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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
DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

Reference is made to the announcement of the Company dated 8 October 2020 in relation to the potential disposal of the Target Equity and Shareholder's Loan of Songshan Company by the Company through an open tender process to be conducted on the China Beijing Equity Exchange.

DISPOSAL OF 51% EQUITY INTEREST IN SONGSHAN COMPANY

The Board announces that from 10 November 2020 to 7 December 2020, the Company made an open tender in relation to the disposal of the Target Equity and the Shareholder's Loan of Songshan Company on the website of China Beijing Equity Exchange. As at the expiry of the initial public tender period, the Company could not find intended qualified transferee(s). On 10 December 2020, after the expiry of the initial public tender period, Songshan Company has repaid the Shareholder's Loan of Songshan Company of approximately RMB63,143,130 to the Company. In light of the response of the market and condition, the Company decided to proceed with a second open tender with the bid price adjusted downward. Accordingly, the Company made an open tender again from 16 December 2020 to 13 January 2021 on the website of China Beijing Equity Exchange in respect of the disposal of the Target Equity. On 25 January 2021, after the completion of transaction process at China Beijing Equity Exchange, the Company have entered into the Equity Transfer Agreement with Deng Feng, pursuant to which the Company has agreed to dispose of and Deng Feng has agreed to purchase the Target Equity at the Consideration of RMB255,112,200.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is or are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company and will therefore, be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the total assets, profits and revenue of Songshan Company compared to that of the Group are less than 10% under the percentage ratios for each of the three financial years ended 31 December 2019, Songshan Company is an insignificant subsidiary of the Company. As at the date of this announcement, Deng Feng holds 49% equity interest in Songshan Company and is a substantial shareholder of an insignificant subsidiary of the Company. Notwithstanding Deng Feng's interest in Songshan Company, it and its ultimate beneficial owner(s) are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 8 October 2020 in relation to the potential disposal of the Target Equity and Shareholder's Loan of Songshan Company by the Company through an open tender process to be conducted on the China Beijing Equity Exchange.

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THE EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out below:

Date

25 January 2021

Parties

(1) the Company (as vendor)

(2) Deng Feng (as purchaser)

As at the date of this announcement, Songshan Company is an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules. As the equity interest in Songshan Company is currently owned as to 51% by the Company and 49% by Deng Feng, Deng Feng is a substantial shareholder of an insignificant subsidiary of the Company. Therefore, notwithstanding Deng Feng's interest in Songshan Company, it and its ultimate beneficial owner are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. On such basis, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Deng Feng and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Asset to be disposed of

Pursuant to the Equity Transfer Agreement, the Company has agreed to sell and Deng Feng has agreed to purchase the Target Equity in accordance with the terms and conditions under the Equity Transfer Agreement at the Consideration.

Effective Date of the Equity Transfer Agreement

The Equity Transfer Agreement shall become effective from the date on which it is duly stamped by the Company and Deng Feng and signed by their respective legal representative or authorized person.

Consideration and Payment Terms

The appraised value of the entire shareholder's equity of Songshan Company as at 31 December 2019 (the "**Valuation Benchmark Date**") as set out in the asset valuation report (the "**Valuation Report**") prepared by China Alliance Appraisal Co., Ltd. ("**China Alliance**"), an independent valuer, was RMB555,800,000. Accordingly, the appraised value of the Target Equity was RMB283,458,000. The appraised value was prepared by China Alliance based on, among others, discounted cash flow under the income method.

The base price for the transfer of the Target Equity on a standalone basis (excluding the Shareholder's Loan of Songshan Company) in the initial public tender period was RMB283,458,000, which was determined based on the above appraised value (the total base price for the Target Equity together with the Shareholder's Loan of Songshan Company for the initial public tender was RMB346,558,000). As the Company could not find intended qualified transferee(s) at the initial tender, in light of the response of the market and condition, it decided to proceed with the second open tender with the bid price adjusted downward. In accordance with the Notice Regarding Transfer of State-owned Assets and Equity issued by SASAC and the State Financial Bureau, written approval from the relevant equity transfer institution would be required in case the Company intends to set the base price of the Target Equity in the second open tender at a price lower than 90% of the asset appraisal value. Accordingly, the base price for the transfer of the Target Equity in the second public tender was set at RMB255,112,200, being 90% of the appraised value of the Target Equity. The second tender process has been concluded, the highest bid price was RMB255,112,200 and thus the Consideration would be RMB255,112,200.

