

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in China Travel International Investment Hong Kong Limited, you should at once hand this circular to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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: 00308)

**MAJOR, DISCLOSEABLE, CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to China Travel International Investment Hong Kong Limited

PiperJaffray®

PIPER JAFFRAY ASIA LTD.

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



SOMERLEY LIMITED

A letter from the Board is set out on pages 6 to 25 of this circular.

A notice convening the EGM to be held at Cafe du Parc, 2/F, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 7 December 2007 at 4:30 p.m. is set out on pages 56 to 57 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof or in the case of a poll, not less than 24 hours before the time appointed for taking of the poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Hotel Group by the Purchasers pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement entered into on 1 November 2007 (entered into after the close of trading hours of the Stock Exchange) between the Company, the Purchasers and the Vendors in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition Agreement
“Acquisition Completion Date”	the 5th Business Day after the fulfilment (or waiver) of all of the conditions precedent in the Acquisition Agreement or such other date as agreed by the Company and CTS (Holdings)
“Acquisition Consideration”	HK\$1,107,260,000, being the consideration for the Acquisition
“Actual Profit”	the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group for the year ending 31 December 2007 to be shown in an auditor’s certificate based on the audited consolidated accounts of respective members of the Hotel Group for the year ending 31 December 2007 and the assumptions stipulated in the Acquisition Agreement
“Add-Well”	Add-Well Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Allied Well”	Allied Well Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday) on which banks in Hong Kong are generally open for business

DEFINITIONS

“Common Well”	Common Well Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CTS Building Contractors”	China Travel Building Contractors Hong Kong Limited, a company incorporated in Hong Kong with limited liability and wholly-owned subsidiary of CTS (Holdings)
“CTS Cargo”	China Travel Service (Cargo) Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“CTS Cargo Group”	CTS Cargo and its subsidiaries
“CTS Hotel Beijing”	Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited, a wholly foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of CTS (Holdings)
“CTS Hotels Management”	CTS H.K. Metropark Hotels Management Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder holding approximately 52.56% of the total issued share capital of the Company
“CTS Investments”	China Travel Investments Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“CTS Logistics”	CTS Logistics Corporation, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“CTS Travel”	China Travel Service (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company

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“Directors”	the directors of the Company
“Disposal”	the disposal of (i) the entire issued ordinary share capital of Common Well; (2) the net amount of shareholder’s loan owed by Common Well to the Company; and (3) the entire issued ordinary share capital of CTS Cargo by the Company to CTS Logistics pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement entered into on 1 November 2007 (entered into after the close of trading hours of the Stock Exchange) between the Disposal Vendors, CTS (Holdings) and CTS Logistics in relation to the Disposal
“Disposal Completion”	completion of the Disposal Agreement
“Disposal Completion Date”	the 5th Business Day after the fulfilment (or waiver) of all of the conditions precedent in the Disposal Agreement or such other date as agreed by the Company and CTS (Holdings)
“Disposal Consideration”	HK\$853,640,000, being the consideration for the Disposal
“Disposal Vendors”	the Company, CTS Travel, Add-Well and Noteman
“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve, among others, the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	HK\$46,000,000, being the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group for the year ending 31 December 2007 as guaranteed by CTS (Holdings) pursuant to the terms of the Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Group”	consists of CTS Hotels Management, CTS Hotel Beijing, Ruskin Overseas and Wisepak

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“Hotel Management Services Master Agreement”	the master agreement to be entered into between CTS (Holdings) and the Company on Acquisition Completion, pursuant to which the Company shall provide or procure its subsidiaries to provide hotel management services to CTS (Holdings) and its associates
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, formed to advise the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates
“Latest Practicable Date”	16 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	not later than six months after the date of the Acquisition Agreement and Disposal Agreement
“Macau”	the Macau Special Administrative Region of the PRC
“Noteman”	Noteman Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Purchasers”	Allied Well and United Capital
“RHL”	RHL Appraisal Ltd., independent property valuers
“RMB”	Renminbi, the lawful currency of the PRC
“Ruskin Overseas”	Ruskin Overseas Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CTS (Holdings)

DEFINITIONS

“Shanghai Weiv”	上海維旅酒店管理有限公司(for identification purposes, in English, Shanghai Weiv Hotel Management Company Limited), a company incorporated in the PRC with limited liability and a subsidiary of CTS Hotels Management
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Somerley” or the “Independent Financial Adviser”	Somerley Limited, a corporation licensed to carry out 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) having CE registration number AAJ067 and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Three Hotels”	CTS(HK) Grand Metropark Hotel Beijing, Metropark Service Apartment Shanghai and Metropark Hotel Yangzhou
“United Capital”	United Capital Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Vendors”	CTS (Holdings), CTS Building Contractors and CTS Investments
“Wisepak”	Wisepak Enterprises Limited, a company incorporated in Western Samoa with limited liability and a wholly-owned subsidiary of CTS (Holdings)

Note: For the purpose of this circular, unless otherwise specified, amounts denominated in Renminbi have been translated for the purpose of illustration only into Hong Kong dollars at the exchange rate of HK\$1.02 =RMB1.00.

LETTER FROM THE BOARD



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: 00308)

DIRECTORS:

Executive Directors:

Mr. Zhang Xuewu (*Chairman*)
Mr. Xiong Weiping (*Vice-Chairman, General Manager*)
Mr. Zheng Heshui (*Vice-Chairman*)
Mr. Lo Sui On (*Vice-Chairman*)
Ms. Jiang Yan
Mr. Mao Jianjun
Mr. Zhang Fengchun
Mr. Wei Qing

REGISTERED OFFICE:

12th Floor, CTS House
78-83 Connaught Road Central
Hong Kong

Independent Non-Executive Directors:

Dr. Fong Yun Wah
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

21 November 2007

To the Shareholders

Dear Sir or Madam,

MAJOR, DISCLOSEABLE, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 1 November 2007 (after the close of trading hours of the Stock Exchange) the Company and the Purchasers, wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with the Vendors pursuant to which the Vendors conditionally agreed to sell and the Purchasers conditionally agreed to acquire the entire issued share capital or registered capital of respective members of the Hotel Group and the respective shareholder's loan owed by respective members of the Hotel Group to the Vendors, which as at 31 August 2007, amounted to approximately HK\$1,086,038,000, at a consideration of HK\$1,107,260,000, which will be settled entirely by cash funded by the internal

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resources of the Group. On the same date, the Disposal Vendors entered into the Disposal Agreement with CTS (Holdings) and CTS Logistics pursuant to which the Disposal Vendors conditionally agreed to sell and CTS Logistics conditionally agreed to acquire (a) the entire issued ordinary share capital of Common Well; (b) the net amount of shareholder's loan owed by Common Well to the Company and/or its associates; and (c) the entire issued ordinary share capital of CTS Cargo at a consideration of HK\$853,640,000 which will be settled entirely in cash.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. CTS (Holdings) is a substantial shareholder of the Company, and thus a connected person of the Company. Therefore the Acquisition and the Disposal also constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Acquisition and the Disposal therefore are subject to the approval by the Independent Shareholders at an EGM under Rule 14A.17 and Rule 14.44 of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for the purpose of approving the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

The purpose of this circular is to give you, among others, further details of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder, (i) letter from the Independent Board Committee; (ii) letter from the Independent Financial Advisor; (iii) notice of EGM for the purpose of seeking the approval of the Acquisition and Disposal by the Shareholders; and (iv) other disclosures in connection with the Acquisition Agreement the Disposal Agreement and the transactions contemplated thereunder required pursuant to the Listing Rules.

THE ACQUISITION AGREEMENT

Date

1 November 2007 (after the close of trading hours of the Stock Exchange)

Parties

- | | | |
|-----|-------------|---|
| (1) | The Company | |
| (2) | Purchasers: | Allied Well
United Capital |
| (3) | Vendors: | CTS (Holdings)
CTS Building Contractors
CTS Investments |

The Company confirmed that the Group did not have any prior transactions with the Vendors and their ultimate beneficial owners that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

LETTER FROM THE BOARD

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchasers have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of (i) the entire issued share capital of CTS Hotels Management; (ii) the entire issued share capital of Wisepak; (iii) the entire issued share capital of Ruskin Overseas; (iv) the entire registered capital of CTS Hotel Beijing; and (v) the respective shareholder's loans owed by the abovementioned companies to the Vendors, which as at 31 August 2007, amounted to approximately HK\$1,086,038,000, at the Acquisition Consideration which will be settled entirely by cash funded by internal resources of the Group.

The Consideration

The Acquisition Consideration was determined after arm's length negotiation between the Company and CTS (Holdings) and after taking into consideration (i) financial position, business outlook and future prospect of the Hotel Group; (ii) the prospects of the hotel industry in the PRC (iii) the valuation of other comparable hotel operators listed on the Stock Exchange and other exchanges; (iv) the property valuation of the Three Hotels as issued by RHL, an independent valuer, based on the direct comparison method; and (v) the Guaranteed Profit. The Acquisition Consideration represents a discount of 1.2% to the sum of the unaudited consolidated equity attributable to equity holders of the parent of respective members of the Hotel Group, adjusted for the respective shareholder's loans owed by respective members of the Hotel Group to the Vendors as at 31 August 2007 and a property valuation of the Three Hotels by RHL as at 30 September 2007. The Acquisition Consideration also represents a price-earnings multiple of approximately 24.07 times the Guaranteed Profit which is made with reference with the price-earnings multiple range of comparable hotel operators listed on the Stock Exchange and other exchanges.

The Directors consider that the Acquisition Consideration is fair and reasonable.

Conditions precedent

Acquisition Completion is conditional upon fulfilment of the following conditions:

- (i) the approval by the Independent Shareholders in an EGM of the Acquisition Agreement and the transactions contemplated thereunder;
- (ii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Acquisition Agreement and any of the transactions contemplated thereunder;
- (iii) the completion of due diligence reviews by the Company and the Purchasers on, but not limited to, the legal, financial and business aspects of the Hotel Group and such reviews having been accepted by the Company and the Purchasers in all respects;
- (iv) the representations, warranties and undertakings given by the Vendors remaining true and correct in all material respects on the Acquisition Completion Date;

LETTER FROM THE BOARD

- (v) the Vendors having performed and complied in all material respects with all of their agreements and obligations contained in the Acquisition Agreement that are required to be performed or complied with by them on or before Acquisition Completion; and
- (vi) the Disposal Agreement becoming unconditional.

The Purchasers may waive conditions (ii), (iii), (iv) and (v). If the conditions above are not fulfilled or, if applicable, waived on or before the Long Stop Date or such other date as mutually agreed by the Company and CTS (Holdings), the Acquisition Agreement will be terminated and all obligations of the parties under the Acquisition Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist.

As at the Latest Practicable Date, none of the conditions above have been fulfilled.

Profit guarantee

Pursuant to the Acquisition Agreement, CTS (Holdings) will provide a guarantee on the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group of not less than HK\$46,000,000 for the year ending 31 December 2007 prepared and audited in accordance with HKFRS (but excluding (i) any gain or loss as a result of the changes in fair value of investment properties; (ii) any gain or loss arising due to acquisition and disposal of assets/shares; and (iii) any tax arising as a result of (i) and (ii) as abovementioned). In the event that the Actual Profit is less than the Guaranteed Profit, CTS (Holdings) will pay (within 5 Business Days after the Actual Profit becomes available) to the Company an amount that equals to:

$\text{Acquisition Consideration X (Guaranteed Profit - Actual Profit) / Guaranteed Profit}$

In case the Actual Profit is negative, for the purpose of determining the payment payable by CTS (Holdings) pursuant to the above, the Actual Profit will be deemed to be zero.

If there is a shortfall to the guaranteed profit arrangement as mentioned above, the Company will publish an announcement to disclose the detail as soon as practicable and will include such detail in its next annual report. The independent non-executive Directors will provide an opinion in the Company's next annual report as to whether the Vendors have fulfilled their obligations under the guarantee.

Other terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, upon Acquisition Completion, CTS (Holdings) will grant a first right of refusal to the Company for the Company or its subsidiaries to acquire any hotel-related assets currently or in the future owned or controlled by CTS (Holdings).

Acquisition Completion

Acquisition Completion shall take place on the fifth Business Day upon all the abovementioned conditions have been fulfilled or, if applicable, waived or such other date as mutually agreed by the Company and CTS (Holdings).

LETTER FROM THE BOARD

Upon completion of the Acquisition, the Hotel Group will become wholly-owned by the Company and the results and assets and liabilities of all members of the Hotel Group will be consolidated into the accounts of the Group.

THE DISPOSAL AGREEMENT

Date

1 November 2007 (after the close of trading hours of the Stock Exchange)

Parties

- (1) CTS (Holdings)
- (2) CTS Logistics – as the purchaser under the Disposal Agreement
- (3) The Disposal Vendors – as the vendors under the Disposal Agreement

The Company confirmed that the Group did not have any prior transactions with CTS (Holdings) and CTS Logistics and their ultimate beneficial owners that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

Assets to be disposed

Pursuant to the Disposal Agreement, CTS Logistics has conditionally agreed to acquire and the Disposal Vendors have conditionally agreed to dispose of (a) the entire issued ordinary share capital of Common Well; (b) the net amount of shareholder's loan owed by Common Well to the Company and/or its associates; and (c) the entire issued ordinary share capital of CTS Cargo, at a consideration of HK\$853,640,000 which will be settled entirely in cash.

The Disposal Consideration was determined after arm's length negotiation between the Company and CTS (Holdings) and after taking into consideration (i) the financial position, business outlook and future prospect of the CTS Cargo Group and Common Well; and (ii) the valuation of other comparable freight forwarding and logistics companies listed on the Stock Exchange and other exchanges. The Disposal Consideration represents a price-earnings multiple of approximately 13.39 times the sum of unaudited consolidated profit attributable to equity holders of the parent of the CTS Cargo Group of approximately HK\$63,069,000 and the profit for the year of Common Well of approximately HK\$695,000 for the year ended 31 December 2006, which is made with reference with the price-earnings multiple range of comparable logistics and cargo businesses listed on the Stock Exchange and other exchanges.

The Directors consider that the Disposal Consideration is fair and reasonable.

LETTER FROM THE BOARD

Conditions precedent

Disposal Completion is conditional upon fulfilment of the following conditions:

- (i) the approval by the Independent Shareholders in an EGM of the Disposal Agreement and the transactions contemplated thereunder;
- (ii) the representations, warranties and undertakings given by the Disposal Vendors remaining true and correct in all material respects on the Completion Date;
- (iii) the Disposal Vendors having performed and complied in all material respects with all of their agreements and obligations contained in the Disposal Agreement that are required to be performed or complied with by them on or before Disposal Completion;
- (iv) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Disposal Agreement and any of the transactions contemplated thereunder; and
- (v) the Acquisition Agreement becoming unconditional.

CTS Logistics may waive conditions (ii), (iii) and (iv) above. If the conditions above are not fulfilled or, if applicable, waived on or before the Long Stop Date or such other date as mutually agreed by the Company and CTS (Holdings), the Disposal Agreement will be terminated and all obligations of the parties under the Disposal Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist.

As at the Latest Practicable Date, none of the conditions above have been fulfilled.

Disposal Completion

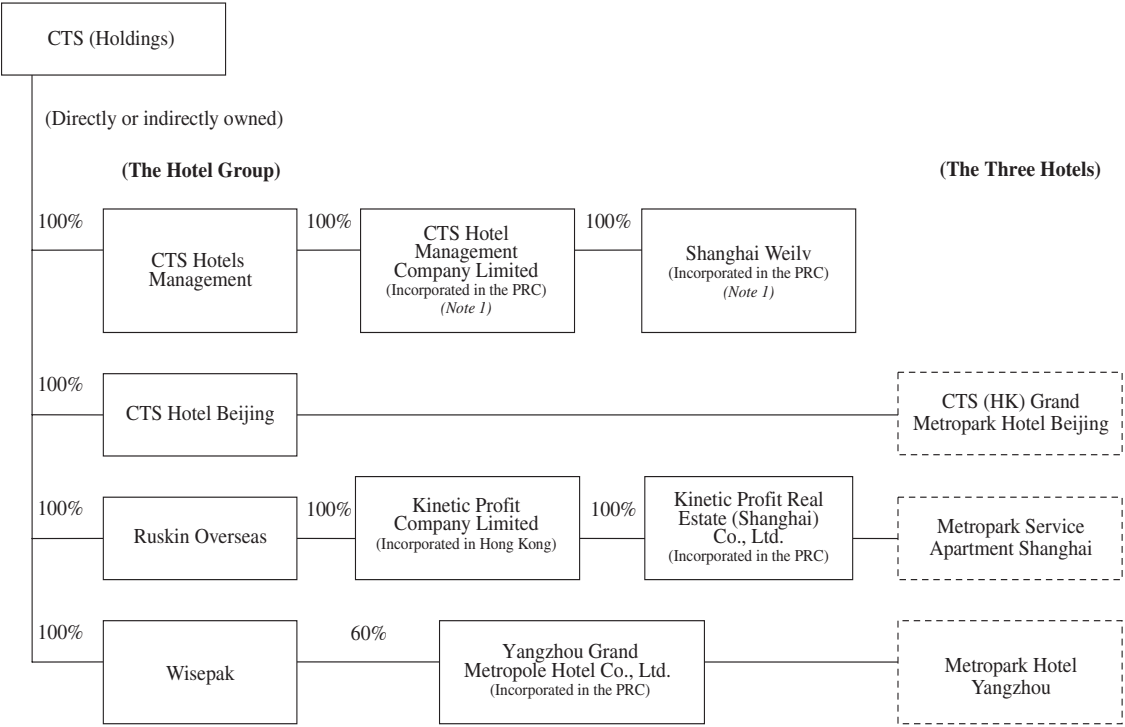
Disposal Completion shall take place on the fifth Business Day upon all the abovementioned conditions have been fulfilled or, if applicable, waived or such other date as mutually agreed by the Company and CTS (Holdings).

