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If you have sold or transferred all your shares in China Travel International Investment Hong Kong Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker 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: 308)

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
(2) PROPOSAL FOR RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser



First Shanghai Capital Limited

A notice convening an extraordinary general meeting of China Travel International Investment Hong Kong Limited to be held at Cafe du Parc, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 14 December 2018 at 2:30 p.m. is set out on pages 33 to 34 of this circular. Whether or not you are able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, by no later than 48 hours before the time appointed for the holding of the meeting (or adjourned meeting or of the poll, as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

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DEFINITIONS

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

“Acquisition”	the Company’s acquisition of CTSHK from CTS (Holdings) in 2001
“Agency Agreement”	the agency agreement dated 15 May 2001 entered into between CTSHK and CTS (Holdings) in relation to Travel Permit Administration
“Articles”	Articles of association of the Company, as amended from time to time
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and public holidays) on which banks in Hong Kong and PRC are generally open for business
“Cap(s)”	the maximum aggregate annual consideration for the Travel Permit Administration
“China CTS”	China National Travel Service Group Corporation Limited, a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which owns the entire issued share capital of CTS (Holdings)
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 308)
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 60.05% of the issued share capital of the Company and a substantial shareholder of the Company

DEFINITIONS

“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates, but excluding the Group for the purpose of this circular
“CTSHK”	China Travel Service (Hong Kong) Limited, a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 14 December 2018 to consider the ordinary resolutions to be proposed to approve, among other things, the Travel Permit Administration (including the Cap) and the re-election of Directors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of the independent non-executive Directors, namely, Mr. Wong Man Kong Peter, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke and Mr. Huang Hui, formed for advising the Independent Shareholders in respect of the renewal of the Travel Permit Administration (including the Cap)
“Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of Travel Permit Administration (including the Cap)
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other persons who are required to abstain from voting on resolutions to approve the Travel Permit Administration (including the Cap) at the EGM pursuant to the Listing Rules
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company

DEFINITIONS

“Latest Practicable Date”	23 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this circular, exclusively refer to Mainland China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Travel Permit Administration”	the general administration services provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC by CTSHK to CTS (Holdings) pursuant to the Agency Agreement

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: 308)

DIRECTORS:

Executive Directors:

Mr. Fu Zhuoyang (*Chairman*)
Mr. Lo Sui On (*Vice-Chairman*)
Mr. Jiang Hong (*General Manager*)
Mr. Chen Xianjun
Mr. You Cheng

Independent Non-Executive Directors:

Mr. Wong Man Kong Peter
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui

REGISTERED OFFICE:

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

28 November 2018

To the Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
(2) PROPOSAL FOR RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF EGM**

A. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Introduction

As set out in the announcement dated 8 November 2018, CTSHK has been providing Travel Permit Administration to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. At the extraordinary general meeting of the Company held on 15 December 2015, the Independent Shareholders of the Company approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value for the Travel Permit Administration for each of the three years ending 31 December 2018. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the Cap for the Travel Permit Administration for each of the three years ending 31 December 2021 is required to be renewed in order to comply with the Listing Rules.

LETTER FROM THE BOARD

The Agency Agreement

Date

15 May 2001

Parties

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

Transaction Nature

CTS (Holdings) has been appointed by the PRC government to provide general administration services in Hong Kong for application of tourist visas and travel permits for the entry into the PRC. CTS (Holdings) has appointed CTSHK as its exclusive agent to provide general administration services in Hong Kong for the application of tourist visas and travel permits for entry into the PRC, for a fixed term until 30 June 2047.

