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**VOLUNTARY ANNOUNCEMENT
PROPOSED TRANSFER OF IRON AND STEEL BUSINESS**



KING POWER CAPITAL LTD.

(incorporated in the British Virgin Islands with limited liability)

US\$300,000,000 3.875 per cent. Guaranteed Notes due 2019 (Stock Code: 5822)

US\$700,000,000 5.625 per cent. Guaranteed Notes due 2024 (Stock Code: 5823)

unconditionally and irrevocably guaranteed by

CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED

(香港中旅(集團)有限公司)

(incorporated in Hong Kong with limited liability)

PROPOSED TRANSFER

CNTS, the sole shareholder of CTS, announced on 27 May 2015 its plan to transfer to the Business Partner its beneficial interest in the Target Company which indirectly holds CNTS' iron and steel business in the PRC. On 25 May 2015, CTS entered into a non-binding letter of intent with the Business Partner relating to the Proposed Transfer.

As at the date of this announcement, CNTS holds 100 per cent. of CTS, which in turn holds 100 per cent. of the Target Company. The Target Company directly holds 58.49 per cent. of China Guofeng which owns and operates iron and steel production business in Tangshan, the PRC. The remaining 41.51 per cent. of China Guofeng is beneficially held by the Business Partner.

Consideration

The consideration of the Proposed Transfer comprises the Equity Consideration and the Debt Consideration. The Equity Consideration is equal to the net assets of the Target Company as evaluated on the valuation date. The evaluation of the net assets of the Target Company will be conducted through a listing and bidding process in accordance with applicable PRC laws and regulations concerning transfers of state-owned assets. The Debt Consideration is equal to the amount of loans payable by China Guofeng and its subsidiaries to CNTS and its affiliates, including the principal of and accrued and unpaid interest on the loans.

Conditions Precedent

SASAC and the board of CNTS have approved the Proposed Transfer in principle. The completion of the Proposed Transfer is nonetheless subject to the satisfaction of the following conditions:

1. CNTS shall have completed all requisite registration and filings and have obtained all regulatory and other approvals, permits, consents and waivers in relation to the Proposed Transfer.
2. The listing and bidding procedures relating to the Proposed Transfer shall have been conducted and completed in accordance with applicable PRC laws and regulations concerning transfers of state-owned assets.

Reasons for and Benefits of the Proposed Transfer

CNTS and CTS believe that the Proposed Transfer will help them focus on the development of their travel and tourism business, culture industry and other related business in the travel sector. In addition, they believe that the Proposed Transfer will help improve the quality of their asset portfolio and strength its financial stability considering the supply surplus in the PRC steel industry. CNTS intends to continue to seek opportunities to strategically acquire quality assets for its core travel and tourism business and cultural business.

As another key step to optimize its business portfolio, CTS completed the acquisition of PrimeCredit Limited, a Hong Kong headquartered financial company that engages in mortgages, personal loans, credit cards, and third party insurance on 6 May 2015. The acquired business will form an important part of CTS' financial group and strengthen its financial service capability, particularly that relating to its travel and tourism business. CTS anticipates that the acquire business will expand its revenue base and contribute increasing cash flow in the future.

CNTS and CTS believe that the Proposed Transfer will not have a material adverse impact on their business activities or their abilities to service their respective outstanding debt obligations. When the consideration of the Proposed Transfer is determined, supplemental announcements will be made on the financial impact of the Proposed Transfer on CNTS and CTS.

GENERAL

AS COMPLETION OF THE PROPOSED TRANSFER IS SUBJECT TO THE CONDITIONS PRECEDENT (INCLUDING BUT NOT LIMITED TO THE APPROVAL BY SASAC) DESCRIBED HEREIN, THE PROPOSED TRANSFER MAY OR MAY NOT PROCEED. POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF CTS OR KING POWER CAPITAL LTD.

DEFINITIONS

The following words and phrases use in this announcement have the same meanings assigned:

Business Partner	Tangshan Fengnan District Fengnan Town Economic Development Company (唐山市豐南區豐南鎮經濟發展總公司), a company incorporated in the PRC with limited liability, which totally holds 41.51 per cent. interest in China Guofeng through its subsidiaries.
China Guofeng	China Guofeng Group Co., Ltd. (中國國豐集團有限公司), a company incorporated in Hong Kong with limited liability in which CTS beneficially held 58.49 per cent. interest.
CNTS	China National Travel Service (HK) Group Corporation (中國港中旅集團公司), a company established in the PRC with limited liability, wholly owned by SASAC.
CTS	China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司), a limited liability company incorporated in Hong Kong, directly and wholly owned by CNTS.
Debt Consideration	an amount equal to the loans payable by China Guofeng and its subsidiaries to CTS, including the principal of and accrued and unpaid interest on the loans.
Equity Consideration	an amount equal to the net assets of the Target Company as evaluated on the valuation date.
Proposal Transfer	the proposed transfer of 100 per cent. equity interest in the Target Company.
SASAC	the State-owned Assets Supervision and Administration Commission of the PRC.
Tangshan Guofeng	Tangshan Guofeng Steel Co., Ltd. (唐山國豐鋼鐵有限公司), a company incorporated in China with limited liability and a wholly owned subsidiary of China Guofeng.
Target Company	Able Keen Management Ltd., a limited liability company incorporated in the British Virgin Islands, directly and wholly owned by CTS.

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translations, the Chinese version shall prevail.

By Order of the Board
China Travel Service (Holdings) Hong Kong Limited
Zhang Xuewu
Chairman

Hong Kong, 27 May 2015

As at the date of this announcement, the directors of King Power Capital Ltd. are Zhang Fengchun, Zheng Jiang, Chen Hao and Hui Yuen Ching and the directors of China Travel Service (Holdings) Hong Kong Limited are Zhang Xuewu, Jiang Yan, Wang Ling, Shi Zhuowei, Li Wenxin, Zhang Xiaotie, Kao Ruey-Bin and Gu Yueren.