Upon completion of the Disposal, CTS Cargo and Common Well will cease to be subsidiaries of the Company, and the Group will cease the freight forwarding and transportation services business segment. As at the Latest Practicable Date, there are no negotiations or discussions as to the disposal of other existing business interests of the Group.

INFORMATION ON THE HOTEL GROUP

The Hotel Group consists of: (i) CTS Hotels Management; and (ii) three investment holding companies holding certain equity interest in the Three Hotels. As at 31 August 2007, the amounts of shareholder's loans owed by CTS Hotel Beijing, Ruskin Overseas and Wisepak to the Vendors were approximately HK\$738.3 million, HK\$290.5 million and HK\$57.2 million respectively. The chart below sets out the current corporate structure of the Hotel Group:

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Note 1: The principal activity of CTS Hotel Management Company Limited and Shanghai Weilv is provision of hotel management services and operation of budget hotel respectively.

CTS Hotels Management is a hotel management company which as at the Latest Practicable Date is responsible for the hotel management and daily operations of 23 hotels and serviced apartments in Hong Kong, Macau and other major cities the PRC such as Beijing, Shanghai, Shenzhen, Suzhou, Hangzhou and Yangzhou. Out of the 23 hotels and serviced apartments managed by CTS Hotels Management, five hotels are wholly-owned by the Company, nine hotels are wholly-owned or controlled by CTS (Holdings) and the remaining nine hotels are owned by independent third parties. Hotels managed by CTS Hotels Management are mainly four-star or five-star graded hotels under the “Metropark” brand.

The principal asset of CTS Hotel Beijing is its 100% owned CTS (HK) Grand Metropark Hotel Beijing. CTS (HK) Grand Metropark Hotel Beijing is a hotel of five-star equivalent standard with 13 storeys and has a gross floor area of approximately 69,000 square metres. Two floors of office with a gross floor area of approximately 5,200 square metres were sold to an associate of CTS (Holdings) and a subsidiary of the Company and will not be included in the Acquisition. CTS (HK) Grand Metropark Hotel Beijing comprises, amongst others, 215 guest rooms, four restaurants, a grand ballroom together with three luxurious function rooms, office units, food and beverage outlets, recreational and entertainment facilities. It is located in the heart of the Xuan Wu District, Beijing and is situated close to the city centre with convenient transportation to many tourist attractions in Beijing and the Beijing Capital International Airport and majority of CTS (HK) Grand Metropark Hotel Beijing’s guests are business travellers and international tourists.

LETTER FROM THE BOARD

Ruskin Overseas currently owns, with its subsidiaries, 100% interest in Metropark Service Apartment Shanghai. Metropark Service Apartment Shanghai is a 28-storey serviced apartment and has a gross floor area of approximately 25,000 square metres. It comprises, amongst others, 196 guest rooms, food and beverage outlets, indoor swimming pool, outdoor lighting tennis court, gymnasium and massaging room and other recreational facilities. Metropark Service Apartment Shanghai is stationed close to a Shanghai Metro station and within the range of high-class residential area in Changning District.

Wisepak currently owns, with its subsidiaries, 60% interest in Metropark Hotel Yangzhou. Metropark Hotel Yangzhou is a four-star hotel with 17 storeys and has a gross floor area of approximately 23,000 square metres. It comprises, amongst others, 242 guest rooms, business centre, food and beverage outlets, recreational and entertainment facilities. Metropark Hotel Yangzhou is located on Wenchang West Road in the city's business centre by the Slender West Lake.

Financial information on CTS Hotels Management

The unaudited consolidated financial information of CTS Hotels Management for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	7,889	13,645	13,282
Profit for the year/period	7,024	12,279	11,238
	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net assets	28,047	40,528	19,357

LETTER FROM THE BOARD

Financial information on CTS Hotel Beijing

The unaudited financial information of CTS Hotel Beijing for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit/(loss) before tax	(2,647)	(300)	11,046
Profit/(loss) for the year/period <i>Note 1</i>	(2,647)	(300)	11,046

	As at 31 December		As at 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net liabilities	(149,745)	(165,875)	(160,801)

Note 1: CTS(HK) Grand Metropark Hotel Beijing was closed for approximately six months from the fourth quarter in 2005 to the first quarter in 2006 undergoing reconstruction and renovation, partially contributing to the losses of CTS Hotel Beijing for the two years ended 31 December 2006.

The unaudited net liabilities of CTS Hotel Beijing as at 31 August 2007, adjusted for the shareholder's loan of approximately HK\$738.3 million and an independent property valuation of CTS (HK) Grand Metropark Hotel Beijing of approximately HK\$690.0 million as at 30 September 2007, became net assets of approximately HK\$741.2 million.

LETTER FROM THE BOARD

Financial information on Ruskin Overseas

The unaudited consolidated financial information of Ruskin Overseas for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	28,192	12,304	7,988
Profit for the year/period <i>Note 2</i>	26,668	9,235	7,988
	As at 31 December		As at 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net liabilities	(88,489)	(79,177)	(63,968)

Note 2: For the year ended 31 December 2005, there was a property revaluation gain of approximately HK\$12.7 million.

The unaudited consolidated net liabilities of Ruskin Overseas as at 31 August 2007, adjusted for the shareholder's loan of approximately HK\$290.5 million and an independent property valuation of Metropark Service Apartment Shanghai of approximately HK\$260 million as at 30 September 2007, became net assets of approximately HK\$259.6 million.

LETTER FROM THE BOARD

Financial information on Wisepak

The unaudited consolidated financial information of Wisepak for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	7,144	9,584	6,832
Profit attributable to equity holders of the parent for the year/period	5,129	6,623	4,129
	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Equity attributable to equity holders of the parent	(11,170)	2,048	9,885

The unaudited consolidated equity attributable to equity holders of the parent of Wisepak as at 31 August 2007, adjusted for the shareholder's loan of approximately HK\$57.2 million and an independent property valuation of Metropark Hotel Yangzhou of approximately HK\$140 million as at 30 September 2007, was approximately HK\$100.4 million.

INFORMATION ON CTS CARGO GROUP AND COMMON WELL

The CTS Cargo Group is primarily engaged in freight forwarding business and cargo services in Hong Kong and the PRC.

Common Well is an investment holding company whose principal asset is a parcel of land in Fanling, the New Territories, Hong Kong, which is currently leased to CTS Cargo which operates it as a car parking lot.

LETTER FROM THE BOARD

Financial information on the CTS Cargo Group

The unaudited consolidated financial information of the CTS Cargo Group for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

	For the year ended		For the
	31 December		eight months
	2005	2006	ended
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	31 August
			2007
			<i>(HK\$'000)</i>
Profit before tax	79,811	93,673	62,936
Profit attributable to equity holders of the parent for the year/period	52,066	63,069	41,871
	As at 31 December	As at 31 August	
	2005	2006	2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Equity attributable to equity holders of the parent	284,846	354,185	403,734

LETTER FROM THE BOARD

Financial information on Common Well

The unaudited financial information of Common Well for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follows:

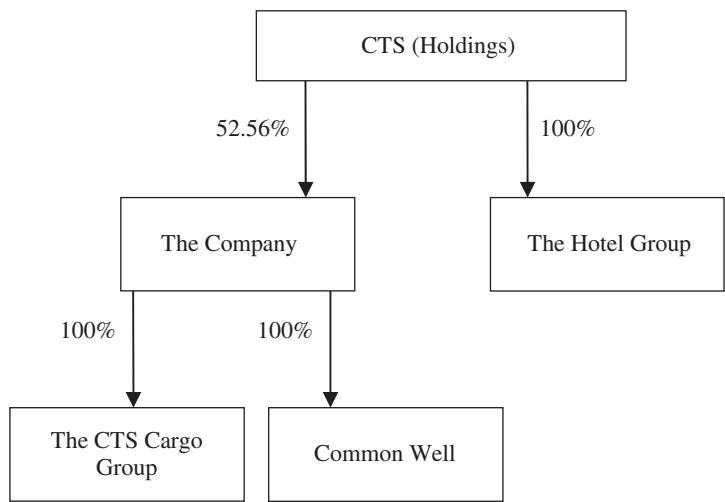
	For the year ended 31 December		For the eight months ended 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax <i>Note 3</i>	7,208	797	561
Profit for the year/period	7,030	695	561
	As at 31 December		As at 31 August
	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net assets	8,874	9,569	10,130

Note 3: For the year ended 31 December 2005, there was a property revaluation gain of approximately HK\$6.4 million.

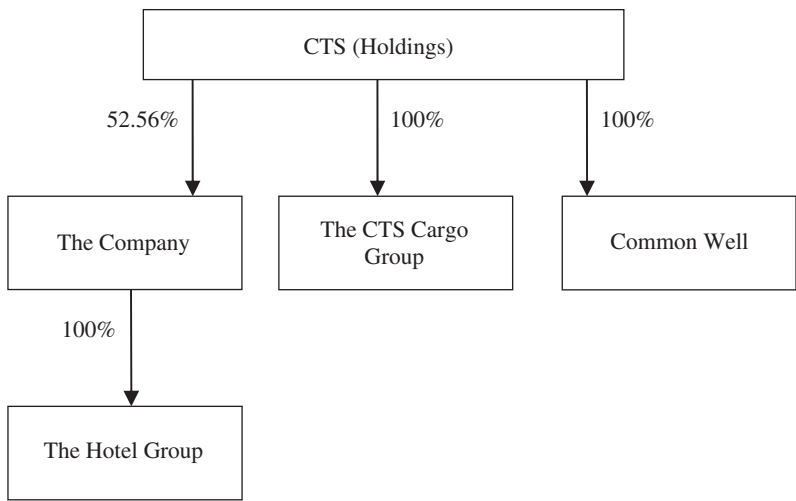
The unaudited net assets of Common Well as at 31 August 2007, adjusted for the net amount of shareholder's loan of HK\$12.7 million and an independent property valuation of the parcel of land of approximately HK\$22.8 million as at 30 September 2007, were approximately HK\$22.8 million.

LETTER FROM THE BOARD

Immediately before the Acquisition Completion and the Disposal Completion



Immediately after the Acquisition Completion and the Disposal Completion



INFORMATION ON THE GROUP

The Company is an enterprise whose core businesses are travel-related businesses. The principal businesses of the Company include tour operation, hotels, theme parks, passenger and freight transportation, golf club, leisure resort and infrastructure investment.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT AND DISPOSAL AGREEMENT

According to Mega Trends of Tourism in Asia-Pacific report issued by the World Tourism Organisation in June 2006, China is forecast to become the number one tourist destination in the world by 2020. In addition, a booming economy as a result of an influx of foreign direct investment, has led to an increase in business travel in the PRC. In 2004, China attracted nearly 4 million business travellers and most of them headed to Beijing and Shanghai. With the 2008 Beijing Olympics and 2010 Shanghai World Expo on the way, business travel to these two cities is expected to increase. The same article predicted that by 2020, China will need 70 million room nights to keep up with business travel demand. The Board is therefore optimistic about the prospect of the hotel and tourism industry in the PRC.

The Group currently owns five hotels in Hong Kong and Macau. It is the Group's business strategy to focus on its core business of hotel and tourism. The Group has been exploring investment opportunities in further its investments and operation in the tourism and hotel industry in the PRC. The Board considers that the Acquisition represents an opportunity for the Group to further expand its hotel network in the PRC in order to enjoy the expected growth in the PRC tourism industry. The Board considers that the 23 hotels currently managed by CTS Hotels Management and the established "Metropark" brand in the PRC and Hong Kong form a solid foundation for the Group to build on its hotel business. The Board also plans to consolidate its existing hotel operation with that of the Hotel Group to achieve synergy with an aim to attain cost efficiency. It is the intention of the Board to develop the "Metropark" brand and to become one of the dominant players in the hotel industry in the PRC.

The Board also views the Hotel Group to be complementary to the Group's other existing businesses, such as the travel leisure and leisure entertainment business, the passenger travel business and the online travel platform, mangocity.com. The Board expects that following the Acquisition, there will be more cross-selling among the Group's operations and the Group will conduct joint marketing efforts with an aim to generate more income for the Group. The Acquisition also provides a solid platform for the Group to position and leverage its business hotel management service, through CTS Hotels Management, and related products under the "Metropark" branding.

Pursuant to the Acquisition Agreement, upon Acquisition Completion, CTS (Holdings) will grant a first right of refusal to the Company for the Company or its subsidiaries to acquire any hotel-related assets currently or in the future owned or controlled by CTS (Holdings). The Board was informed by CTS (Holdings) that it is the long term intention of CTS (Holdings) to use the Group as its flagship to develop CTS (Holdings)'s tourism and hotel related businesses. CTS (Holdings) has also indicated that it intends to inject the hotels currently or in the future owned or controlled by CTS (Holdings) into the Group in the future as and when the Board deems appropriate and suitable. However, save as the Acquisition, there are no negotiations or discussions regarding any potential acquisition or asset injection between the Group and CTS (Holdings) as at the Latest Practicable Date.

LETTER FROM THE BOARD

Regarding the Disposal, as stated in the above, it is the intention of the Board to focus on the tourism and hotel related businesses. The Board is of the opinion that the Disposal represents an opportunity to realise its investments in the logistics and cargo business and to deploy more resources to strengthen the Group's presence in the PRC tourism related businesses.

The Directors believe that the Acquisition can also enhance the property portfolio of the Group and consider the terms of the Acquisition and the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE DISPOSAL AND USE OF PROCEEDS

The audited consolidated equity attributable to equity holders of the Company was approximately HK\$10,649.9 million as at 31 December 2006. Upon Acquisition Completion, the financial results of the Hotel Group will be consolidated into the Group's financial statements. Given the growing income of the Hotel Group, the Acquisition is expected to have a positive effect on the earnings of the Group. However, due to the use of the fair values of the hotel properties of the Hotel Group in calculating depreciation expenses by the Group and the different accounting policies between the Group and CTS (Holdings) in relation to depreciation expenses, the results of the Hotel Group might differ upon consolidation into the Group's financial statements.

For the Disposal, the Group is expected to realise a book gain of approximately HK\$434.5 million, being the difference between (i) HK\$853.6 million, being the Disposal Consideration attributable to the valuation of the CTS Cargo Group and Common Well being disposed of; and (ii) the sum of the unaudited consolidated equity attributable to equity holders of the parent of the CTS Cargo Group of approximately HK\$403.7 million and the unaudited net assets of Common Well on the group level of HK\$15.4 million as at 31 August 2007 but without taking into account any foreign exchange gain, expenses and taxations that may arise as a result of the Disposal, of which the exact figures to be confirmed when issuing the annual audit of the Company. Upon Disposal Completion, the earnings of the Group would be reduced by the earnings currently attributable to the CTS Cargo Group.

The Group will apply the net proceeds from the Disposal as general working capital.

CONTINUING CONNECTED TRANSACTIONS

CTS Hotels Management currently provides hotel management services to certain subsidiaries of CTS (Holdings). On Acquisition Completion, CTS Hotels Management shall become a wholly-owned subsidiary of the Company and the continuous provision of hotel management services to CTS (Holdings) and its associates shall constitute continuous connected transactions for the Company under the Listings Rules. On Acquisition Completion, the Company and CTS (Holdings) shall enter into the Hotel Management Services Master Agreement to govern such continuing connected transactions.