The above appraisal constitutes a profit forecast in respect of Songshan Company under Rule 14.61 of the Listing Rules, and the Company has fully complied with Rules 14.60A and 14.62 of the Listing Rules. KPMG, the Company's reporting accountants, have confirmed that they have performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. The Reporting Accountants are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based, and its work does not constitute any valuation of Songshan Group, or an expression of an audit or review opinion of the valuation of Songshan Group. The Board has also confirmed that the profit forecast was made after due and careful enquiry. To the best knowledge, information and belief of the Directors after making all reasonable enquiry, each of China Alliance and KPMG is a third party independent of the Group and its connected persons. Details of the principal assumptions (including commercial assumptions) upon which the Valuation Report is based and the report from KPMG and the letter from the Board in relation to the profit forecast of Songshan Company are set out in the appendices of this announcement.

Deng Feng shall remit the payment of the first instalment of RMB127,556,100 (i.e. 50% of the Consideration) into the settlement account designated by China Beijing Equity Exchange within 5 business days after the Equity Transfer Agreement becoming effective, and may apply the Caution Money as partial payment of the first instalment of the Consideration. Deng Feng shall pay the Company the remaining payment of the Consideration of RMB127,556,100 by 30 November 2021, and shall pay interest on the remaining payment of the Consideration during the deferred payment period at the Loan Prime Rate for 1-year loan promulgated by the National Interbank Funding Center, such interest shall be fully settled by 30 November 2021. Deng Feng shall provide a letter of bank guarantee recognized by the Company in respect of the remaining balance of the Consideration plus accrued interest (at the Loan Prime Rate for 1-year loan promulgated by the National Interbank Funding Centre) within 10 business days after the effective date of the Equity Transfer Agreement.

Completion

1. Within 30 business days after proof for the transfer of equity in relation to the equity transaction under the Equity Transfer Agreement being issued by China Beijing Equity Exchange, the Company and Deng Feng shall procure Songshan Company to complete the business registration in respect of the change of equity interests, the resignation of directors, supervisor, senior management and legal representative nominated by the Company, and the change of name of Songshan Company (without "China Travel", "CTS"). Deng Feng shall provide the necessary assistance and cooperation in this regard;

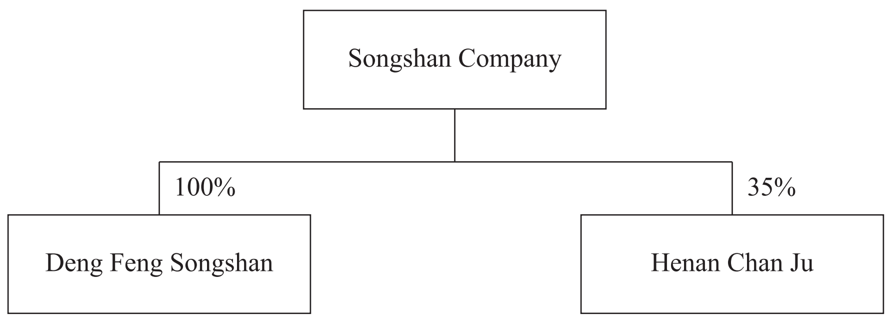
2. The Company and Deng Feng shall negotiate and agree on specific person(s) and place for the completion of the relevant equity transfer, and the Company shall conduct the handover with Deng Feng in accordance with the "Property and Information List" compiled by Songshan Company. The Company shall be responsible for the completeness and truthfulness of the aforesaid materials provided by the Company and the consistency of the materials with the actual state of affairs in Songshan Company, and shall bear all legal liabilities arising from any concealment or misrepresentation;

3. The Company shall transfer the assets, control and management rights of Songshan Company to Deng Feng and Songshan Company will then be under the management and control of Deng Feng upon recording of the transfer of the Target Equity owned by the Company to Deng Feng on the relevant registration authorities and completion of the business registration in accordance with the relevant requirements (the "**Completion of Equity Transfer**"); and

4. Completion shall take place upon the Completion of Equity Transfer.

INFORMATION OF THE SONGSHAN GROUP

The corporate structure of the Songshan Group is set out below:



Songshan Company is principally engaged in the operation and development of the scenic spots in Songshan, Henan Province, the PRC, where ancient temples, monuments, geopark, ancient educational institute and waterfall could be found within the area.

Deng Feng Songshan is a state-owned limited company established in the PRC and a wholly-owned subsidiary of Songshan Company. It is principally engaged in the provision of tourist transportation services in Songshan, Henan Province, the PRC.

Henan Chan Ju is a limited company established in the PRC and is 35% owned by Songshan Company. It owns a hotel in Songshan, Henan Province, the PRC.