Principal Terms

CTSHK and CTS (Holdings) entered into the Agency Agreement on 15 May 2001 to document the transaction relating to Travel Permit Administration for a fixed term of 46 years. The 46-year term of the Agency Agreement was part and parcel of the term of the Acquisition, which was approved by the then Independent Shareholders. The Company believes that a fixed contractual term of 46 years enabling CTSHK to provide Travel Permit Administration until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

Pricing Basis

In accordance with the terms of the Agency Agreement, which were determined on an arm's length basis between the parties, CTS (Holdings) agreed to pay CTSHK 45% of the gross fee revenue from permit applications for the services provided by CTSHK in relation to Travel Permit Administration. Pursuant to the Agency Agreement, CTSHK shall receive the application fees from applicants on behalf of CTS (Holdings) and transfer the application fees it receives on a given day to CTS (Holdings) on the next Business Day. Payments are made by CTS (Holdings) in arrears on a monthly basis which has to be settled within three Business Days after the end of each month. If CTS (Holdings) cannot settle the payments in accordance with the terms of the Agency Agreement, the outstanding amount will be charged an interest at prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited as at the end of the relevant month plus 1% accruing from the last day of the relevant month up to the actual payment date.

LETTER FROM THE BOARD

The fees of Travel Permit Administration rendered by CTSHK is determined on the basis of costs of providing the service plus reasonable profit. The overall costs of providing the Travel Permit Administration included but are not limited to staff costs, rental expense and depreciation expense. The gross profit margin of Travel Permit Administration (based on the service fees paid by CTS (Holdings)) was higher than that of China visa service, which was 60% in 2017 and 51% for the nine months ended 30 September 2018, provided by CTSHK to foreigners and is deemed reasonable by the Company and CTS (Holdings).

Travel Permit Administration and China visa service both involve the provision of administration services in relation to travel documents. Their overall costs include but are not limited to staff costs, depreciation expense and rental expenses. However, regarding gross profit margins, Travel Permit Administration and China visa service are separate businesses with different operational patterns and thus different cost components. Travel Permit Administration incurs application system service fees and courier service expenses, whereas China visa service incurs visa costs paid to relevant Chinese governmental body(ies). The direct costs of Travel Permit Administration and China visa service are distinct and separable, and, therefore, the gross profits margins of China visa service can be a benchmark.

The Group has compared and taken the following factors into consideration in assessing whether the pricing basis of the Agency Agreement is fair and reasonable:

- (a) China visa service is the business most (but not entirely) comparable with Travel Permit Administration amongst the businesses of the Group given both of them involve the provision of administration for travel documents;
- (b) the quantities of permit applications under Travel Permit Administration and China visa applications, and related economy of scale;
- (c) the operations of Travel Permit Administration and China visa service are separate; and
- (d) China visa service does not involve the appointment by CTS (Holdings) nor other connected persons of the Company.

Historical Figures

The total amount of the continuing connected transactions in connection with Travel Permit Administration for each of the two financial years ended 31 December 2017 and the nine months ended 30 September 2018 were HK\$197,532,000, HK\$199,104,000, and HK\$185,092,000, respectively.

LETTER FROM THE BOARD

Proposed Caps

The Company proposes to set the Caps for the Travel Permit Administration as follows:

	Year ending 31 December		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Provision of Travel Permit Administration by CTSHK	310,000	310,000	310,000

The above annual caps are determined based on the following:

- (i) the actual transaction amounts in 2016 and 2017;
- (ii) the expected annualised transaction amount in 2018 based on the transaction amount for the nine months ended 30 September 2018 under the Agency Agreement; and
- (iii) a buffer to allow for any unexpected increase in travel permit application volume.

The above bases and assumptions underlying the projection of the Caps serve to establish a maximum aggregate annual value for services provided under the Travel Permit Administration. As such, the Caps should not be construed as an assurance or forecast by the Group of its future revenues. It is merely assumed for the purpose of determining the Caps, and shall not be regarded as any indication directly or indirectly as the Group's revenue, profitability or trading prospects.

Reasons for and Benefits of Entering into the Travel Permit Administration

CTSHK is the only commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out Travel Permit Administration on behalf of CTS (Holdings). In view of operational capabilities built up through the years and economic benefits brought to the Group, the Directors (including the independent non-executive Directors but excluding the executive Directors who have voluntarily abstained from voting) consider it to be in the interests of the Company to continue to engage in Travel Permit Administration and that the terms of the Travel Permit Administration are fair and reasonable and in the interests of the Shareholders as a whole.