LETTER FROM THE BOARD

Hotel Management Services Master Agreement

Date to be entered into: Acquisition Completion Date

Parties involved: (1) CTS (Holdings), as hotel owner
(2) the Company, as hotel manager

Services provided: hotel management services to be provided by the Company and its subsidiaries to CTS (Holdings) and its associates

Fees: hotel management fees shall be charged at a certain percentage (1.5%-2%) of total revenue of the hotel under management, a certain percentage (2%-6%) of its gross operating profit and as the case maybe, 1% of its room revenue, the aggregate of which shall be comparable to fees charged by independent third parties.

Term: from the date of signing of the agreement to 31 December 2015

The term of different hotel management services agreements underlying the Hotel Management Services Master Agreement

Due to the vast amount of resources committed by the hotel management company to manage a hotel and the desire of hotel owners to secure the provision of quality and stable hotel management services by the hotel management company, it is normal business practice for the hotel management company and hotel owners to enter into long term hotel management services agreements. The existing hotel management services agreements between CTS Hotels Management and certain subsidiaries of CTS (Holdings), excluding the Hotel Group, were entered into on 30 December 2002, 31 December 2002, 20 December 2005 and 1 July 2007 respectively. The terms of such hotel management services agreements shall expire between 31 December 2012 to 31 December 2015. The terms of all different hotel management services agreements underlying the Hotel Management Services Master Agreement shall not exceed the term of the Hotel Management Services Master Agreement, which shall expire on 31 December 2015.

Reasons for and benefits of entering into the continuing connected transactions and the relevant annual caps

The Directors consider that the continuing connected transactions will allow the Group to leverage on the Company's experience in hotel management and will benefit the ongoing operation of the Group's business and facilitate future growth.

The principles for determining the amount of hotel management fees payable under the Hotel Management Services Master Agreement have been arrived at after arm's length negotiation between CTS (Holdings) and the Company.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions (including the relevant annual caps) are entered into in the ordinary course of business, on normal commercial terms, which were arrived at after arm's length negotiations and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical figures

For the two years ended 31 December 2006 and for the eight months ended 31 August 2007, the amount of hotel management fees payable by certain subsidiaries of CTS (Holdings), excluding the Hotel Group, to CTS Hotels Management was as follows:

	For the year ended		For the
	31 December		eight months
	2005	2006	ended
	(HK\$'000)	(HK\$'000)	31 August
			2007
			(HK\$'000)
Hotel management fees	3,778	6,424	4,300

Annual caps for the continuing connected transactions

The annual caps for the hotel management fees payable by CTS (Holdings) and its associates to the Company and its subsidiaries under the Hotel Management Services Master Agreement for the three years ending 31 December 2010 are approximately HK\$9,764,000, HK\$11,326,000 and HK\$13,138,000 respectively. The annual caps are determined based on the following:

- (a) historical transaction amounts;
- (b) the Company's internal projection; and
- (c) the projected transaction amount for the year ending 31 December 2007 and a transaction growth rate of 20%, 16% and 16% in 2008, 2009 and 2010 respectively driven by the 2008 Beijing Olympics Games, the 2010 Shanghai World Expo and the anticipated growth in tourism industry and business travel in the PRC.

LETTER FROM THE BOARD

Listing Rules' implications

It is expected that the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the annual hotel management fees payable by CTS (Holdings) and its associates to the Company and its subsidiaries under the Hotel Management Services Master Agreement shall exceed 0.1% but be less than 2.5% under Rule 14A.34. As such, the continuing connected transactions are only subject to reporting and announcement requirements under the Listing Rules and do not require independent shareholders' approval. As the term of the Hotel Management Services Master Agreement is expected to exceed three years, Somerley, the independent financial adviser has been appointed to explain why a longer period for the agreement is required and to confirm that it is normal business practice for contracts of this type to be of such duration under Rule 14A.35(1) of the Listing Rules. The opinion of Somerley is included in the letter from Somerley as set out on pages 27 to 55 of this circular. During the term of the Hotel Management Services Master Agreement, the Company shall ensure continuous compliance with Rule 14A.35(2) of the Listing Rules.

GENERAL INFORMATION

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. CTS (Holdings) is a substantial shareholder of the Company, and thus a connected person of the Company. Therefore the Acquisition and the Disposal also constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Acquisition and the Disposal are subject to the approval by the Independent Shareholders at an EGM under Rule 14A.17 and Rule 14.44 of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for the purpose of approving the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

The Directors noted that the Acquisition and the Disposal shall constitute connected transactions and accordingly Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

EGM

A notice convening the EGM at Cafe du Parc, 2/F, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 7 December 2007 at 4:30 p.m. is set out on pages 56 to 57 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof or in the case of a poll, not less than 24 hours before the time appointed for taking of the poll. Completion and return of a form of proxy will not preclude you from attending and voting at the EGM if you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL

According to the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll (before or on the declaration of the result of the show of hands) is demanded by:

- (a) the Chairman;
- (b) at least three members present in person or by proxy for the time being entitled to vote at the meeting;
- (c) any member(s) present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) any member(s) present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution. The demand for a poll may be withdrawn.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Somerley, considers that the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and from Somerley which are respectively set out on page 26 and pages 27 to 55 of this circular. Additional information is also set out in the Appendices of this circular for your information.

For and on behalf of the Board
China Travel International Investment Hong Kong Limited
Xiong Weiping
Vice Chairman & General Manager



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: 00308)

21 November 2007

To the Independent Shareholders

Dear Sir or Madam,

MAJOR, DISCLOSEABLE, CONNECTED TRANSACTIONS

We refer to the circular dated 21 November 2007 of the Company (“Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders whether, in our opinion, the terms of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 6 to 25 of the Circular which contains, inter alia, information about the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder, and the letter of advice from Somerley set out on pages 27 to 55 of the Circular which contains its advice in respect of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

Having taking into account the advice of Somerley, we consider the terms of the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder, to be fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

Dr. Fong Yun Wah

Mr. Wong Man Kong, Peter

Mr. Sze, Robert Tsai To

Mr. Chan Wing Kee

Independent Non-Executive Directors

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

21 November 2007

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

MAJOR, DISCLOSEABLE, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the terms of (i) the Acquisition Agreement which involves the acquisition by the Group of the entire issued share capital or registered capital of respective members of the Hotel Group and their respective shareholders' loans owed to the Vendors (being CTS (Holdings) and two of its wholly-owned subsidiaries), and (ii) the Disposal Agreement in relation to the disposal of the entire issued ordinary share capital of Common Well; the net amount of shareholder's loan owed by Common Well to the Company and/or its associates; and the entire issued ordinary share capital of CTS Cargo by the Company to CTS Logistics, a wholly-owned subsidiary of CTS (Holdings). We also have to consider whether the durations of various existing hotel management services agreements between CTS Hotels Management (which will become a wholly-owned subsidiary of the Company upon Acquisition Completion) and certain subsidiaries of CTS (Holdings) ranging from eight to ten years which exceed three years are in line with normal business practice. Details of the Acquisition, the Disposal and the continuing connected transactions are set out in the circular dated 21 November 2007 issued by the Company (the "Circular") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. As at the Latest Practicable Date, CTS (Holdings) was interested in approximately 52.56% of the entire issued share capital of the Company and is a substantial shareholder of the Company, and thus a connected person of the Company for the purposes of the Listing Rules.

LETTER FROM SOMERLEY

Accordingly, both the Acquisition and the Disposal constitute connected transactions for the Company and are subject to the approval of the Independent Shareholders under Chapter 14 of the Listing Rules. The Company will convene the EGM at which approval of the Acquisition Agreement and the Disposal Agreement will be sought from the Independent Shareholders. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purposes of approving the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder. The Acquisition and the Disposal are inter-conditional on each other.

The Independent Board Committee, comprising all 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, has been established to advise the Independent Shareholders whether the terms of the Acquisition Agreement and the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Acquisition Agreement and the Disposal Agreement are in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regards.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions are true, accurate and complete and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have however not conducted an independent investigation into the business and affairs of the Group or the Hotel Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

I. INFORMATION ON THE GROUP

1. Business and history of the Group

The principal activities of the Group include tour operation, hotels, theme parks, passenger and freight transportation, golf club, leisure resort and infrastructure investment. During 2006, the Group actively pursued a branding strategy of being an “Expert of China Tour” as well as targeting specialty tours markets. The Company was appointed as the authorized general sales agent in Hong Kong for the 2008 Olympics Games ticketing sales. The Group was awarded the Gold prize in the Hong Kong Top Service Brand Award during 2006 and also being awarded the “Recommended Service Provider” for the 2010 World Exhibition in Shanghai. The Group launched a series of new travel products such as “Island Tour”, “Individual Travellers Tour” and “Cruise Trip” in 2006.

LETTER FROM SOMERLEY

The Group has been operating its Metropark Hotel Mongkok Hong Kong, Metropark Hotel Kowloon Hong Kong, and Metropark Hotel Wanchai Hong Kong for more than ten years and its Metropark Hotel Macau and Metropark Hotel Causeway Bay Hong Kong since 2001. In January 2006, the Company commenced operation of Zhuhai Ocean Spring Resort (“OSR”) which provides multiple facilities and services catering for different recreational and business purposes, OSR has rapidly become one of the leading resorts in Zhuhai City as well as in the Pearl River Delta region. The city government of Zhuhai is planning to zone an area of thirty square kilometres surrounding OSR to develop a satellite city especially for tourism purpose, which is expected to further facilitate OSR’s growth in the future.

In March 2006, the Group officially launched its on-line travel consolidator, “Mangocity.com”. “Mangocity.com” entered contracts with over 3,000 hotels in Asia, offers discounted air tickets for over 2,500 flight routes, and launched more than one thousand kinds of travel package products. The distribution network of “Mangocity.com” covers more than forty major cities in the PRC. “Mangocity.com” has over 1.6 million members as at 31 December 2006 and is one of the most prominent on-line travel consolidators in the PRC.

During the first half of 2007, the Group streamlined its business structure and process in order to achieve better business integration among its different business units and enhanced its competitiveness in its core travel business. The business reengineering process had firmly positioned the Group for a sustainable growth in the tourism related business.

In June 2007, OSR was awarded the “National Demonstration Base of Vocational Tourism” by the China National Tourism Association. There was continuous improvement in operational efficiency of “Mangocity.com” and had over 2 million members as at 30 June 2007.

The Group’s freight forwarding and transportation business based in Shanghai has stronghold in Yangtze River Delta region, which further enhanced its presence in Northern China and regions around the gulf of Bohai Sea. In 2006, the Group’s freight forwarding and transportation business had set up new business branches in Wuhan and Chengdu and extended its sea freight and air freight forwarding business network internationally to Korea, Dubai and Los Angeles.

In the first half of 2007, the Group’s freight forwarding and transportation business further extended its service chain out of the international freight forwarding business to offer comprehensive logistic services to customers.

LETTER FROM SOMERLEY

2. Financial information of the Group

(a) Consolidated income statement

The following table sets out the financial performance of the Group's business segments for the year ended 31 December 2006 and for the six months ended 30 June 2007:

	Freight forwarding and transportation services		Other travel related segments					Corporate and others			Consolidated
	Hotel operations		Travel and travel-related operations	Passenger transportation services	Tourist attraction operations	Hot spring resort	Golf Club operations	Power generation			
Year ended 31 December 2006 (HK\$'000)											
Segment revenue from sales to external customers:	2,917,295	423,381	2,554,308	270,345	414,703	332,203	49,993	-	17,318	6,979,546	
Segment results	95,428	73,694	89,021	39,361	136,459	(49,773)	(6,768)	12,488	(2,838)	387,072	
Share of profits and losses of:											
Jointly-controlled entities	723	-	2,815	-	-	-	-	130,539	-	134,077	
Associates	(155)	-	-	58,002	-	-	-	-	(414)	57,433	
	95,996	73,694	91,836	97,363	136,459	(49,773)	(6,768)	143,027	(3,252)	578,582	
Interest income and finance costs, net	-	-	-	-	-	-	-	-	-	(8,400)	
Profit before tax for the year	95,996	73,694	91,836	97,363	136,459	(49,773)	(6,768)	143,027	(3,252)	570,182	
Earnings before interest and taxes margin (EBIT margin)	3.3%	17.4%	3.6%	36.0%	32.9%	N/A	N/A	N/A	N/A	-	
Unaudited											
Six months ended 30 June 2007 (HK\$'000)											
Segment revenue from sales to external customers:	1,547,424	231,015	1,324,802	149,310	220,230	163,206	29,516	-	8,598	3,674,101	
Segment results	43,183	53,565	56,569	28,756	87,740	(839)	2,514	(434)	(12,693)	258,361	
Share of profits and losses of:											
Jointly - controlled entities	-	-	869	-	-	-	-	140,134	-	141,003	
Associates	-	-	-	31,250	-	-	-	-	-	31,250	
	43,183	53,565	57,438	60,006	87,740	(839)	2,514	139,700	(12,693)	430,614	
Interest income and finance costs, net	-	-	-	-	-	-	-	-	-	10,049	
Profit before tax for the period	43,183	53,565	57,438	60,006	87,740	(839)	2,514	139,700	(12,693)	440,663	
EBIT margin	2.8%	23.2%	4.3%	40.2%	39.8%	N/A	8.5%	N/A	N/A	-	

LETTER FROM SOMERLEY

For the year ended 31 December 2006, the Group achieved a growth of 23.8% in its turnover reaching HK\$6,980 million compared to HK\$5,636 million for 2005. All Group's business segments sustained growth. The tourism related business (including the business segments of hotel operations, travel and travel-related operations, passenger transportation services, tourist attraction operations, hot spring resort and golf club operations) which accounted for 58.0% of the Group's total turnover of 2006 rose by 32.3% to HK\$4,045 million compared to prior year. The newly launched businesses in 2006 including on-line travel consolidator "Mangocity.com" and OSR generated an aggregate revenue of HK\$568 million for the Group. Among all, turnover of the Group's freight forwarding and transportation services business which accounted for 41.8% of the total turnover grew by 13.5% to HK\$2,917 million when compared to 2005. The consolidated profit attributable to equity holders of the parent dropped by 38.8% to HK\$375 million for the year 2006. Such a fall was partly caused by non-recurring items, including impairment of HK\$17 million on goodwill (which arose from the Group's acquisition of subsidiaries in the past), a reduction in revaluation surplus of hotels and investment properties of HK\$38 million, and non-occurrence of the fair value gain on convertible bonds which amounted to HK\$99 million in 2005. By excluding all these non-recurring items, the Group's consolidated profit attributable to equity holders of the parent decreased by HK\$84 million, or 18.8%, from 2005, mainly due to the Group's investment in the newly-launched "Mangocity.com" and OSR which incurred heavy start-up cost and marketing expenses so as to lay solid foundation for their future growth.

For the six months ended 30 June 2007, the unaudited consolidated turnover of the Group jumped by 16.2% to HK\$3,674 million which lifted the unaudited net profit attributable to equity holders of the parent by 50.4% to HK\$317 million when compared to the corresponding period in 2006. During the first half of 2007, the Group's tourism related business (including the business segments of hotel operations, travel and travel-related operations, passenger transportation services, tourist attraction operations, hot spring resort and golf club operations), which accounted for 57.6% of total turnover recorded an increase of 15.0%. The freight forwarding and transportation services business, which accounted for 42.1% of the Group's total turnover in the first half of 2007, also experienced a 18.0% growth, resulting from its extension of service chain from only freight forwarding to offer comprehensive logistic services to customers.

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(b) *Consolidated balance sheet*

The following is a summary of the Group's financial positions as at 31 December 2006 and 30 June 2007:

	As at 31 December 2006 (audited) (HK\$'000)	As at 30 June 2007 (unaudited) (HK\$'000)
Non-current assets		
(excluding intangible assets)	9,378,418	9,546,428
Intangible assets	1,244,769	1,244,769
Current assets	<u>3,269,267</u>	<u>3,519,772</u>
Total assets	<u>13,892,454</u>	<u>14,310,969</u>
Non-current liabilities	(1,015,811)	(1,020,300)
Current liabilities	<u>(1,783,236)</u>	<u>(1,821,205)</u>
Total liabilities	<u>(2,799,047)</u>	<u>(2,841,505)</u>
Equity attributable to equity		
holders of the parent	10,649,925	11,031,787
Minority interests	<u>443,482</u>	<u>437,677</u>
Total equity	<u><u>11,093,407</u></u>	<u><u>11,469,464</u></u>

As at 31 December 2006, the Group had total assets of HK\$13,892 million, including property, plant and equipment of HK\$4,464 million (accounting for 32.1%), prepaid land lease payments of HK\$3,057 million (accounting for 22.0%), cash and cash equivalents of HK\$2,157 million (accounting for 15.5%). The major property, plant and equipment of the Company are the building portion of its hotel properties of HK\$1,827 million and premises of OSR, theme parks, golf club, warehouses and office of HK\$1,116 million.

