above caps are determined based on the following:

- (i) historical transaction amounts for transactions covered by the 2009 CTSH Master Agreement;
- (ii) the Company's internal projections;
- (iii) in relation to the lease arrangements with the CTS (Holdings) Group as lessor, an expected increase of 15 % in the annual cap to allow for potential increase in office space required by the Group and potential increase in rent upon renewal of leases;
- (iv) in relation to the provision of ASP related services to the CTS (Holdings) Group, an expected increase of 10% in service fees.

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.

Historical Figures

1. Lease arrangements with the CTS (Holdings) Group as lessor

The total amount of the Continuing Connected Transactions in connection with the rents received or receivable by the CTS (Holdings) Group from the Group for each of the three financial years ended 31 December 2011 and the eight months ended 31 August 2012 were HK\$17,103,000, HK\$20,802,000, HK\$18,278,000, and HK\$10,940,000, respectively.

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

The total amount of the Continuing Connected Transactions in connection with the provision of ASP related services by the Group to the CTS (Holdings) Group for each of the three financial years ended 31 December 2011 and the eight months ended 31 August 2012 were HK\$11,717,000, HK\$15,218,000, HK\$22,738,000, and HK\$15,883,000, respectively.

The 2012 Services Agreement

Date

6 November 2012

Parties

- (i) CTS Scenery Resort
- (ii) China CTS Asset Management

Transaction Nature

China CTS Asset Management will provide management services to CTS Scenery Resort for the day-to-day management and operations of the CTS Scenery Resort Businesses.

Pricing Basis

The management services to be provided by China CTS Asset Management shall not exceed the prevailing market price at which these services are available to the Group from Independent Third Parties. The management fees will be payable semi-annually in cash.

Annual Caps

The annual caps for each of the three years ending 31 December 2015 for the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries are as follows:

	Year ending 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision of management services by China CTS Asset Management	8,000	8,500	9,000

The above caps are determined based on the prevailing market rates for the provision of the services similar to those contemplated under the 2012 Services Agreement and the growth prospects of the CTS Scenery Resort Businesses.

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.

Historical Figures

The total management fees payable by CTS Scenery Resort for each of the two financial years ended 31 December 2011 and the eight months ended 31 August 2012 were RMB4,175,000, RMB4,532,000, and RMB3,087,000, respectively.

The Franchise Agreement

Date

4 January 2010

Parties

- (i) CTS (Dengfeng)
- (ii) Songshan Management

Principal Terms

CTS (Dengfeng) is authorized to exclusively manage and operate the Authorized Operations from 25 December 2009 for a term of 40 years. CTS (Dengfeng) is 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, is payable by CTS (Dengfeng) to Songshan Management as franchise fee, which is settled in cash within 10 Business Days after the end of each calendar month. This pricing basis is comparable to the prevailing fees payable under similar franchise arrangements in scenic spots in Huangshan and Emei Shan in the PRC.

Annual Caps

The Company sets the annual cap for the Continuing Connected Transactions as follows:

	Year ending 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Franchise Fees payable by CTS (Dengfeng)	110,000	126,500	145,000

The above caps are determined based on the following:

- (i) historical ticket sales of Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot and the terms of the Franchise Agreement;
- (ii) the actual amount of Franchise Fees payable by CTS (Dengfeng) to Songshan Management; and
- (iii) the Company's internal projection after taking into account the expected growth prospects of the Authorized Operations.

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.

Historical Figures

The total amount of the Continuing Connected Transactions in connection with the Franchise Agreement for each of the two financial years ended 31 December 2011 and the eight months ended 31 August 2012 were RMB73,290,000, RMB89,259,000, and RMB75,142,000, respectively.

The Agency Agreement

Date

15 May 2001

Parties

- (i) CTSHK
- (ii) CTS (Holdings)

Transaction Nature

CTSHK and CTS (Holdings) agreed that CTSHK 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.

Principal Terms

CTSHK 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 approved by the then independent shareholders. The Company believes that a fixed contractual term of 46 years enabling CTSHK to provide Travel Permit Administration until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

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 CTSHK 45% of the gross fee revenue from permit applications for the services provided by CTSHK in relation to Travel Permit Administration. The agency fees will be payable monthly in cash.