Information of the Parties

CTSHK is principally engaged in the business of travel agency, travel documents and related operations.

The Group's principal business includes operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots, and leisure resorts), travel agency, travel documents and related operations, passenger transportation operations.

LETTER FROM THE BOARD

The CTS (Holdings) Group is principally engaged in travel business and real estate development.

Internal Control Measures on the continuing connected transactions

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.31, 14A.51 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the Agency Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions between the Group and the CTS (Holdings) Group, namely:

- (i) the Company will report the transactions under the Agency Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company shall ensure that such kind of reporting shall be conducted not less than two times in a year; and
- (ii) the Company will review the transactions with the CTS (Holdings) Group to identify any continuing connected transaction that may be at risk of exceeding the proposed caps, and any measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected transactions will be conducted in accordance with the terms of the Agency Agreement, and will monitor the payment from CTS (Holdings) on a monthly basis to ensure the payment amount and the timing of payment are in line with the pricing basis and payment term set out in the agreement. The business department of the Group will also monitor the profit margin of the Travel Permit Administration on a monthly basis to ensure that it is in the interests of the Group to continue to engage in Travel Permit Administration, meaning the Travel Permit Administration remains profitable to the Group.

In the event that the Group notices from its monthly review that the gross profit margin of the Travel Permit Administration is expected to decline so as to result in the Travel Permit Administration being not profitable, the Group would negotiate with CTS (Holdings) to increase the gross fee revenue from permit applications and/or have part of the costs shared by CTS (Holdings), so as to render the business profitable. If it is observed from the monthly review that the Travel Permit Administration remains profitable, the relevant business department of the Group will record the relevant monthly review results and report the status to the responsible personnel in the management of the Group.

If it is reasonably foreseeable that such aggregate amount of payments is likely to exceed the relevant Cap, management team of the Group will be immediately notified to take further actions, including informing the independent non-executive Directors of the audit committee and liaising with the Company's legal advisors for required actions in accordance with the Listing Rules.

LETTER FROM THE BOARD

Further, the Group's business department will conduct random internal checks on a quarterly basis to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and the requirements under the Listing Rules are being complied with.

Listing Rules Implications

As CTS (Holdings) is a connected person of the Company by virtue of being a substantial Shareholder, the transactions underlying the Agency Agreement constitute a continuing connected transaction for the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Caps of the Travel Permit Administration shall exceed 5% and have an annual consideration of more than HK\$10,000,000, the renewal of the Caps and continuing provision of the Travel Permit Administration is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

As Mr. Fu Zhuoyang, Mr. Chen Xianjun and Mr. You Cheng hold executive or senior management positions at CTS (Holdings), they have therefore voluntarily abstained from voting at the Board meeting in relation to the approval of the continuing connected transactions contemplated under the Agency Agreement. Save as disclosed above, none of the Directors have a material interest in the aforesaid transactions or were required to abstain from voting on the Board resolutions for considering and approving the same.

At the EGM, the Company will seek Independent Shareholders' approval for the renewal of the Travel Permit Administration (including the Cap). In view of the interest of CTS (Holdings) and its associates in the continuing provision of Travel Permit Administration, CTS (Holdings) and its associates (as defined under the Listing Rules), which hold 60.05% of the issued share capital of the Company, will abstain from voting at the EGM in this regard. There is (a) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such persons (including its associates); and (b) no obligation or entitlement of each such persons (including its associates) as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her shares in the issuer to a third party, either generally or on a case-by-case basis.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders whether or not to vote in favour of the renewal of the Travel Permit Administration (including the Caps). First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the renewal of the Travel Permit Administration (including the Caps) is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise whether the Independent Shareholders should vote in favour of the relevant resolutions at the EGM.

LETTER FROM THE BOARD

Recommendation

Your attention is drawn to the letter from the Independent Board Committee which is set out on page 12 of this circular. The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that the Travel Permit Administration (including the Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Travel Permit Administration and the Caps. Taking into account the letter form the Independent Board Committee and all other facts stated above as a whole, the Directors consider the Travel Permit Administration (including the Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly, the Directors also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Travel Permit Administration and the Caps.