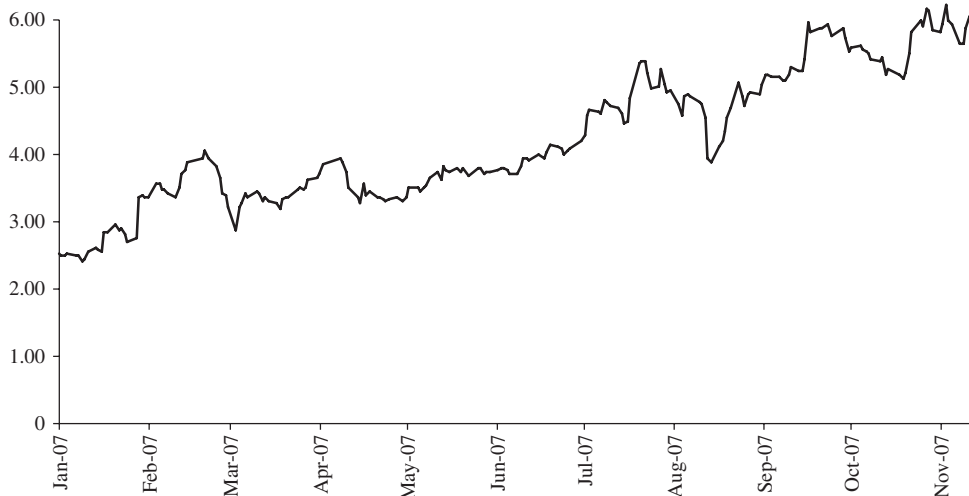
Total liabilities amounted to HK\$2,799 million including bank borrowings of HK\$680 million (accounting for 24%) under both fixed and floating rates ranging from 2.55% to 6.29% per annum and Hong Kong Interbank Offer Rate plus 0.25% to 0.28% per annum respectively.

As at 30 June 2007, the Group had total assets of HK\$14,311 million, with property, plant and equipment remained the largest balance sheet item having an amount of HK\$4,526 million. The Group's financial position as at 30 June 2007 remained comparable to 31 December 2006 by showing a growth in net assets value of 3.4%.

3. Share price and trading volume of the Shares

The chart below illustrates the movement of the closing price for the Shares during the period from 1 January 2007 up to the Latest Practicable Date:

HK\$ per Share



Source: Bloomberg

From 2 January 2007 to 22 February 2007, the Shares price rose by 61% from HK\$2.499 to HK\$4.026. During the same period, the Hang Seng China Enterprises Index (“HSCE Index”) dropped by 5.8% from 10,633.42 to 10,015.09. From 23 February 2007 to 5 March 2007, the Share price fell by 28.8% from HK\$4.026 to HK\$2.866, which is in line with the HSCE Index that slipped by 14.8%. From 6 March 2007 to 12 April 2007, the closing prices of the Shares were ranged between HK\$3.183 and HK\$3.937. The Share closed at HK\$3.719 on 12 April 2007.

Following the release of the Company’s financial results for year 2006 on 13 April 2007 which showed an approximate 38.8% decrease in consolidated profit attributable to equity holders of the parent to approximately HK\$375 million when compared to HK\$613 million in 2005, the Share price dropped by approximately 6.1% to HK\$3.491 on 13 April 2007.

During the period from 13 April 2007 to 24 July 2007, the closing price of the Shares ranged between HK\$3.263 and HK\$5.369. On 24 July 2007, the Share price closed at HK\$5.369, representing an increase of approximately 53.8%. During the same period, the HSCE Index increased by 32.7%.

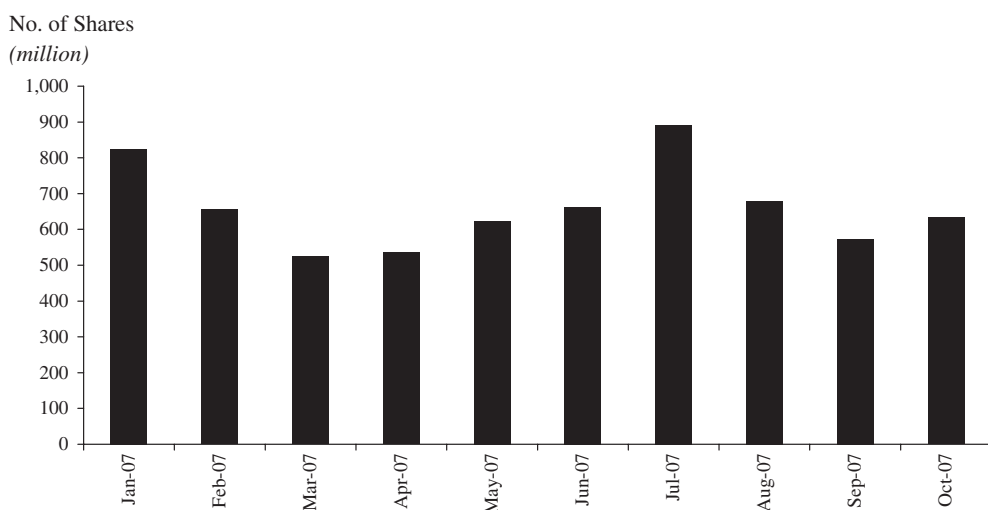
The subprime crisis in the United States spilled over into the global stock markets. The HSCE Index dropped by 18.4% from 13,480.72 on 24 July 2007 to 11,002.52 on 17 August 2007. During the same period, the closing price of the Share slumped by 27.8% from HK\$5.369 to HK\$3.878.

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In line with the recovery of stock markets generally, the HSCE Index surged by 83.3% from 11,002.52 on 17 August 2007 to 20,164.22 on 1 November 2007. The closing price of the Shares rose by 57.8% from HK\$3.878 to HK\$6.12 during the same period.

Following the release of the announcement of the Company in relation to the Acquisition and Disposal on 1 November 2007, the Share price dropped by 4.74% to HK\$5.83 on 2 November 2007 whereas the HSCE Index dropped by 3.1%. During the period from 2 November 2007 and up to the Latest Practicable Date, the Shares closed between HK\$5.63 and HK\$6.20. The Shares closed at HK\$6.01 on the Latest Practicable Date.

The chart below shows the monthly trading volume of the Shares from 1 January 2007 to 31 October 2007:



Source: Bloomberg

The Company had approximately 5,695.4 million Shares in issue as at the 31 October 2007 out of which approximately 2,701.7 million Shares are held by public Shareholders. The Shares were actively traded from January 2007 to October 2007 with an average monthly trading volume of approximately 660.3 million Shares, which is approximately 24.44% of its total public float. Such an active trading volume is in-line with the general increase in the overall turnover of the stock market.

II. THE ACQUISITION

1. Background to and reasons for the Acquisition

Besides OSR which was launched in Zhuhai in January 2006, the Group currently owns and operates five hotels in Hong Kong and Macau. It is the Group's strategy to focus on its core businesses of hotel and tourism. The Group has been exploring investment opportunities in further its investments and operation in the tourism and hotel industry in the PRC. The Board considers that the Acquisition represents an opportunity for the Group to further expand its hotel network in the PRC in order to enjoy the continuing growth in the PRC tourism industry. The Board considers that the 23 hotels currently managed by CTS Hotels Management and the established "Metropark" brand in the PRC and Hong Kong form a solid foundation for the Group to build on its hotel business. The Board also plans to consolidate its existing hotel operation with that of the Hotel Group to achieve synergy with an aim to attain cost efficiency. It is the intention of the Board to develop the "Metropark" brand and to become one of the dominant players in the hotel industry in the PRC.

The Board also views the Hotel Group to be complementary to the Group's other existing businesses, such as the travel leisure and leisure entertainment business, the passenger travel business and the online travel platform, mangocity.com. The Board expects that following the Acquisition, there will be more cross-selling among the Group's operations and the Group will conduct joint marketing efforts with an aim to generate more income for the Group.

2. Principal terms of the Acquisition Agreement

(a) Acquisition Consideration and assets acquired

Pursuant to the Acquisition Agreement, the Purchasers have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of (i) the entire issued share capital of CTS Hotels Management; (ii) the entire issued share capital of Wisepak; (iii) the entire issued share capital of Ruskin Overseas; (iv) the entire registered capital of CTS Hotel Beijing; and (v) all the respective shareholders' loans owned by the abovementioned companies to the Vendors at a consideration of HK\$1,107.26 million. The Acquisition Consideration will be settled in cash payable to the Vendors upon Acquisition Completion.

The Acquisition Consideration was determined after arm's length negotiation between the Company and CTS (Holdings) and after taking into consideration (i) the financial position, business outlook and future prospect of the Hotel Group; (ii) the prospect of the hotel industry in the PRC; (iii) the valuation of other comparable hotel operators listed on the Stock Exchange and other exchanges; (iv) the property valuation of the Three Hotels issued by RHL, an independent property valuer; and (v) the Guaranteed Profit of the Hotel Group for the year ending 31 December 2007 of not less than HK\$46,000,000.

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The Hotel Group's adjusted fair value of approximately HK\$1,120.44 million composed of the following elements:

HK\$ million

Unaudited combined equity attributable to equity holders of the parent of the Hotel Group as at 31 August 2007	(195.53)
<i>Add back:</i>	
Shareholders' loans from the Vendors to the Hotel Group as at 31 August 2007	1,086.04
Revaluation surplus in relation to the Three Hotels as at 30 September 2007	<u>229.93</u>
Adjusted fair value of the Hotel Group	1,120.44
Less: Acquisition Consideration	<u>(1,107.26)</u>
Discount to adjusted fair value of the Hotel Group	<u><u>13.18</u></u>
	(or approximately 1.2%)

(b) Profit guarantee and others terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, CTS (Holdings) will provide a guarantee on the sum of consolidated profit attributable to equity holders of the parent of respective members of the Hotel Group of not less than HK\$46,000,000 for the year ending 31 December 2007 prepared and audited in accordance with HKFRS (but excluding (i) any gain or loss as a result of the changes in fair value of investment properties; (ii) any gain or loss arising due to acquisition and disposal of assets/shares; and (iii) any tax arising as a result of (i) and (ii) as abovementioned). In the event that the Actual Profit is less than the Guaranteed Profit, CTS (Holdings) will pay (within five Business Days after the Actual Profit becomes available) to the Company an amount that equals to:

$$\frac{\text{Acquisition Consideration}}{\text{Guaranteed Profit}} \times (\text{Guaranteed Profit} - \text{Actual Profit})$$

In case the Actual Profit is negative, for the purpose of determining payment payable by CTS (Holdings) pursuant to the above, the Actual Profit will be deemed to be zero. Upon Acquisition Completion, CTS (Holdings) will grant a first right of refusal to the Company for the Company or its subsidiaries to acquire any hotel-related assets currently or in the future owned or controlled by CTS (Holdings).

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The Board was informed by CTS (Holdings) that it is the long term intention of CTS (Holdings) to use the Group as its flagship to develop CTS (Holdings)'s tourism and hotel related businesses. CTS (Holdings) has also indicated that it intends to inject the hotels currently or in the future owned or controlled by CTS (Holdings) into the Group as and when the Board deems appropriate and suitable. However, save as the Acquisition, there are no negotiations or discussions regarding any potential acquisition or asset injection between the Group and CTS (Holdings) as at the Latest Practicable Date.

(c) *Professional valuation*

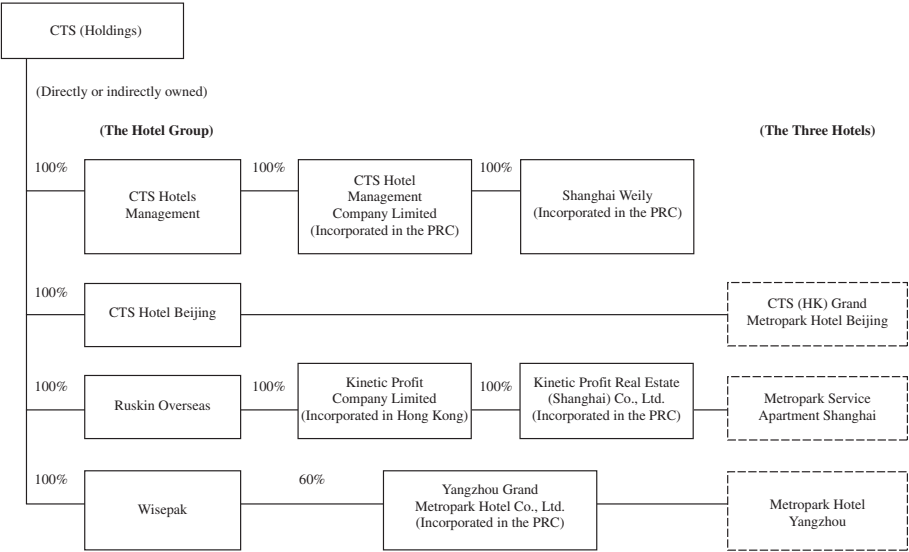
The fair value of the Three Hotels were valued by RHL as at 30 September 2007 at HK\$1,090 million. A copy of the valuation report is set out in Appendix II to the Circular.

We have discussed with RHL and reviewed the methodology, bases and key assumptions employed in the valuation. We understand that RHL has applied the direct comparison method which considers the market value of the Three Hotels by comparing prices realised on actual sales of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. Based on our discussions with RHL and review of the valuation report, we consider that the methodology applied is consistent with market practice and we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at their valuation.

3. Information on the Hotel Group

(a) Business and financial performance of the Hotel Group

The Hotel Group consists of: (i) CTS Hotels Management; and (ii) three investment holding companies holding 100% equity interest in two hotels in Beijing and Shanghai and 60% equity interest in a hotel in Yangzhou. The current corporate structure of the Hotel Group is set out in the chart below.



CTS Hotels Management is a hotel management company which engaged in management and daily operations of 23 hotels and serviced apartments in Hong Kong, Macau and other major cities in the PRC such as Beijing, Shanghai, Shenzhen, Suzhou, Hangzhou and Yangzhou. Out of the 23 hotels and serviced apartments managed by CTS Hotels Management, five hotels are wholly-owned by the Company, nine hotels are wholly-owned or controlled by CTS (Holdings) and the remaining nine hotels are owned by independent third parties. Hotels managed by CTS Hotels Management are mainly four-star or five-star graded hotels under the “Metropark” brand.

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The unaudited financial information of each of CTS Hotels Management, CTS Hotel Beijing, Ruskin Overseas and Wisepak for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follow:

(i) CTS Hotels Management

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	7,889	13,645	13,282
Profit for the year/period	7,024	12,279	11,238
	As at 31 December		As at
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net assets	28,047	40,528	19,357

For the year ended 31 December 2006, the profit of CTS Hotels Management increased by 74.8% to HK\$12.3 million compared to HK\$7.0 million in 2005. Such a growth was mainly contributed by the management services provided to another two hotels in Macau and Hong Kong and one luxurious five-star hotel in Nanjing, Jiangsu Province in 2006.

For the eight months ended 31 August 2007, CTS Hotels Management recorded a profit of HK\$11.2 million. During the period, the improvement in businesses of the hotels under management and the contribution of hotel management fees from the two hotels signed in September 2006 helped to lift the profit.

As at 31 December 2006, CTS Hotels Management had a net assets value of approximately HK\$40.5 million, represented an increase of approximately 44.5% compared to HK\$28.0 million of last year. The assets mainly consist of account receivables and amount due from group companies of approximately HK\$42 million (amounting to 88% of its total assets) which mainly were the hotel management fees charged for the services it rendered.

The net assets value of CTS Hotels Management as at 31 August 2007 was HK\$19.4 million, which represented a decrease of approximately 52.2% compared to HK\$40.5 million as at 31 December 2006. Such a significant drop was due to the distribution of interim dividend of HK\$33.7 million during the period.

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- (ii) CTS Hotel Beijing (holding company of CTS (HK) Grand Metropark Hotel Beijing)

	For the year ended 31 December 2005 (HK\$'000)	For the year ended 31 December 2006 (HK\$'000)	For the eight months ended 31 August 2007 (HK\$'000)
Profit/(loss) for the year/period	(2,647)	(300)	11,046

	As at 31 December 2005 (HK\$'000)	As at 31 December 2006 (HK\$'000)	As at 31 August 2007 (HK\$'000)
Net liabilities (including shareholders' loans)	(149,745)	(165,875)	(160,801)
Shareholders' loans	752,144	764,162	738,294
Net assets (excluding shareholders' loans)	602,399	598,287	577,493

CTS (HK) Grand Metropark Hotel Beijing is a hotel of five-star equivalent standard with 13-storeys and has a gross floor area of approximately 69,000 square metres with 215 guest rooms, four restaurants, a grand ballroom together with three luxurious function rooms, office units, food and beverage outlets, recreational and entertainment facilities. Two floors of office with a gross floor area of approximately 5,200 square metres were sold to an associate of CTS (Holdings) and a subsidiary of the Company will not be included in the Acquisition. CTS (HK) Grand Metropark Hotel Beijing is located in the heart of the Xuan Wu District, Beijing and is situated close to the city centre with convenient transportation to many tourist attractions in Beijing and the Beijing Capital International Airport. We are advised by the Board that majority of CTS (HK) Grand Metropark Hotel Beijing's guests are business travellers and international tourists.