Proposed Caps

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

	Year ending 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of Travel Permit Administration by CTSHK	380,000	403,000	427,000

The above caps are determined based on the following:

- (i) historical transaction amounts for transactions covered by the Agency Agreement;
- (ii) the Company's internal projections;
- (iii) an expected increase in revenue of 6% in 2013, 2014 and 2015 based on the annualized value of the historical figures for the eight months ended 31 August 2012.

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.

Historical Figures

The total amount of the Continuing Connected Transactions in connection with Travel Permit Administration for each of the three financial years ended 31 December 2011 and the eight months ended 31 August 2012 were HK\$348,678,000, HK\$368,983,000, HK\$343,422,000, and HK\$238,274,000, respectively.

Reasons for entering into and benefits of the continuing connected transactions

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 such Continuing Connected Transactions.

China CTS Asset Management is principally engaged in the business of asset and property management and the development and management of new business. In view of the extensive experience in asset management of China CTS Asset Management, the engagement of China CTS Asset Management for the provision of management services to CTS Scenery Resort and its subsidiaries is expected to enhance its operation and bring cost savings and synergy to the Group.

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 and the sales from the Authorized Operations through better management. Therefore, the opportunity to engage in the Authorized Operations by CTS (Dengfeng) may generate favourable revenue for CTS (Dengfeng) and the Company in the future.

The Directors (including the independent non-executive Directors) consider that the terms of the 2012 CTS Master Agreement, the 2012 Services Agreement and the Franchise Agreement, and Continuing Connected Transactions contemplated thereunder (including the annual caps) are entered into in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders and the Company as a whole. The Continuing Connected Transactions under the 2012 CTS Master Agreement, the 2012 Services Agreement and the Franchise Agreement 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 to or from Independent Third Parties (as the case may be).

CTSHK 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 Directors (other than the independent non-executive Directors whose opinions will be included in the circular to be dispatched 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.

Information of the parties

The principal businesses of the Group include travel agency and related operations, tourist attraction, hotels, passenger transportation, golf club, arts performance and power generation. The CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading.

China CTS Asset Management is principally engaged in the business of asset and property management and the development and management of new business.

CTS Scenery Resort is principally engaged in the investment, development and management of resort hotel, scenic spots, cable car systems and skiing facilities.

CTS (Dengfeng), which is owned as to 51% by the Company, is authorized to exclusively manage and operate the Authorized Operations. CTS (Dengfeng) is 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.

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.

Listing Rules Implications

CTS (Holdings) is a connected person of the Company by virtue of being a substantial Shareholder. As China CTS (HK) is the sole shareholder of CTS (Holdings), the China CTS (HK) Group and the CTS (Holdings) Group are connected persons of the Company. Songshan Management, which owns 100% of the equity interest in Deng Feng, which in turn holds 49% of the equity interest in CTS (Dengfeng), is a connected person of the Company. Therefore, the transactions underlying each of the CCT Agreements 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(10) of the Listing Rules for the annual cap of the amount payable or receivable (as the case may be) for the Continuing Connected Transactions contemplated under the 2012 CTSH Master Agreement and the 2012 Services Agreement will exceed 0.1% but less than 5%, the Continuing Connected Transactions contemplated under the 2012 CTSH Master Agreement and the 2012 Services Agreement are subject to the reporting, announcement and annual review requirements in accordance with Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirement.

As one or more of the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules for the annual cap for the Continuing Connected Transactions contemplated under the Franchise Agreement will exceed 1% but less than 5%, the Continuing Connected Transactions contemplated under the Franchise Agreement are subject to the reporting, announcement and annual review requirements in accordance with Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirement.