The audited consolidated financial information of the Songshan Group for the two years ended 31 December 2019, which has been prepared on the basis of the PRC Accounting Standards for Business Enterprises, is set out below:

	For the year ended 31 December	
	2018	**2019**
	(RMB'000)	*(RMB'000)*
Profit before tax	40,822	47,791
Profit after tax	29,795	35,415

	As at 31 December	
	2018	**2019**
	(RMB'000)	*(RMB'000)*
Total assets	537,349	592,954
Net asset	407,717	420,575

EXPERTS AND CONSENTS

Qualifications of the experts who have given their opinions and advices in this announcement are set out below:

Name	**Qualification**
KPMG	Certified Public Accountants
China Alliance	an independent professional asset valuer appointed by the Company for the Disposal. It is a firm established upon approval of the Ministry of Finance of the PRC to provide asset valuation services in the PRC

As at the date of this announcement, neither KPMG nor China Alliance, directly or indirectly, has any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities of any member of the Group.

As at the date of this announcement, KPMG and China Alliance have given and have not withdrawn their consent to the publication of this announcement with inclusion of their reports/statements/letters and all reference to their names in the form and conext in which they are included in this announcement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The recovery of operation of Songshan Company is relatively slow under the impact of the COVID-19 pandemic. In 2020, it recorded a significant decrease in revenue compared to last year, turning profit into loss. The Disposal will help improve the quality of the Group's natural and cultural scenic spot destinations portfolio, enhance the asset turnover rate, increase working capital and further improve the sustainable development of the Company.

The Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Disposal is in the interests of the Company and Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural spots, and leisure resorts), travel agency, travel documents and related operations, passenger transportation operations.

Deng Feng is a wholly state-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of the State-owned Assets Service Centre of Dengfeng City* (登封市國有資產服務中心), which is a state administrative institutional unit in the PRC. Deng Feng is principally engaged in the business of operation and management of scenic spots, tourists reception, tourism-related trading and development of scenic spot projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owner of Deng Feng is the State-owned Assets Service Centre of Dengfeng City*.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Group will record a net gain of approximately RMB5,870,000 as a result of the Disposal, which is arrived at after taking into account the difference between (i) the Consideration of RMB255,112,200; (ii) unaudited net book value of Songshan Group attributable to the Group as at 31 December 2020 in the amount of approximately RMB240,354,400; and (iii) tax and other costs incurred in connection with the Disposal in the amount of approximately RMB8,887,800. The actual financial effect may be different from the above estimation depending on the actual net book value of Songshan Group attributable to the Group upon Completion and is subject to final audit to be performed by the Company's auditors.

Upon Completion, the Company will not hold any equity interest in Songshan Company, and Songshan Company will cease to be a subsidiary of the Company. Accordingly, the Songshan Group's financial results will cease to be consolidated into those of the Group.

The Group intends to use the net proceeds from the Disposal as general working capital or use it towards investing in travel destination projects which provide better return to Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is or are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company and will therefore, be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the total assets, profits and revenue of Songshan Company compared to that of the Group are less than 10% under the percentage ratios for each of the three financial years ended 31 December 2019, Songshan Company is an insignificant subsidiary of the Company. As at the date of this announcement, Deng Feng holds 49% equity interest in Songshan Company and is a substantial shareholder of an insignificant subsidiary of the Company. Notwithstanding Deng Feng's interest in Songshan Company, it and its ultimate beneficial owner(s) are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

"Board"	the board of Directors
"Caution Money"	the caution money of RMB76,533,660 paid by Deng Feng to the account designated by China Beijing Equity Exchange, as the deposit for acquiring 51% equity interest in Songshan 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 (stock code: 308)
"Completion"	the completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by Deng Feng to the Company for the Target Equity, being RMB255,112,200
"Deng Feng"	Deng Feng Songshan Shaolin Culture Tourism Group Company Limited* (登封嵩山少林文化旅遊集團有限公司), a wholly state-owned enterprise established in the PRC
"Deng Feng Songshan"	Deng Feng Songshan Shaolin Tourism Development Limited* (登封嵩山少林旅遊發展有限公司), a state-owned limited company established in the PRC and a wholly-owned subsidiary of Songshan Company
"Directors"	the directors of the Company
"Disposal"	the disposal of Target Equity by the Company pursuant to the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated 25 January 2021 entered into between the Company and Deng Feng in respect of the Disposal
"Group"	the Company and its subsidiaries
"Henan Chan Ju"	Henan Chan Ju International Hotel Company Limited* (河南禪居國際飯店有限公司), a limited company established in the PRC and is 35% owned by Songshan Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this announcement, exclusively referred to Mainland China
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council
"Shareholders"	shareholders of the Company
"Shareholder's Loan of Songshan Company"	the entire shareholder's loan (with interests) owed by Songshan Company to the Company
"Songshan Company"	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd.* (港中旅(登封)嵩山少林文化旅遊有限公司), a company established in the PRC with limited liability and owned as to 51% and 49% by the Company and Deng Feng, respectively
"Songshan Group"	Songshan Company and its subsidiary
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Equity"	51% of the equity interest in Songshan Company
"%"	per cent

By Order of the Board
China Travel International Investment Hong Kong Limited
Jiang Hong
Chairman

Hong Kong, 25 January 2021

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. You Cheng, Mr. Yang Hao, Mr. Wu Qiang and Mr. Fan Dongsheng; one non-executive Director, namely Mr. Tsang Wai Hung; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.