For the year ended 31 December 2006, the net losses of CTS Hotel Beijing decreased by 88.7% to HK\$0.3 million compared to HK\$2.6 million in 2005. The net losses for the years 2006 and 2005 were partially attributable to the reconstruction and renovation of CTS (HK) Grand Metropark Hotel Beijing in the fourth quarter in 2005 and the first quarter in 2006. The revenue per available room increased during 2006.

For the eight months ended 31 August 2007, the net profits of CTS Hotel Beijing was HK\$11.0 million. The turn-around for the first eight months of 2007 was mainly due to the increase in revenue per available room.

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As at 31 December 2006, after excluding the shareholders' loans of approximately HK\$764.2 million, CTS Hotel Beijing had a net assets value of approximately HK\$598.3 million. Its core asset is CTS (HK) Grand Metropark Hotel Beijing which had a net book value of approximately HK\$526 million as at 31 December 2006 and a fair value of HK\$690 million as at 30 September 2007.

(iii) Ruskin Overseas (holding company of Metropark Serviced Apartment Shanghai)

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	28,192	12,304	7,988
Profit for the year/period	26,668	9,235	7,988
	As at 31 December		As at
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net liabilities (including shareholder's loan)	(88,489)	(79,177)	(63,968)
Shareholder's loan	302,245	287,836	290,520
Net assets (excluding shareholder's loan)	213,756	208,659	226,552

Metropark Serviced Apartment Shanghai is a 28-storey serviced apartment and has a gross floor area of approximately 25,000 square metres with 196 guest rooms, food and beverage outlets, indoor swimming pool, outdoor lighting tennis court, gymnasium and massaging room and other recreational facilities. Metropark Service Apartment Shanghai is stationed close to a Shanghai Metro station and within the range of high-class residential area in Changning District.

For the year ended 31 December 2006, Ruskin Overseas had net profits of HK\$9.2 million compared to HK\$26.7 million in 2005. The drop in 2006's profit was mainly due to the non-occurrence of a revaluation gain on properties of approximately HK\$12.7 million in 2005 and the increase in staff cost in 2006.

For the eight months ended 31 August 2007, no deferred tax expense has been recognised and Ruskin Overseas recorded net profits of HK\$8.0 million.

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As at 31 December 2006, after excluding of the shareholder's loan of approximately HK\$287.8 million, Ruskin Overseas had a net assets value of approximately HK\$208.7 million. Its principal asset is Metropark Serviced Apartment Shanghai which has a net book value of approximately HK\$227 million as at 31 December 2006 and a fair value of HK\$260 million as at 30 September 2007.

- (iv) Wisepak (holding company of 60% equity interest of Metropark Hotel Yangzhou)

	For the year ended 31 December 2005 (HK\$'000)	For the year ended 31 December 2006 (HK\$'000)	For the eight months ended 31 August 2007 (HK\$'000)
Profit before tax	7,144	9,584	6,832
Profit attributable to equity holders of the parent for the year/period	5,129	6,623	4,129
	As at 31 December 2005 (HK\$'000)	As at 31 December 2006 (HK\$'000)	As at 31 August 2007 (HK\$'000)
Equity attributable to equity holders of the parent (including shareholder's loan)	(11,170)	2,048	9,885
Shareholder's loan	61,905	58,531	57,224
Equity attributable to equity holders of the parent (excluding shareholder's loan)	50,735	60,579	67,109

Metropark Hotel Yangzhou is a four-star hotel with 17-storeys and has a gross floor area of approximately 23,000 square metres. It comprises, among others, 242 guest rooms, business centre, food and beverage outlets, recreational and entertainment facilities. Metropark Hotel Yangzhou is located on Wenchang West Road in the city's business centre by the Slender West Lake.

Wisepak achieved a 29.1% growth in profit attributable to equity holders of the parent in 2006 compared to 2005, which was mainly attributable to an increase in revenue per available room.

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For the eight months ended 31 August 2007, the financial performance of Wisepak was comparable to that of the last year.

As at 31 December 2006, after excluding the shareholder's loan of approximately HK\$58.5 million, Wisepak had equity attributable to equity holders of the parent of approximately HK\$60.6 million. Its principal asset is Metropark Hotel Yangzhou which had a net book value of approximately HK\$85 million as at 31 December 2006 and a fair value of HK\$140 million as at 30 September 2007.

(b) Outlook of the tourism industry in the PRC

According to the China National Tourism Administration, total inbound tourist arrivals reached 125 million in 2006, representing a growth of 3.9% from 2005. Domestic tourist arrivals jumped by 15% to 1,394 million in 2006 compared to 2005. The total international tourism receipts also experienced a 15.9% growth achieving US\$33.9 billion in 2006:

Rankings of international tourism receipts						
Rank	Country	Percentage of market		Percentage of market		% increase in receipts
		2005 <i>US\$ billion</i>	share	2006 <i>US\$ billion</i>	share	
1	The United States	81.8	12.1	85.7	11.7	4.8
2	Spain	48.0	7.1	51.1	7.0	6.6
3	France	42.3	6.3	42.9	5.9	1.5
4	Italy	35.4	5.2	38.1	5.2	7.7
5	The PRC	29.3	4.3	33.9	4.6	15.9
World		676.0		733.0		8.4

Source: World Tourism Organisation

According to the World Tourism Organisation, the market share of the PRC's total international arrivals increased from 4.3% in 2005 to 4.6% in 2006, ranked number five among all other countries around the world. It is estimated by the China National Tourism Association that by 2020, PRC will be the world's No. 1 tourism destination.

GDP and GDP per capita of PRC from 2002 to 2006						
	2002	2003	2004	2005	2006	CAGR
GDP (current						
US\$ trillion)	1.5	1.6	1.9	2.2	2.7	15.8%
GDP per capita (US\$)	1,136	1,274	1,490	1,713	2,034	15.7%

Source: World Bank

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According to the World Bank, the gross domestic product (“GDP”) and GDP per capita of PRC grew from US\$1.5 trillion and US\$1,136 in 2002 to US\$2.7 trillion and US\$2,034 in 2006, representing a compound annual growth rate (“CAGR”) of 15.8% and 15.7% per annum, respectively. Such favourable macro-economic environment is beneficial to the growth of the PRC leisure and business travel.

Visitor arrivals to the PRC for the period from 2004 to 2006

	Number of visitors		
	2004	2005	2006
	<i>million</i>	<i>million</i>	<i>million</i>
Number of visitor	109.0	120.3	124.9

Source: China National Tourism Administration

As shown in the website of China National Tourism Administration, the annual number of visitor arrivals in the PRC has increased from about 109 million in 2004 to about 125 million in 2006. The number of visitors travelling to the PRC is on a growing trend as illustrated.

As the number of international airline flights to the PRC is increasing and the massive improvements in infrastructure, together with the development of new hotels and other tourist attractions, the number of business and leisure travellers to the PRC is rising. These improvements in turn have enhanced the PRC’s status in international trade and business and increased global awareness of its cultural heritage. As at 31 December 2006, 35 cultural, natural and other locations in the PRC were considered to have outstanding universal value by the United Nations Educational, Scientific and Cultural Organisation and were listed among 816 other locations on the World Heritage List.

The booming economy in the PRC has led to an increase in business travel, and most of them were headed to Beijing and Shanghai. With the 2008 Beijing Olympics and 2010 Shanghai World Expo on the way, business travel to these two cities is expected to increase. In recent years, many multinational corporations have moved their regional headquarters in Asia to Beijing or Shanghai, which further enhances the volume of international business travellers to these regions.

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4. Market Comparables

For the purpose of assessing the Acquisition Consideration, we have reviewed and compared the market statistics of all other listed companies which are principally engaged in hotel business in the PRC (the “Comparable Companies”).

The following table sets out the comparison of the Acquisition Consideration in terms of price to earnings ratio (“PER”) and price to book ratio (“PBR”) to those of the Comparable Companies:

Comparable companies	Stock Exchange	Market Capitalisation (HK\$ million) (Note 1)	PER (Note 2)	PBR (Note 2)
Shanghai Jin Jiang International Hotels (Group) Co. Ltd. (stock code: 2006.HK)	Hong Kong	14,982	25.15	2.21
Hunan Huatian Great Hotel Co., Ltd. (stock code: 000428.CH)	Shenzhen	5,005	22.63	7.54
Jinling Hotel Corporation, Ltd. (stock code: 601007.CH)	Shanghai	3,267	54.45	3.88
Guangzhou Dongfang Hotel Co., Ltd. (stock code: 000524.CH)	Shenzhen	2,222	72.28	4.0
Shenzhen Century Plaza Hotel Co., Ltd. (stock code: 000033.CH)	Shenzhen	2,009	N/A (Note 3)	6.49
Average			43.63	4.82
Hotel Group		1,107	24.07	0.99

Source: Bloomberg

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Notes:

1. Market capitalisation of the respective companies as at the Latest Practicable Date quoted by Bloomberg.
2. Calculated based on the closing share prices of the companies as at the Latest Practicable Date quoted by Bloomberg and the latest published financial information of the companies.

The PE ratio of the Hotel Group is calculated by using the Acquisition Consideration of HK\$1,107.26 million and the Guaranteed Profit of HK\$46 million for the year ending 31 December 2007.

The PE ratio for the other Comparable Companies are based on their closing share price as at the Latest Practicable Date quoted by Bloomberg and the annualised profits attributable to shareholders for the year ending 31 December 2007 based on the six months results for the period ended 30 June 2007.

3. Shenzhen Century Plaza Hotel Co., Ltd. has recorded a net loss for the year ended 31 December 2006 and PER therefore not applicable.

PER

As shown in the above table, the Comparable Companies are trading at PER in the range of 22.63 to 72.28 times. The PER represented by the Acquisition Consideration of about 24.07 times lies at the lower end amongst the Comparable Companies and is lower than the average PER of the Comparable Companies of 43.63 times.

PBR

As shown in the above table, the Comparable Companies are trading at PBR in the range of 2.21 to 7.54 times. The PBR of 0.99 represented by the Acquisition Consideration is the lowest amongst the Comparable Companies and lower than the average PBR of the Comparable Companies of 4.82 times.

5. Financial effects of the Acquisition on the Group

(a) Earnings and cash flow

Upon the Acquisition Completion, the Group shall, on a consolidated basis, be entitled to account for 100% of the results of the Hotel Group. Having considered the growing income of the Hotel Group, the Acquisition is expected to have a positive effect on the revenue of the Group.

The aggregate profit attributable to the Group from CTS Cargo Group and Common Well for the year ended 31 December 2006 was HK\$63.8 million and the unaudited profit for eight months ended 31 August 2007 was HK\$42.4 million, equivalent to approximately HK\$63.6 million on an annualised basis. On the other hand, the Guaranteed Profit of the Hotel Group for 2007 is HK\$46 million. On this basis, the sale of CTS Cargo Group and Common Well and the acquisition of the Hotel Group would result in an initial decrease in the Group's earnings. However, bearing in mind the benefits of a clearer focus for the Group in the hotel and tourism sector, the growth prospects for this sector in the PRC and the higher rating it is accorded by the stock market, we consider any initial reduction in earnings is not a material adverse factor.

(b) Effect on net assets

The Acquisition Consideration is at a 1.2% discount to the adjusted fair value of the Hotel Group as at 31 August 2007. The Board expects that the Group would recognise a gain of approximately HK\$13.18 million on the Acquisition upon Acquisition Completion. There will be no material effect on the net assets position of the Group.

III. CONTINUING CONNECTED TRANSACTIONS

1. Background of the Hotel Management Services Master Agreement

CTS Hotels Management currently provides hotel management services to certain subsidiaries of CTS (Holdings). The terms of the existing hotel management services agreements between CTS Hotels Management and certain subsidiaries of CTS (Holdings), excluding the Hotel Group, shall expire between 31 December 2012 to 31 December 2015. Upon Acquisition Completion, CTS Hotels Management shall become a wholly-owned subsidiary of the Company and the continuous provision of hotel management services to CTS (Holdings) and its associates shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In the circumstances, the Company and CTS (Holdings) shall enter into the Hotel Management Services Master Agreement to govern the continuing connected transactions upon Acquisition Completion. It is expected that the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the annual hotel management fees payable by CTS (Holdings) and its associates to the Company and its subsidiaries under the Hotel Management Services Master Agreement shall exceed 0.1% but be less than 2.5% under Rule 14A.34. As such, the continuing connected transactions are only subject to reporting and announcement requirements under the Listing Rules and do not require independent shareholders' approval. However, as the duration for the existing hotel management services agreements exceed the three-year term set out in Rule 14A.35(1) of the Listing Rules, We, as the independent financial adviser, have to explain why longer than three years periods are required for the hotel management services agreements and to confirm whether it is normal business practice for contracts of similar nature to the hotel management services agreements to be of such durations.

2. Duration of the Hotel Management Services Agreement

We have discussed with the management of the Company the rationale for entering into the respective hotel management services agreements with terms exceeding three years.

We are advised by the Directors that it takes several years for the hotel management company to achieve its specified standard after taking over the operation of a hotel. For a new hotel, this accounts for the normal build up period, and for an existing hotel, it enables the hotel management company to implement new systems and procedures. In addition, significant marketing effort would be needed on both the hotel owners and the hotel management company when a new hotel brand is to be launched. Therefore it is normal market practice for the hotel management company to enter into long term hotel management services agreements so as to capture the monetary benefits brought by the time and resources committed to hotel operation.

We have reviewed similar hotel management contracts between CTS Hotels Management and other independent third parties and noted that they have comparable terms. We also noted from published information in relation to contractual arrangements regarding provision of similar hotel management services, durations of eight years or more are common.

In light of the above, we are of the opinion that the durations of the existing hotel management services agreements between CTS Hotels Management and certain subsidiaries of CTS (Holdings) are in line with normal business practice for contracts of similar nature.

IV. THE DISPOSAL

1. Information on the Disposed Group

The CTS Cargo Group is primarily engaged in freight forwarding business and cargo services in Hong Kong and the PRC. Common Well is an investment holding company whose principal asset is a parcel of land situated in Fanling, New Territories, Hong Kong, which comprises of a site area of 113,888 square feet and is currently leased to CTS Cargo as a car parking lot.

LETTER FROM SOMERLEY

(a) *Financial information on the CTS Cargo Group*

The unaudited consolidated financial information of the CTS Cargo Group for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follow:

	For the year ended 31 December 2005 (HK\$'000)	For the year ended 31 December 2006 (HK\$'000)	For the eight months ended 31 August 2007 (HK\$'000)
Profit before tax	79,811	93,673	62,936
Profit attributable to equity holders of the parent for the year/period	52,066	63,069	41,871
	As at 31 December 2005 (HK\$'000)	As at 31 December 2006 (HK\$'000)	As at 31 August 2007 (HK\$'000)
Net assets	334,911	414,143	472,471
Equity attributable to equity holders of the parent	284,846	354,185	403,734

The CTS Cargo Group generated a profit before tax of HK\$94 million in 2006, representing an increase of approximately 17.4% when compared to HK\$80 million in 2005. The increase in net profit was mainly attributable to the expansion of freight forwarding network which led to significant increase in volume in sea-freight and air-freight operation. The business operation of the CTS Cargo Group for the eight months ended 31 August 2007 remains comparable to 2006.

As at 31 December 2006, CTS Cargo Group had net assets of HK\$414 million, represented an increase of 23.7% compared to HK\$335 million of last year. The assets mainly consist of trade receivables of HK\$441 million, land and building of HK\$95 million and cash and cash equivalent of HK\$163 million. The increase in net assets mainly represents the increase in trade receivables of 13% from HK\$390 million in 2005 resulting from the increase in business volume of CTS Cargo Group and the increase in fair value of investment properties by HK\$4.6 million. The increase in net assets as at 31 August 2007 was mainly attributable to the profit contributed from the business operation during the first eight months of 2007.