As one or more of the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules for the annual cap for the Travel Permit Administration shall exceed 5% and have an annual consideration of more than HK\$10,000,000, the renewal of the annual cap and continuing provision of the Travel Permit Administration is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Mr. Wang Shuai Ting, Mr. Lo Sui On, Ms. Jiang Yan and Mr. Zhang Fenchun are also directors of CTS (Holdings) and China CTS (HK). They are deemed to have material interest in the 2012 CTSH Master Agreement, the 2012 Services Agreement and the Agency Agreement and the Continuing Connected Transactions (including the annual cap) contemplated thereunder and have abstained from voting on the Board resolutions in respect of the aforesaid transactions. Save as aforesaid, none of the Directors attending the Board meeting has a material interest in the aforesaid transactions or was required to abstain from voting on the Board resolutions for considering and approving the same.

For the Franchise Agreement and the Continuing Connected Transactions (including the annual cap) contemplated thereunder, none of the Directors has any material interest in the transactions and no Director has abstained from voting on the Board resolution for considering and approving the same.

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 (comprising all the independent non-executive Directors) has been formed 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) is 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 on or before 27 November 2012.

(2) REVISION OF ANNUAL CAPS FOR THE PROVISION OF TOUR GROUP SERVICES BY THE GROUP TO THE CHINA CTS (HK) GROUP

Reference is made to the announcement of the Company dated 14 October 2011 in respect of the continuing connected transactions in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other under the 2011 Tour Group Services Master Agreement.

Background Information

On 14 October 2011, the Company entered into the 2011 Tour Group Services Master Agreement with China CTS (HK) for a term commencing from 1 January 2012 and ending on 31 December 2014, where the Group and the China CTS (HK) Group continued to provide tour group services to each other. As the aggregate amount of the tour group services actually required by the China CTS (HK) Group for each of the three years ending 31 December 2014 may exceed the original projection, the Company has resolved to revise the annual caps for each of the three years ending 31 December 2014 to re-comply with Rule 14A.35 in accordance with Rules 14A.36 of the Listing Rules.

Pricing Basis

The services charges under the 2011 Tour Group Services Master Agreement in relation to the provision of tour group services by the Group to the China CTS (HK) Group shall not be lower than the services fees which those services are charged by the Group to any Independent Third Parties.

The payment terms of each individual transaction under the 2011 Tour Group Services Master Agreement is agreed by the relevant parties on an arm's length basis and according to the prevailing fair and usual market practice from time to time.

Historical Figures

For the three years ended 31 December 2011 and the eight months ended 31 August 2012, the amount of tour group services provided by the Group to the China CTS (HK) Group are as follows:

	For the year ended 31 December 2009 HK\$'000	For the year ended 31 December 2010 HK\$'000	For the year ended 31 December 2011 HK\$'000	For the eight months ended 31 August 2012 HK\$'000
Provision of tour group services by the Group to the China CTS (HK) Group	8,943	9,757	12,521	15,081

Revised Annual Caps

The Company has resolved to revise the annual caps for the tour group services as follows:

	For the year ending 31 December 2012		For the year ending 31 December 2013		For the year ending 31 December 2014	
	Original Cap HK\$'000	Revised Cap HK\$'000	Original Cap HK\$'000	Revised Cap HK\$'000	Original Cap HK\$'000	Revised Cap HK\$'000
Provision of tour group services by the Group to the China CTS (HK) Group	16,000	30,000	19,200	36,000	23,040	43,200

The revised annual caps for each of the three years ending 31 December 2014 for the CTII Tour CCT are determined based on the following:

- (i) historical transaction amounts as detailed in the table above; and
- (ii) the Company's internal projection after taking into account the organic growth of the travel agency business of the China CTS (HK) Group.

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

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the 2011 Tour Group Services Master Agreement and the revised annual caps are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Shareholders as a whole.

Listing Rules Implications

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. As China CTS (HK) holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS (HK) is a connected person of the Company under the Listing Rules. Hence, the CTII Tour CCT 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 transactions contemplated under the 2011 Tour Group Services Master Agreement, on an annual basis, exceed 0.1% but less than 5%, the said continuing connected transactions are therefore only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirements under the Listing Rules.