* *for identification purpose only*

APPENDIX I – PRINCIPAL ASSUMPTIONS OF VALUATION

Given that the Valuation Report was prepared based on, among others, discounted cash flow under the income method, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The valuation contained in the Valuation Report has been prepared on the following principal bases and assumptions (including commercial assumptions):

I. GENERAL ASSUMPTIONS

1. Transaction assumption

The transaction assumption assumes all target assets are in the course of transaction and the valuer carries out the valuation based on a simulated market which involves transaction conditions of the target assets.

2. Open market assumption

The open market assumption assumes that both parties to the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information in order to make rational judgments on the assets including their functions, purposes and transaction prices.

3. Enterprise going concern assumption

Under the enterprise going concern assumptions, it is assumed that Songshan Group complies with all relevant laws and regulations, and will operate continuously in the foreseeable future.

II. SPECIAL ASSUMPTIONS

1. The basic assumption premises of the valuation are based on the specific valuation purposes listed out in the Valuation Report.

2. There are no unforseeable and material changes to the prevailing law, regulations, policies and the state's macro-economic conditions as well as the external economic environment such as interest rate, exchange rate, taxation bas, tax rates and policy charge etc.

3. Songshan Group will be able to obtain the qualification necessary for its relevant business, operate lawfully and continue as a going concern after the Valuation Benchmark Date.

4. The future management team of Songshan Group will fulfil their responsibilities and continue to keep the scope and mode of operation of Songshan Group consistent with its existing directions, and the operations and services of Songshan Group would comply with national business policies and laws.

5. The appraised assets are continuously utilized in line with the current usage and conditions including method, scale, frequency and environment.

6. Based on the existing mode and standard of management of Songshan Group, no force majeure and other unforeseeable factors that would have a material adverse effect on the Songshan Group.

7. The relevant basic information and financial information provided by Songshan Group and the Company are true, accurate and complete.

8. The financial reports, transaction figures etc. of the comparable companies for which the valuer has relied on are true and reliable.

9. All ticket income of the scenic spots received are deposited into the financial accounts on daily basis since 1 January 2020, of which 50% will be used as the normal operations of Songshan Group during the half-year transitional period.

10. The scope of the valuation is merely based on the evaluation declaration forms provided by the Company and Songshan Group.

11. There being a net cash flow enjoyed by Songhshan Group during the year.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

KPMG

REPORT ON THE DISCOUNTED FUTURE CASH FLOW IN CONNECTION WITH THE BUSINESS VALUATION OF CTS (DENGFENG) SONGSHAN SHAOLIN CULTURE TOURISM CO., LTD.* (港中旅(登封)嵩山少林文化旅遊有限公司)

TO THE BOARD OF DIRECTORS OF CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

We refer to the discounted future cash flows on which the business valuation (the "**Valuation**") dated 20 August 2020 prepared by China Alliance Appraisal Co., Ltd. in respect of the appraisal of the fair value of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd.* (港中旅(登封)嵩山少林文化旅遊有限公司) and its subsidiary (the "**Songshan Group**") as at 31 December 2019 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of China Travel International Investment Hong Kong Limited (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Songshan Group or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

* *The official name of this entity is in Chinese. The English translation of the name is for identification only.*

KPMG
Certified Public Accountants

Hong Kong
25 January 2021

The following is the text of a letter from the Board prepared for the purpose of inclusion in this announcement.

25 January 2021

The Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Discloseable Transaction – Disposal of 51% Equity Interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. * (港中旅(登封)嵩山少林文化旅遊有限公司)

We refer to the announcement of China Travel International Investment Hong Kong Limited dated 25 January 2021 (the "**Announcement**") and the valuation report dated 20 August 2020 prepared by China Alliance Appraisal Co., Ltd. (the "**Independent Valuer**") in relation to the valuation of the market value of equity interest in Songshan Company as at 31 December 2019 (the "**Valuation**"). As the discounted cash flow method was adopted in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.62 of the Listing Rules is applicable. The major assumptions upon which the Valuation is based has been stated in the Announcement.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our reporting accountants, KPMG, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we are of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board of
China Travel International Investment Hong Kong Limited
Jiang Hong
Chairman