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(b) Financial information on Common Well

The unaudited financial information of Common Well for the two years ended 31 December 2006 and for the eight months ended 31 August 2007 prepared in accordance with HKFRS is as follow:

	For the year ended 31 December		For the eight months ended
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before tax	7,208	797	561
Profit for the year/period	7,030	695	561
	As at 31 December		As at
	2005	2006	31 August 2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net Assets	8,874	9,569	10,130

Profit of Common Well mainly represents rental income received from CTS Cargo in respect of the leasing the parcel of land in Fanling. In 2005, there was a property revaluation gain of approximately HK\$6.4 million on the parcel of land in Fanling which did not occur in 2006.

As at 31 December 2006, Common Well had a net assets value of approximately HK\$10 million mainly consists of its land in Fanling, the New Territories and is currently leased to CTS Cargo operating it as a car parking lot. As at 30 September 2007, the parcel of land had a fair value of approximately HK\$22.8 million.

(c) Challenges of CTS Cargo

According to the Federation of Logistic and Purchasing, PRC has a total logistic expenditure of RMB3,840 billion in 2006, representing an increase of 13.5% compared to 2005 and also accounted for 18.3% of PRC's GDP for 2006. It is expected that the PRC total logistic expenditure would increase to RMB 4,230 billion for 2007. With the foreseeable demand in logistic service for the Beijing Olympic Game, it is expected that there will be a further boost in logistic expenditure in 2008.

However, the logistic industry in PRC faces keen competition. There are more than 18,000 companies providing logistic service in the PRC and none of them attains more than 2% of the market share. It is expected that the penetration of well-known overseas logistic companies into the PRC market after the entry of PRC to the World Trade Organization will intensify the future competition in the logistic industry of PRC and constitute a challenge to the future growth of CTS Cargo.

2. Reasons for the Disposal

It is the intention of the Group to focus on the tourism and hotel related businesses, the Board is of the opinion that the Disposal represents an opportunity to realise its investments in the logistics and cargo business which have a net profit margins of about 2-3% and to deploy more resources to strengthen the Group's presence in the PRC tourism related businesses which is expected to have higher profit margins.

3. Basis of the Disposal Consideration and valuation

(a) Basis of valuation of Common Well

Valuation methodology

In determining the fair value of the parcel of land in Fanling which is the major asset owned by Common Well, we are advised by RHL that the direct comparison method is adopted where comparison based on prices information of comparable properties is made.

We concur with RHL that the direct comparison method is a normal market approach in valuing the parcel of land in Fanling since (i) it compares comparable properties of similar size, character and location; and (ii) also take into account all the respective advantages and disadvantages of each property in arriving a fair comparison of market value.

(b) Disposal Consideration

The Disposal Consideration was determined after arm's length negotiation between the Company and CTS (Holdings) and after taking into consideration the financial position, business outlook and future prospect of the CTS Cargo Group and Common Well, and the valuation of other comparable freight forwarding and logistics companies listed on the Stock Exchange and other exchanges. The Disposal Consideration will be settled in cash payable by CTS Logistics upon Disposal Completion. Set out below are the trading figures of comparable companies engaging in similar businesses as that of CTS Cargo:

LETTER FROM SOMERLEY

Comparable companies	Stock Exchange	Market Capitalization (HK\$ million) (Note 1)	PER (Note 2)	PBR (Note 2)
Sinotrans Limited (stock code: 598.HK)	Hong Kong	18,653	29.27	2.48
BALtrans Holdings Limited (stock code: 562.HK)	Hong Kong	1,497	12.91	2.50
Average			21.09	2.49
The CTS Cargo Group and Common Well			13.39	2.06

Source: Bloomberg

Note:

1. Market capitalisation of the respective companies as at the Latest Practicable Date.
2. For comparable companies, calculations were based on the closing share price of the companies as at the Latest Practicable Date and the latest published financial information of the companies.

For CTS Cargo Group and Common Well, calculations were based on the Disposal Consideration of HK\$853.6 million and the latest unaudited financial information of CTS Cargo Group and Common Well.

As indicated in the above table, the comparable companies have PER of 12.91 and 29.27 times and PBR of 2.48 and 2.50 times. The PER and the PBR of CTS Cargo Group and Common Well represented by the Disposal Consideration of approximately 13.39 times and 2.06 times respectively are lower than the average of those comparable companies. As CTS Cargo Group and Common Well are private company, whose shares are not freely transferable on the market, as such a discount on liquidity was noted on CTS Cargo's PER and PBR.

4. Financial effects of the Disposal on the Group*Earnings and cashflow*

CTS Cargo and Common Well are wholly-owned subsidiaries of the Group and their accounts are consolidated into the book of the Company. Upon Disposal Completion, the Group will no longer hold any interest in CTS Cargo Group and Common Well or share any future earnings or cash flow of CTS Cargo Group and Common Well.

Gain on disposal and effect on net assets

The Group is expected to realise a book gain of approximately HK\$434.5 million, being the difference between (i) Disposal Consideration of HK\$853.6 million; and (ii) the sum of the unaudited consolidated equity attributable to equity holders of CTS Cargo Group of approximately HK\$403.7 million and the unaudited net assets of Common Well on the group level of HK\$15.4 million as at 31 August 2007 but without taking into account any foreign exchange gain, expenses and taxations that may arise as a result of the Disposal. The management of the Group expects the above gain on the Disposal, which is non-recurring in nature will be reflected in a similar increase in net assets. Apart from that, there will be no material effect on the net assets position of the Group in regarding the Disposal. Taking into account the net gain on the Disposal which would enlarge the net assets of the Group and the fact that the liabilities of CTS Cargo Group and Common Well would no longer be consolidated into the books of the Company upon Completion, the Board expects that the Disposal could improve the gearing position of the Group.

DISCUSSION AND ANALYSIS

The freight forwarding and transportation services has been one of the Group's principal businesses and contributed over 40% of the Group's total revenue in 2006. The EBIT margin of the freight forwarding and transportation services is relatively low of only about 2-3%. The Group has been involved in the hotel business over ten years. The EBIT margin of the hotel operations has improved from 17% for the year ended 31 December 2006 to 23% for the first half of 2007. In January 2006, the Group stepped into the PRC hotel markets by launching OSR in Zhuhai, which is now proven to be a major tourist destination as discussed under the paragraph headed "Business and history of the Group" above. For the year 2006 and the six months period 2007, the hotel operations generated about 6.1% and 6.3% the Group's total revenue in the corresponding period respectively.

Having considered the pace of economic development, the extensive investments in manufacturing and international business activities being undertaken in the PRC, as well as the forthcoming 2008 Beijing Olympics and 2010 Shanghai World Expo, we concur with the Directors' views that the medium to long-term outlook for hotel business in prime areas such as Beijing and Shanghai remain positive.

LETTER FROM SOMERLEY

It is the long term intention of CTS (Holdings) to use the Group as its flagship to develop CTS (Holdings)'s tourism and hotel related businesses. The Board expects that by consolidating its existing hotel operation with that of the Hotel Group, synergy would be achieved and cost efficiency attained. The Board also views the Hotel Group to be complementary to the Group's other existing businesses, such as the travel leisure and leisure entertainment business, the passenger travel business and the online travel platform, mangocity.com which facilitates cross-selling among the Group's operations.

By disposing the low EBIT margin freight forwarding business, the Group could focus on its core tourism and hotel related businesses and could deploy more resources to strengthen its presence in the PRC tourism related business which is expected to have a higher profit margin. Based on the sum of the unaudited consolidated equity attributable to equity holders of CTS Cargo and the unaudited net assets of Common Well on the group level as at 31 August 2007, the Group is estimated to recognise a gain on Disposal (before taxation) on Disposal Completion of approximately HK\$434.5 million.

The Acquisition Consideration of HK\$1,107.26 million represents a discount of 1.2% to the unaudited net assets value of the Hotel Group adjusted for the respective shareholders' loans made by, and amount due to, the Vendors as at 31 August 2007 and the property valuation as at 30 September 2007. We consider the adjusted fair value of the Hotel Group an appropriate basis on which the Acquisition Consideration should be evaluated. We consider that the Acquisition Consideration, at a discount to the Hotel Group's adjusted fair value, is favourable to the Company.

CTS Hotels Management manages a number of hotels owned by CTS (Holdings). Long term commitment needs to be contributed by each of the hotel owner and the hotel manager to successfully operate a quality hotel as it usually involves significant marketing costs, renovation costs and upfront expenses to create a coherent style for the hotel with the manager's brand. Competition among hotel managers and the long lead time to profitability of a management contract also result in management agreements being of a long term nature. Based on our research from published information, it is normal practice of hotel management contracts to be of duration of between eight to twenty-five years.

Having considered the above principal factors and reasons, we consider that it is normal business practice for the Company to secure the hotel management services for their respective periods. We also consider that it is in the interests of the Company and the Shareholders as a whole for CTS Hotels Management to enter into long term hotel management services agreements with CTS (Holdings).

LETTER FROM SOMERLEY

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Acquisition Agreement and the Disposal Agreement are on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We further consider that the terms of the Acquisition and the Disposal are fair and reasonable to the Independent Shareholders and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
Somerley Limited
M. N. Sabine
Chairman

1. INDEBTEDNESS**Borrowings**

As at the close of business on 30 September 2007, the Group had outstanding borrowings of approximately HK\$700.85 million, comprising secured bank borrowings of approximately HK\$30.28 million and unsecured bank and other borrowings of approximately HK\$670.57 million.

Security

As at close of business on 30 September 2007, (i) certain of the Group's leasehold land and buildings which had an aggregate carrying value of approximately HK\$68.22 million; and (ii) time deposits of approximately HK\$11.02 million were pledged in favour of certain banks to secure the banking facilities and borrowings granted to the Group.

Contingent liabilities and guarantees

As at the close of business on 30 September 2007, the Group had the following contingent liabilities:

- (a) Bank guarantees given in lieu of utility and rental deposits of approximately HK\$4 million; and
- (b) Performance bond given to a customer for due performance of a sales contract amounting to HK\$0.3 million

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 30 September 2007, the Group did not have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, mortgages, charges, debentures, obligations under hire purchase contracts or finance leases or guarantees or other material contingent liabilities.

2. FINANCIAL AND TRADING PROSPECTS

During the first half of 2007, the Group's operation sustained healthy growth. For the six months ended 30 June 2007, the unaudited consolidated revenue of the Group was HK\$3,674 million, representing an increase of 16.2% from the same period last year, and the unaudited consolidated profit attributable to equity holders of the Company was HK\$317 million, representing an increase of 50.4% from the same period last year. As at 30 June 2007, the consolidated equity attributable to equity holders of the Company was HK\$11,032 million, representing an increase of 3.6% from the end of last year. The Group's financial position remains strong. As at 30 June 2007, the cash and cash equivalents of the Group amounted to HK\$2,186 million whereas the interest bearing bank borrowings amounted to HK\$696 million. The Group was in a net cash position of HK\$1,490 million.

The Group has been exploring investment opportunities to further its investments and operation in the tourism and hotel industry in the PRC. As a result of the Acquisition Completion, the Group will expand its hotel network in the PRC and expand into hotel management services. The Group expects the Acquisition would benefit from the robust economic developments and expected growth in tourism and business travel in the PRC. The Group will continue to focus on the tourism and hotel related businesses and will endeavour to assess possibility to expand its core business.

3. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the Group's financial or trading position since 31 December 2006, the date to which the latest published audited consolidated accounts of the Group were made up.

4. WORKING CAPITAL

After due and careful enquiry, the Directors are of the opinion that after taking into account the present internal financial resources of the Group and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular issued by RHL Appraisal Ltd., an independent property valuer, in connection with its valuation of the Properties to be acquired by the Company as at 30 September 2007.

21 November 2007

The Directors

China Travel International Investment Hong Kong Limited

12th Floor,
CTS House,
78-83 Connaught Road Central,
Hong Kong

Dear Sirs,

Re: VALUATION OF VARIOUS PROPERTY SITUATED IN THE PEOPLE’S REPUBLIC OF CHINA (“THE PRC”)

INSTRUCTION

In accordance with your instructions for us to value the properties in the PRC (hereinafter referred to as “the Properties”) in which **China Travel International Investment Hong Kong Limited** (hereinafter referred to as “the Company”) propose to acquire from the subsidiaries of China Travel Service (Holdings) Hong Kong Limited, we confirm that we have carried out site inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the market values of the Properties as at 30 September 2007 (hereinafter referred to as the “Date of Valuation”).

This letter, which forms part of our valuation report, explains the basis and methodology of valuation, clarifying assumption, valuation considerations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuations of the properties represent their market values which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s – length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

VALUATION METHODOLOGY

In our valuation, the direct comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

VALUATION CONSIDERATIONS

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institute of Chartered Surveyors and effective from May 2003; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner(s) sell the Properties in the open market in their existing states without any benefit of deferred terms contracts, leaseback, joint-ventures, management agreements or any similar arrangements which would serve to affect the value of the Properties.

We have assumed that the owner(s) have free and uninterrupted rights to use the Properties for the whole of the unexpired terms of the Land Use Rights Contracts without payment of any substantial sum of taxes or expenses. We have valued the Properties on an open market basis assuming sale with vacant possession.

Other special assumptions of the Properties, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

TITLE INVESTIGATION

We have been, in some instances, provided with extracts of title documents relating to the Properties in the PRC. For those Properties situated in the PRC, where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrances that might be attached to the Properties or any lease amendments. We have also relied on the legal opinion prepared by the PRC legal adviser, King & Wood (金杜律師事務所) on the subsidiaries of China Travel Service (Holdings) Hong Kong Limited's title to those Properties, who have confirmed that the title documents including the State-owned land Use Rights Certificates, Building Ownership Certificates and Certificates of Real Estate Ownership relating to the property interests situated in the PRC are all valid; and provide the legal opinion on the relevant laws and regulations in the PRC and the vendor's land use rights to the property interests and the capability of transfer of the property interests as at the date of valuation.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and the China Travel Service (Holdings) Hong Kong Limited and have accepted advice given to us on such matters, in particular, but not limited to, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site areas, floor areas and all other relevant matters in the identification of the Properties in which the owner has a valid interest.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Properties but have assumed that the site areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the China Travel Service (Holdings) Hong Kong Limited. We have also been advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

REMARKS

All monetary sums stated in this report are in Hong Kong Dollars (“HK\$”). Wherever applicable, the conversion of Hong Kong Dollars (“HK\$”) into Renminbi (“RMB”) is based on the factor of HK\$1 to RMB0.9671 with reference to the prevailing exchange rate on the Date of Valuation.

Our summary of values and valuation certificates are attached herewith.

Yours faithfully,
for and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FHKIS AAPI RPS(GP)
Managing Director

Shirley Yeung
BSc MHKIS MRICS
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years’ experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Shirley Y. F. Yeung, a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors, has over 8 years’ experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific region.