Save and except for Mr. Wang Shuai Ting, Mr. Lo Sui On, Ms. Jiang Yan and Mr. Zhang Fengchun, who have abstained from voting on the Board resolution in relation to the revision of annual caps for the CTII Tour CCT as they are also directors of CTS (Holdings) and China CTS (HK), none of the Directors attending the Board meeting has a material interest in the aforesaid transaction or was required to abstain from voting on the Board resolutions for considering and approving the same.

DEFINITIONS

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

“2009 CTSH Master Agreement” the master agreement dated 18 November 2009 and entered into between the Company and CTS (Holdings) in relation to the provision of insurance brokerage services by the CTS (Holdings) Group, lease arrangements with the CTS (Holdings) Group as lessor and the provision of ASP related services to the CTS (Holdings) Group

“2011 Tour Group Services Master Agreement”	the master agreement dated 14 October 2011 entered into between the Company and China CTS (HK) in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other
“2012 CTSH Master Agreement”	the master agreement dated 6 November 2012 entered into between the Company and CTS (Holdings) in relation to the lease arrangements with the CTS (Holdings) Group as lessor and the provision of ASP related services to the CTS (Holdings) Group
“2009 Services Agreement”	the agreement dated 18 November 2009 entered into between China CTS Asset Management and CTS Scenery Resort in relation to the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries
“2012 Services Agreement”	the agreement dated 6 November 2012 entered into between China CTS Asset Management and CTS Scenery Resort in relation to the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries
“Acquisition”	The Company’s acquisition of CTSHK from CTS (Holdings) in 2001
“Agency Agreement”	the agency agreement dated 15 May 2001 entered into between CTSHK 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
“Authorized Operations”	the exclusive management and operation of the ticker 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 as disclosed in the announcement of the Company dated 24 December 2009
“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

“CCT Agreements”	the 2012 CTSH Master Agreement, the 2012 Services Agreement, the Franchise Agreement and the Agency Agreement, as appropriate
“China CTS Asset Management”	China CTS Asset Management Corporation* (中國港中旅資產經營公司), a state-owned enterprise and a wholly-owned subsidiary of China CTS (HK)
“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
“CTII Tour CCT”	the provision of tour group services by the Group to the China CTS (HK) Group as contemplated under the 2011 Tour Group Services Master Agreement
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the CCT Agreements
“CTS (Dengfeng)”	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.), a sino-foreign equity joint venture company established in the PRC owned as to 51% by the Company and as to 49% by Deng Feng
“CTSHK”	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 57% 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 the China CTS (HK) Group), but excluding the Group for the purpose of this announcement
“CTS Scenery Resort”	CTS Scenery Resort Investment Company Limited* (中旅景區投資有限公司), a company incorporated in the PRC and is wholly-owned by Mutual Great (Hong Kong) Limited, a company incorporated in Hong Kong and wholly-owned by the Company
“CTS Scenery Resort Businesses”	the businesses held by CTS Scenery Resort and its subsidiaries
“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
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the renewal of the Travel Permit Administration (including the annual cap)
“Franchise Agreement”	the franchise agreement entered into between Songshan Management and CTS (Dengfeng) dated 4 January 2010 in relation to the Authorized Operations as disclosed in the announcement of the Company dated 24 December 2009
“Franchise Fees”	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 CTS (Dengfeng) to Songshan Management as franchise fee under the Franchise Agreement as disclosed in the announcement of the Company dated 24 December 2009
“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

“Independent Board Committee”	an independent board committee of the Company comprising of the independent non-executive Directors, namely, Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, formed for advising the Independent Shareholders in respect of the renewal of the Travel Permit Administration (including the annual cap)
“Independent Financial Adviser”	Somerley Limited, a licensed corporation to carry on 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), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of Travel Permit Administration (including the annual cap)
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other persons who are required to abstain from voting on resolutions to approve the renewal of the Travel Permit Administration (including the annual cap) at the EGM pursuant to the Listing Rules
“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”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company

“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
“Songshan Scenic Spot”	scenic spots including the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot
“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
“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 CTSHK to CTS (Holdings)
“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 of
China Travel International Investment Hong Kong Limited
Wang Shuai Ting
Chairman

Hong Kong, 6 November 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*