SUMMARY OF VALUE

PROPERTIES TO BE ACQUIRED BY THE COMPANY IN THE PRC

Properties	Market Value in an existing state as at 30 September 2007 HK\$
1. Basements 1-3, Levels 1-9, Levels 11-12, and 16 Beijing CTS(HK) Grand Metropark Hotel, No. 338 Guanganman Nei Street, Xuanwu District, Beijing, The PRC	690,000,000
2. The whole of Shanghai Metropole Service Apartment, No. 48, Lane 610, Yanan West Road, (also known as No. 103 Dong Zhu An Bang Road) Changning District, Shanghai, The PRC	260,000,000
3. The whole of Yangzhou Grand Metropole Hotel, No. 1 Wenchang West Road (also known as No. 559 Manchang Middle Road), and Yangzhou City, Jiangsu Province, The PRC	140,000,000
4. Unit nos. 301, 302, 401 and 402 of Block 108 Hongtai Building of Hongkok Garden, Weiyang District, Yangzhou City, Jiangsu Province, The PRC	No commercial value
Grand-Total:	<div>1,090,000,000</div>

VALUATION CERTIFICATE

			Market Value in existing state as at 30 September 2007 HK\$																														
No.	Property	Description and tenure	Particulars of occupancy																														
1.	Basements 1-3, Levels 1-9, Levels 11-12 and 16 Beijing CTS(HK) Grand Metropark Hotel, No. 338 Guanganman Nei Street, Xuanwu District, Beijing, The PRC (the Property)	<p>Beijing CTS (HK) Grand Metropark Hotel (the “Hotel”) comprises a parcel of land with a site area of approximately 10,947.20 sq.m. and total gross floor area of approximately 68,989.18 sq.m. upon which a 14-storey (without level 13 and 14) pre-5 stars hotel/office compound excluding 3 basement levels underneath completed in about 1999.</p> <p>The property to be acquired comprises Basements 1-3, Levels 1-9, Levels 11-12 and 16 with total gross floor area of approximately 63,687.32 sq.m. The use of each level are as follows:</p> <table><tr><th>Level</th><th>Use</th><th>GFA (sq.m.)</th></tr><tr><td>Basements 2 & 3</td><td>Car Parking Spaces</td><td>10,428.02</td></tr><tr><td>Basement 1</td><td>Commercial</td><td>5,214.00</td></tr><tr><td>Level 1</td><td>Commercial</td><td>4,504.92</td></tr><tr><td>Level 2</td><td>Commercial</td><td>4,504.92</td></tr><tr><td>Level 3</td><td>Commercial</td><td>4,504.92</td></tr><tr><td>Levels 1-9, Levels 11-12</td><td>Office</td><td>19,972.25</td></tr><tr><td>Levels 4-10</td><td>Hotel</td><td>13,419.53</td></tr><tr><td>Level 16</td><td>Ancillaries</td><td>1,138.76</td></tr><tr><td colspan="2">Total:</td><td><u>63,687.32</u></td></tr></table> <p>The hotel portion of the property comprises 215 guest rooms, restaurants, hair salon, swimming pool, sauna, gymnasium and conference centre.</p> <p>The land use rights of the property were granted for a term commencing from 4 December 2000 expiring on 15 December 2044 for composite use.</p>	Level	Use	GFA (sq.m.)	Basements 2 & 3	Car Parking Spaces	10,428.02	Basement 1	Commercial	5,214.00	Level 1	Commercial	4,504.92	Level 2	Commercial	4,504.92	Level 3	Commercial	4,504.92	Levels 1-9, Levels 11-12	Office	19,972.25	Levels 4-10	Hotel	13,419.53	Level 16	Ancillaries	1,138.76	Total:		<u>63,687.32</u>	<p>The Property is currently operated by 北京港中旅維景國際大酒店有限公司for hotel.</p> <p>As advised by the Group, total lettable area of the office portion approximately 18,776.83 sq.m. have been leased to various separate tenancies with various terms expiring from 10 September 2007 to 31 December 2010 at a total monthly rent passing as at the date of valuation was approximately RMB2,072,955 inclusive of management fee, air-condition fee and other utility charges.</p>
Level	Use	GFA (sq.m.)																															
Basements 2 & 3	Car Parking Spaces	10,428.02																															
Basement 1	Commercial	5,214.00																															
Level 1	Commercial	4,504.92																															
Level 2	Commercial	4,504.92																															
Level 3	Commercial	4,504.92																															
Levels 1-9, Levels 11-12	Office	19,972.25																															
Levels 4-10	Hotel	13,419.53																															
Level 16	Ancillaries	1,138.76																															
Total:		<u>63,687.32</u>																															
			690,000,000																														

Notes:—

1. Pursuant to the Land Use Rights Certificate – Jing Shi Xuan Gang Ao Tai Guo Yong (2003 Chu) Zi Di No. 10163 issued by the Beijing Land Resource and Buildings Administration Bureau dated 23 September 2003, the land use rights of the Hotel with a site area of approximately 10,947.20 sq.m. and gross floor area of approximately 68,989.18 sq.m. were granted to 北京港中旅大廈有限公司 for a term expiring on 15 December 2044 for composite use. As stipulated, gross floor area of approximately 2,603.50 sq.m. was sold to 港中旅國際旅行社有限公司.
2. Pursuant to the Building Ownership Certificate – Jing Fang Quan Zheng Xuan Gang Ao Tai Zi Di No. 10117 issued by the Beijing Municipal Construction Committee dated 23 September 2003, the Hotel with a site area of 10,947.2 sq.m. and with a gross floor area of approximately 68,989.18 sq.m. is held by 北京港中旅大廈有限公司. The land use rights of the Hotel were granted for a term commencing from 4 December 2000 and expiring on 15 December 2044 for composite use. Pursuant to Beijing Real Estate Registration Record (北京市房屋登記表) dated 17 September 2003, the details of gross floor area of the Hotel is as follows:

Level	Gross Floor Area (sq.m.)
1-14	52,208.40
Basement	15,642.02
Ancillary 1	774.42
Ancillary 2	274.76
Ancillary 3	30.46
Ancillary 4	59.12
Total:	<u><u>68,989.18</u></u>

3. Pursuant to the 北京市存量房屋買賣合同 entered into between 中國港中旅集團公司 and 北京港中旅維景國際大酒店有限公司 dated 31 August 2007, level 10 of the Property with gross floor area of approximately 2,698.36 sq.m. was sold to China Travel Service (Holdings) Hong Kong Limited (香港中旅 (集團) 有限公司). This portion is not included into our valuation.
4. Pursuant to the Business License No. 1197047 dated 2 August 2006, 北京港中旅維景國際大酒店有限公司 has a permitted operating period commencing from 13 April 1995 and expiring on 12 April 2020 and its permitted scope of business includes leasing, sale of office, property management, operations of restaurants and retails.
5. Pursuant to the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hongkong, Macao and Overseas Chinese in the PRC dated 17 February 2003, 北京港中旅大廈有限公司 is a wholly-foreign owned enterprise owned by China Travel Service (Holdings) Hong Kong Limited and China Travel Building Contract ORS H.K. Ltd. with respective shareholdings of 75% and 25%.
6. As advised by the Company, 北京港中旅大廈有限公司 has been renamed as 北京港中旅維景國際大酒店有限公司.
7. We have been provided with a legal opinion on the property prepared by the Company’s legal adviser, which is, inter alia, summarized as follows:

(i) The land use rights of the property are held by 北京港中旅維景國際大酒店有限公司 and its interest in the Property is legal valid.

(ii) Pursuant to the 北京市存量房屋買賣合同, 北京港中旅維景國際大酒店有限公司 has sold the level 10 of the Property with gross floor area of approximately 2,698.36 sq.m. to 中國港中旅集團公司. The registration of this transaction is in process.

- (iii)

北京港中旅維景國際大酒店有限公司 can be occupied and freely transferred, mortgage or leased.
- (iv)

北京港中旅維景國際大酒店有限公司 can be freely transferred the land use rights of the property.
- (v)

北京港中旅維景國際大酒店有限公司 was free from any encumbrances.
- (vi)

There is no legal impediment to apply for change of name of 北京港中旅維景國際大酒店有限公司from 北京港中旅大廈有限公司 and process the registration procedures.
8.

A summary of major certificates/approvals is shown as follows:
- (i)

State-owned Land Use Rights Certificate

Yes
- (ii)

Building Ownership Certificate

Yes
- (iii)

Business License

Yes

VALUATION CERTIFICATE

			Market Value in existing state as at 30 September 2007 HK\$															
No.	Property	Description and tenure	Particulars of occupancy															
2.	The whole of Shanghai Metropole Service Apartment, No. 48, Lane 610, Yanan West Road, (also known as No. 103 Dong Zhu An Bang Road) Changning District, Shanghai, The PRC (the Property)	<p>The property comprises a parcel of land with a site area of approximately 6,361 sq.m. which a 29-storey hotel/service apartment tower of which the lowest 4 levels are designated for commercial and clubhouse uses. The property was completed in 1999 and operated in 2001.</p> <p>The gross floor area (“GFA”) of the property is 24,522.71 sq.m.. As advised by the Company, the details of the property are as follows:</p> <table><tr><th>Level</th><th>Use</th><th>GFA (sq.m.)</th></tr><tr><td>1-3</td><td>Commercial</td><td>4,879.62</td></tr><tr><td>4-29</td><td>Residential</td><td>18,743.56</td></tr><tr><td>30</td><td>Clubhouse</td><td><u>899.53</u></td></tr><tr><td colspan="2">Total:</td><td><u><u>24,522.71</u></u></td></tr></table> <p>The property provides a total of 196 hotel rooms/apartment units, restaurants, sauna, business centre and swimming pool, game rooms and etc.</p> <p>The land use right of the property is held for a term expiring on 2 March 2064 for residential, club house and commercial use.</p>	Level	Use	GFA (sq.m.)	1-3	Commercial	4,879.62	4-29	Residential	18,743.56	30	Clubhouse	<u>899.53</u>	Total:		<u><u>24,522.71</u></u>	The property is currently occupied by Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產 (上海) 有限公司) as a hotel.
Level	Use	GFA (sq.m.)																
1-3	Commercial	4,879.62																
4-29	Residential	18,743.56																
30	Clubhouse	<u>899.53</u>																
Total:		<u><u>24,522.71</u></u>																

Notes:—

1. Pursuant to three Shanghai Certificates Real Estate Ownership issued by Shanghai Land Resources and Housing Administration Bureau dated 5 March 2001, 7 March 2001 and 29 March 2001 respectively, the property with a site area of approximately 6,361 sq.m. and a total gross floor area of approximately 24,522.71 sq.m., is held by Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司). The land use rights of the property were granted for a term commencing from 23 February 2001 and expiring on 2 March 2064 for residential, club house and commercial use. The details are listed as follows:

Real Estate Ownership							
Certificate No.	Date of Issue	Site Area (sq.m.)	No of Level	Building no.	Uses	Gross Floor Area (sq.m.)	Term
Hu Fang Di Shi Zi (2001) Di No. 001482	05-Mar-2001	4,713	4-29	1	Residential	18,743.56	From 22-Feb-2001 expiring to 02-Mar-2064
Hu Fang Di Shi Zi (2001) Di No. 001620	07-Mar-2001	226	30	2	Club House	899.53	From 23-Feb-2001 expiring to 02-Mar-2064
Hu Fang Di Shi Zi (2001) Di No. 002240	29-Mar-2001	1,422	1	—	Commercial	496.91	From 23-Feb-2001 expiring to 02-Mar-2064
			1	—	Commercial	1,590.93	
			2	—	Commercial	2,235.97	
			3	—	Ancillary	555.81	
Total:		6,361	24,522.71				

2. Pursuant to the Business License No. 1137989 dated 29 November 2006, Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司) has a permitted operating period commencing from 13 February 1999 and expiring on 12 February 2019 and its permitted scope of business includes leasing, sale, property management, operations of restaurant, hair salon and sales kiosk.
3. Pursuant to a Approval Letter of Land Name (地名使用批准書) – Hu Chang Ming (2006) Di No. 006 dated 7 April 2006 issued by Changning District Land Name Administration Bureau (長寧區地名管理辦公室), the property has been renamed to Shanghai Metropole Service Apartment (維景酒店公寓).

4. We have been provided with a legal opinion on the property prepared by the Company’s legal adviser, which is, inter alia, summarized as follows:
- (i) The land use rights of the property are held by Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司) and its interest is legal valid.

(ii) Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司) can be occupied the property.

(iii) Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司) can be freely transferred or leased.

(iv) Kinetic Profit Real Estate (Shanghai) Co., Ltd. (健沛房地產(上海)有限公司) was free from any encumbrances.
5. A summary of major certificates/approvals is shown as follows:
- (i) Certificates of Real Estate OwnershipYes

(ii) Business LicenseYes

VALUATION CERTIFICATE

			Market Value in existing state as at 30 September 2007 HK\$										
No.	Property	Description and tenure	Particulars of occupancy										
3.	The whole of Yangzhou Grand Metropole Hotel, No. 1 Wenchang West Road, (also known as No. 559 Manchang Middle Road) Yangzhou City, Jiangsu Province, The PRC	<p>The property comprises the whole of Yangzhou Grand Metropole Hotel with a parcel of land with site area of 6,663.10 sq.m. upon which a 18-storey 4-star hotel tower (including a basement level), a 3- storey office/ dormitory building, 2 single-storey plant rooms completed in about 1999.</p> <p>The total gross floor area (GFA) of the property 22,645.59 square metres which is broken down as follows:</p> <table><tr><th>Buildings</th><th>GFA (sq.m.)</th></tr><tr><td>Hotel Tower</td><td>21,894.65</td></tr><tr><td>Office/Dormitory</td><td>435.05</td></tr><tr><td>Machine Rooms</td><td>315.89</td></tr><tr><td>Total:</td><td><u>22,645.59</u></td></tr></table>	Buildings	GFA (sq.m.)	Hotel Tower	21,894.65	Office/Dormitory	435.05	Machine Rooms	315.89	Total:	<u>22,645.59</u>	<p>The property is currently occupied by 揚州京華大酒店有限公司 as a hotel.</p> <p>140,000,000</p>
Buildings	GFA (sq.m.)												
Hotel Tower	21,894.65												
Office/Dormitory	435.05												
Machine Rooms	315.89												
Total:	<u>22,645.59</u>												
<p>The hotel tower provides 242 guest rooms, restaurants, hair salon, lounge, beauty salon, sauna, recreation center, snooker room, business center, function rooms and souvenir shops.</p> <p>The land use right of the property were granted for a term expiring on 24 April 2032 for commercial service use.</p>													

Notes:—

1. Pursuant to the State-owned Land Use Rights Certificate – Yang Guo Yong (98) Zi Di No. 60116 dated 9 November 1998 issued by the Land Administration Bureau of Yangzhou, the land use rights of the property with a site area of 6,663.10 sq.m. were granted to 揚州京華大酒店有限公司 for a term expiring on 24 April 2032 for commercial service use.
2. Pursuant to the Building Ownership Certificate – Yang Fang Quan Zheng Xin Zi Di 0022023412 dated 12 March 2001 issued by the Housing Administration Bureau of Yangzhou, the property with a total gross floor area of approximately 22,645.59 sq.m. is held by 揚州京華大酒店有限公司. The details are as follows:

Building No.	No. of Storey	Gross Floor Area (sq.m.)	Uses
1	18	21,894.65	Non-Domestic
2	3	435.05	Non-Domestic
3	1	205.09	Non-Domestic
4	1	110.80	Non-Domestic
Total:		22,645.59	

3. Pursuant to the Business License No. 0193502 dated 22 March 2007, 揚州京華大酒店有限公司has a permitted operating period commencing from 4 November 1992 and expiring on 3 November 2027 and its permitted scope of business includes hotel and conference center, restaurant, cafe, retail, gymnasium, sauna, nightclub, beauty salon and laundry operations.
4. Pursuant to a Joint Venture Agreement dated 18 September 1998, the shareholders of 揚州京華大酒店有限公司 comprises 揚州市飲食服務公司, 日本國株式會社梅江大飯店, Wisepak Enterprises Limited with respective shareholding of 28.0%, 12.0% and 60.0%.
5. We have been provided with a legal opinion on the property prepared by the Company’s legal adviser, which is, inter alia, summarized as follows:

(i) The land use rights of the property are held by 揚州京華大酒店有限公司 and its interest is legal valid.

(ii) 揚州京華大酒店有限公司 can be occupied and freely transferred, mortgage or leased.

(iii) 揚州京華大酒店有限公司 was free from any encumbrances.

(iv) 揚州梅江國際大酒店有限公司 was renamed as 揚州京華大酒店有限公司.
6. A summary of major certificates/approvals is shown as follows:

(i) State-owned Land Use Rights Certificate

Yes

(ii) Building Ownership Certificate

Yes

(iii) Business License

Yes

VALUATION CERTIFICATE

			Market Value in existing state as at 30 September 2007 HK\$												
No.	Property	Description and tenure	Particulars of occupancy												
4.	Unit nos. 301, 302, 401 and 402 of Block 108 Hongtai Building of Hongkok Garden, Weiyang District Yangzhou City, Jiangsu Province, The PRC	<p>The property comprises 4 residential units on levels 3 and 4 of a 6-storey residential building completed in about 1997.</p> <p>The total gross floor area (GFA) of the property is approximately 330.78 sq.m. which is broken down as follows:</p> <table><tr><th>Buildings</th><th>GFA (sq.m.)</th></tr><tr><td>301</td><td>65.63</td></tr><tr><td>401</td><td>65.63</td></tr><tr><td>302</td><td>99.76</td></tr><tr><td>402</td><td>99.76</td></tr><tr><td>Total:</td><td>330.78</td></tr></table>	Buildings	GFA (sq.m.)	301	65.63	401	65.63	302	99.76	402	99.76	Total:	330.78	<p>The property is owner-occupied for as staff quarter for Yangzhou Grand Metropole Hotel.</p> <p>No commercial value</p>
Buildings	GFA (sq.m.)														
301	65.63														
401	65.63														
302	99.76														
402	99.76														
Total:	330.78														
<p>Pursuant to the Commodity Sale and Purchase Contract – GF – 95 – 01717 dated 6 December 1997, the land use rights of the property were allocated by a term expiring on 24 April 2032 for residential use.</p>															

Notes:–

1.

Pursuant to the Commodity House Sale and Purchase Contract – GF – 95 – 01717 entered into between 揚州港晨房地產開發有限公司(Party A) and 揚州梅江國際大酒店(Party B) dated 6 December 1997, the property with total gross floor area of approximately 330.78 sq.m. was purchased by Party B for residential use. As stipulated, the land use rights of the property were allocated in nature.
2.

Pursuant to the State-owned Land Use Rights Certificate – Yang Guo Yong Quan (98) Zi Di No. 00873 dated 8 June 1998 issued by the Land Administration Bureau of Yangzhou, the land use rights of the property were allocated to 揚州梅江國際大酒店有限公司 for residential use.
3.

Pursuant to the Building Ownership Certificate – Yang Fang Zheng Zi Di No. 0480014 issued by the Land Administration Bureau of Yangzhou dated 25 May 1998, the property with a total gross floor area of approximately 330.78 sq.m. was allocated to 揚州梅江國際大酒店有限公司.
4.

We have been provided with a legal opinion on the property prepared by the Company’s legal adviser, which is, inter alia, summarized as follows:

(i)

Pursuant to the Commodity House Sale and Purchase Contract – GF – 95 – 01717, the land use rights of the property were allocated.

(ii)

If the land use rights of the property were allocated, before 揚州京華大酒店有限公司 has obtained the State-owned Land Use Rights Certificate by grant or other methods with consideration, there is no legal impediment for 揚州京華大酒店有限公司 to use and occupied the property. However, 揚州京華大酒店有限公司 is only entitled to transfer, let, mortgage or otherwise handle the land use rights and building ownership rights of the property after payment of land premium. After obtaining the State-owned Land Use Rights Certificate by granting, 揚州京華大酒店有限公司 will be entitled to legally occupy, use, transfer, let, mortgage or dispose the property within the authorized period. It cannot be determined whether the land use rights of the property were granted.

(iii)

揚州梅江國際大酒店有限公司 was renamed as 揚州京華大酒店有限公司.
5.

A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Certificate	Yes
(ii)	Commodity Sale and Purchase Contract	Yes
(ii)	Building Ownership Certificate	Yes

21 November 2007

The Directors

China Travel International Investment Hong Kong Limited

12th Floor, CTS House

78-83 Connaught Road

Central, Hong Kong

Dear Sirs,

Re : Lot Nos. 2836RP, 2837, 2838, 2840, 2846 and 2847 in DD 51, Fanling, New Territories

INSTRUCTIONS

We are instructed from **China Travel International Investment Hong Kong Limited** (referred to as “the Company”) to assess the Market Value of the subject property (referred to as “the Property”) held by the Company or its subsidiaries (together referred to as “the Group”) as at 30 September 2007 (referred to as the “valuation date”).

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the Market Value of the Property.

BASIS OF VALUATION

“Market Value” is intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s – length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

VALUATION METHODOLOGY

In valuing the Property, “Direct Comparison Method” is adopted where comparison based on prices information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

For those properties which are wholly or partially subject to tenancies in favour of tenants outside the Group, we also adopt the “Investment Method” on the basis of capitalization of the net incomes generated or to be generated from them. The direct comparison method is also adopted in estimating the values of their reversionary interests.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property in the open market in its existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Property.

The Property is held by the Group by means of long term Government lease. We have assumed that the Group has free and uninterrupted right to use the Property for the whole of the unexpired term of their respective Government lease subject to payment of annual government rent (if any).

We have also assumed that the owner of the Property has the right to sell, mortgage, charge or otherwise dispose of it to any third party at a consideration without payment of any additional premium or substantial fee to government authorities.

Other special assumptions of the Property, if any, have been stated in the footnotes of the valuation certificate.

TITLE INVESTIGATION

We have caused searches to be made at the relevant Land Registry for the Property. However, we have not searched the original documents to verify ownership or to verify the existence of any lease amendments, which do not appear on the documents available to us. All legal documents supplied by the Company have been used for reference only. No responsibility regarding the title to the Property stated here is assumed in this valuation.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Property but no structural surveys has been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. All dimensions, measurements and areas are only approximates.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, occupation, construction costs, site area and floor area and in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also advised by the Company that no material facts have been omitted from the information supplied.

No allowance has been made in our valuation for any charges, mortgages or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. We have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
CHKIS AAPI RPS(GP)
Managing Director

Kevin C. Y. Chu
MHKIS MRICS
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years’ experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Kevin C. Y. Chu, a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors, has over 10 years’ experience in property valuation for variety of purpose including financing, sale and letting, litigation and taxation in HKSAR, Macau SAR and mainland China.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value
			in existing state as at 30 September 2007 HK\$
Lot Nos. 2836RP, 2837, 2838, 2840, 2846 and 2847 in DD 51, Fanling, New Territories	The Property comprises six agricultural lots with a total site area of 113,888 square feet or thereabout.	As informed by the Group, the Property is leased to a related party of the Group with unspecific term at a monthly rent of \$70,000.	22,780,000
	The Property is held under Block Crown Lease for a term expired on 27 June 1997 and the lease terms have been statutorily extended to 30 June 2047 at an annual Government rent based on 3% of the then rateable value of the Property.	The Property was used by tenant for storage/parking purpose as at the valuation date.	

- Note:–
1.

The registered owner of the Property is Common Well Limited.
2.

The subject lots are described as “Padi” in the Block Crown Lease.
3.

The Property falls within an area zoned “Recreation” under the Lung Yeuk Tau & Kwan Tei South Outline Zone Plan No. S/NE-LYT/12.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company’s chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

All interests disclosed below represent long position in shares of the Company:

Long position in shares of the Company:

Name of Director	Note	Number of Shares held			Total	% of the issued share capital
		Personal Interests	Corporate Interests	Other Interests		
Dr. Fong Yun Wah	1	–	50,000	–	50,000	0.000878%

Note: 1. These shares are beneficially owned by certain corporations in which Dr. Fong Yun Wah is taken to be interested pursuant to Divisions 7 and 8 of Part XV of the SFO.

Share options of the Company

At the Latest Practicable Date, the following Directors had interests in the share options granted by the Company under the share option scheme adopted by the Company on 3 June 2002:

Name of Director	Date of grant	Exercise price HK\$	Exercise period	Number of the option
Zhang Xuewu	8 September 2007	4.65	9 July 2009 to 2 June 2012	2,130,000
Xiong Weiping	8 September 2007	4.65	9 July 2009 to 2 June 2012	2,130,000
Zheng Heshui	8 September 2007	4.65	9 July 2009 to 2 June 2012	1,770,000
Lo Sui On	8 September 2007	4.65	9 July 2009 to 2 June 2012	1,770,000
Jiang Yan	8 September 2007	4.65	9 July 2009 to 2 June 2012	1,770,000
Mao Jianjun	8 September 2007	4.65	9 July 2009 to 2 June 2012	1,770,000
Zhang Fengchun	8 September 2007	4.65	9 July 2009 to 2 June 2012	1,770,000
Wei Qing	8 September 2007	4.65	9 July 2009 to 2 June 2012	800,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company’s chief executives, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares of debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

(b) Interests of Substantial Shareholders

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;

Long position in the shares of the Company:

Name of Shareholders	Notes	Number of issued Shares held	% of the issued share capital
China National Travel Service (HK) Group Corporation (“China CTS (HK)”)	1	2,993,632,728	52.56%
China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”)	1, 2	2,993,632,728	52.56%
Foden International Limited (“Foden”)	2	20,700,000	0.36%
Mirae Asset Global Investments (Hong Kong) Limited		302,060,000	5.30%

Notes:

1. The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS (HK). CTS Holdings is the direct holding company of the Company. Accordingly, the interests of China CTS (HK) in the Company duplicate the interests of CTS (Holdings).
2. 20,700,000 shares are held by Foden which is a wholly-owned subsidiary of CTS (Holdings).

All interests disclosed above represent long position in shares of the Company.

(c) Substantial shareholding in other members of the Group

As at the Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Substantial Shareholder	Member of the Group	Percentage of equity interest held
Wealthy Fortress Investments Limited	China Travel Express Limited	30%
汪家璈(Wang Jia Ao) , 顧平普(Gu Ping Pu) , 周敘清(Zhou Xu Qing) , 蔡顯忠(Cai Xian Zhong) , 劉宏(Liu Hong) , 董偉中(Dong Wei Zhong) , 祝兆榮(Zhu Zhao Rong) , 馬傳有(Ma Chuan You), 陳宇 (Chen Yu) (together the “Management Team”) (Note 1)	CTS International Transportation Co., Ltd.	24%
上海柏溪商貿發展 有限公司(Note 1,2)	CTS International Transportation Co., Ltd.	20%
Abba Investment Limited (Note 1)	CTS International Transportation Co., Ltd.	4%
Shenzhen Overseas Chinese Town Holding Company Limited	Shenzhen Splendid China Development Co., Ltd.	49%
Shenzhen Overseas Chinese Town Holding Company Limited	Shenzhen The World Miniature Co., Ltd.	49%
李剛(Li Gang)	China Travel International (Xian) Ltd.	15.12%
李波(Li Bo)	China Travel International (Xian) Ltd.	10.08%

Substantial Shareholder	Member of the Group	Percentage of equity interest held
廈門國貿控股有限公司 (Note 2)	China Travel International (Xiamen) ITG Travel Service Co., Ltd.	49%
方華(Fang Hua)	China Travel International (Chengdu) Ltd.	20%
江亮(Jiang Liang)	China Travel International (Chengdu) Ltd.	20%
田平(Tian Ping)	China Travel International (Shandong) Ltd.	27%
楊大鳴(Yang Da Ming)	China Travel International (Xinjiang) Limited	15%
趙秀紅(Zhao Xiu Hong)	China Travel International (Xinjiang) Limited	12%
張保華(Zhang Bao Hua)	China Travel International (Xinjiang) Limited	10%
山西華旅航空服務有限公司 (Note 2)	China Travel International (Shanxi) Travel Service Co., Ltd.	29%
牛馳(Niu Chi)	China Travel International (Shanxi) Travel Service Co., Ltd.	12%
大同北方電器有限責任公司 (Note 2)	China Travel International (Datong) Travel Service Co., Ltd.	49%
馬南錦 (Ma Nam Kam)	Euro Commercial Vehicle Service Limited	16%
岑子強 (Sham Tze Keung)	Euro Commercial Vehicle Service Limited	16%
張木和 (Cheung Muk Woo)	Euro Commercial Vehicle Service Limited	16%
Pacific Travel and Trade Corporation	US China Travel Services, Inc.	49%
揚州富春飲服集團有限公司 (Note 2)	Yangzhou Grand Metropole Hotel Co., Ltd.	28%
株式會社梅江大飯店	Yangzhou Grand Metropole Hotel Co., Ltd.	12%

Note 1: The Management Team holds the entire shareholding interest in 上海柏溪商貿發展有限公司 and Abba Investment Limited.

Note 2: The legal name of the relevant company is in Chinese.

3. MATERIAL INTERESTS

- (i) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.
- (ii) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practical Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the Latest Practicable Date and are or may be material:

- 1. the Acquisition Agreement;
- 2. the Disposal Agreement;
- 3. the agreement dated 30 July 2007 between (i) Chadwick Developments Limited (“Chadwick”)(a wholly-owned subsidiary of the Company), 西北電網有限公司 and 陝西秦龍電力股份有限公司 (as Purchasers); and (ii) Shaanxi Weihe Power Co., Ltd. (“Weihe Power”)(a jointly-controlled entity of the Company, as Vendor) relating to the sale and purchase of the entire registered capital of Xianyang Guanzhong Hotspring Company Limited (“Guanzhong Hotspring”) for an aggregate consideration of RMB100 million;

- 4. the shareholders’ agreement dated 30 July 2007 between (i) Chadwick; (ii) 西北電網有限公司; and (iii) 陝西秦龍電力股份有限公司 in respect of Guanzhong Hotspring;
- 5. the agreement dated 6 June 2007 between (i) Weihe Power; (ii) 西部信托投資有限公司 (“Western Trust”); and (iii) Guanzhong Hotspring pursuant to which Weihe Power agreed to provide a cash deposit in the amount of RMB150 million as security to Western Trust to facilitate the making of a loan of up to RMB150 million by Western Trust to Guanzhong Hotspring; and
- 6. the loan agreement dated 3 January 2006 between (i) two of the Company’s wholly-owned subsidiaries (as borrowers); and (ii) Calyon, Hong Kong Branch (as original lender) relating to a 3-year term loan and revolving credit facilities of up to HK\$1,500 million.

8. EXPERTS

- (a) The following is the qualification of the experts which have given their opinions or advices which are contained in this circular:

Name	Qualifications
Somerley	a corporation licensed to carry out type 1 (dealings in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities under the SFO
RHL	independent property valuers

- (b) As at the Latest Practicable Date, Somerley and RHL did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Somerley and RHL have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) As at the Latest Practicable Date, Somerley and RHL did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letters and recommendation given by Somerley and RHL are given as of the date of this circular for incorporation herein.

9. GENERAL

- (a) The company secretary of the Company is Ms. Woo Wai See, Alice.
- (b) The qualified accountant of the Company is Ms. Wong Ka Wai. She is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office and head office of the Company is 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.
- (d) The share registrar of the Company is Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

10. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company on 12/F., CTS House, 78-83 Connaught Road Central, Hong Kong during normal business hours until 5 December 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2006;
- (c) the Acquisition Agreement and the Disposal Agreement referred to in this circular;
- (d) the property valuation report;
- (e) the material contracts referred to under the paragraph headed "Material contracts" in this appendix;
- (f) the letters of consent referred to under the paragraph headed "Experts" in this appendix;
- (g) circulars issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14 A of the Listing Rules which have been issued since the date of the latest published audited accounts of the Company, being 31 December 2006;
- (h) the letter from Somerley, the text of which is set out on pages 27 to 55 of this circular; and
- (i) the letter from the Independent Board Committee, the text of which is set out on page 26 of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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: 00308)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China Travel International Investment Hong Kong Limited (the “Company”) will be held at Cafe du Parc, 2/F, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 7 December 2007 at 4:30 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as an ordinary resolutions:–

- (a) the entering into of the conditional Acquisition Agreement (as defined and described in the circular to the shareholders of the Company dated 21 November 2007 (the “Circular”)), a copy of which has been produced to the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification, between, (i) the Company, (ii) Allied Well Holdings Ltd. and United Capital Management Limited as the purchasers (the “Purchasers”), and (iii) China Travel Service (Holdings) Hong Kong Limited, China Travel Building Contractors Hong Kong Limited and China Travel Investments Hong Kong Limited as the vendors (the “Vendors”), pursuant to which the Vendors conditionally agreed to sell and the Purchasers conditionally agreed to acquire the entire issued share capital or registered capital of CTS H.K. Metropark Hotels Management Company Limited, Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited, Ruskin Overseas Limited and Wisepak Enterprises Limited (the “Hotel Group”) and the respective shareholder’s loan owed by respective members of the Hotel Group to the Vendors, which as at 31 August 2007, amounted to approximately HK\$1,086,038,000, at a consideration of HK\$1,107,260,000, subject to any adjustment, upon the terms and subject to the conditions (including but not limited to the conditional Disposal Agreement (as defined and described in the Circular) becoming unconditional) therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the Acquisition Agreement be and are hereby approved;
- (b) the entering into of the conditional Disposal Agreement, a copy of which has been produced to the meeting marked “B” and initialled by the Chairman of the meeting for the purpose of identification, between, (i) the Company, China Travel Service (Hong Kong) Limited, Add-Well Investments Limited and Noteman Investments Limited as the vendors (the “Disposal Vendors”), (ii) CTS Logistics Corporation as the purchaser (the “Disposal Purchaser”) and (iii) China Travel Service (Holdings) Hong Kong Limited, pursuant to which the Disposal Vendors conditionally agreed to sell and the Disposal Purchaser conditionally agreed to acquire (a) the entire issued ordinary share capital of Common Well Limited; (b) the net amount of shareholder’s loan owed by Common Well Limited to the Company and/or its associates; and (c) the entire issued ordinary

NOTICE OF EXTRAORDINARY GENERAL MEETING

share capital of China Travel Services (Cargo) Hong Kong Limited at a consideration of HK\$853,640,000 which will be settled entirely by cash upon the terms and subject to the conditions (including but not limited to the conditional Acquisition Agreement becoming unconditional) therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the Disposal Agreement be and are hereby approved;

- (c) any one Director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and to approve, execute and deliver all notices, documents, instruments or agreements as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Acquisition Agreement and the Disposal Agreement and to agree to such variations, amendments or waivers thereof as are, in the opinion of such Director, in the interests of the Company. If the use of common seal is required under the Acquisition Agreement and the Disposal Agreement, any two Directors of the Company is authorised to sign and use the common seal.

By Order of the Board

Wei Qing

Executive Director

Hong Kong, 21 November 2007

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and, vote instead of him. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 48 hours before the time of the meeting or any adjournment thereof or in the case of a poll, not less than 24 hours before the time appointed for taking of the poll.
- (4) In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (5) The votes to be taken at the meeting will be taken by poll.