Additional Information

Your attention is also drawn to the “Letter from the Independent Board Committee”, “Letter from Independent Financial Adviser” and the additional information set out in Appendix 1 to this circular.

B. RE-ELECTION OF DIRECTORS

Introduction

Reference is made to the announcements of the Company dated 13 June 2018, 24 October 2018 and 26 October 2018 in relation to the appointment of directors. Pursuant to Article 92 of the Articles, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Code provision A.4.2 of the corporate governance code as set out in Appendix 14 to the Listing Rules requires that all directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. At the EGM, each of Mr. Fu Zhuoyang, Mr. Jiang Hong, Mr. You Cheng, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke and Mr. Huang Hui will retire as Directors and, being eligible, offer themselves for re-election.

Biographical details of the Directors to be re-elected at the EGM which are required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

LETTER FROM THE BOARD

Recommendation

The Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

EGM

A notice convening the EGM is set out on page 33 to 34 of this circular. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

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 to the Company's share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting at the EGM (or adjourned meeting or of the poll, as the case may be) if you so wish.

Yours faithfully,

By Order of the Board

China Travel International Investment Hong Kong Limited

Fu Zhuoyang

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Travel Permit Administration, the Caps and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

28 November 2018

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 28 November 2018 to the Shareholders (the “**Circular**”), of which this letter forms a part. Terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Travel Permit Administration (including the Caps) and to advise the Independent Shareholders whether, in our opinion, the terms of the Travel Permit Administration (including the Caps) are fair and reasonable so far as the Independent Shareholders are concerned. First Shanghai Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Travel Permit Administration (including the Caps).

We wish to draw your attention to the letter from the Board which contains, inter alia, information about the Travel Permit Administration (including the Caps), and the letter of advice from First Shanghai Capital Limited which contains its advice in respect of the Travel Permit Administration (including the Caps).

Having taken into account the principal reasons and factors considered by and the advice of First Shanghai Capital Limited, we consider the Travel Permit Administration (including the Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Travel Permit Administration and the Caps.

Yours faithfully
The Independent Board Committee
Mr. Wong Man Kong Peter
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai Capital Limited for the purpose of incorporation into this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

28 November 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Travel Permit Administration (including the Caps), details of which are set out in the circular of the Company to the Shareholders dated 28 November 2018 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

CTSHK, which is a wholly-owned subsidiary of the Company, has been providing the Travel Permit Administration under the Agency Agreement for CTS (Holdings), which is the holding company of the Company, since 2001. The Agency Agreement shall remain in force until 30 June 2047 (i.e. 50 years after 30 June 1997) and, at the extraordinary general meeting of the Company held on 15 December 2015, the Independent Shareholders had approved the Caps for each of the three years ending 31 December 2018. Accordingly, the Company now proposes to renew the Travel Permit Administration and proposes the Caps for each of the three years ending 31 December 2021 (the “**Caps**”).

Pursuant to the Listing Rules, CTS (Holdings), being the holding company of the Company, is a connected person of the Company and the provision of the Travel Permit Administration constitutes a continuing connected transaction for the Company. Therefore, the renewal of the Travel Permit Administration (including the Caps) is subject to, among other requirements, the approval by the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Man Kong Peter, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke and Mr. Huang Hui, has been formed to advise the Independent Shareholders in respect of the renewal of the Travel Permit Administration (including the Caps). We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Within the past two years from the Latest Practicable Date, we did not have any business relationship with the Company. The Independent Shareholders should note that we had acted as the independent financial adviser in respect of the renewal of the Travel Permit Administration and the caps for the three years ending 31 December 2018 as set out in the circular of the Company dated 27 November 2015. Given (i) our independent role in this previous engagement; (ii) our fee for this previous engagement represented an insignificant percentage of the revenue of our parent group; and (iii) this previous engagement had already been completed, we consider this previous engagement would not affect our independence to form our opinion for our current engagement in respect of the renewal of the Travel Permit Administration and the Caps for the three years ending 31 December 2021.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group. We have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continue to be true up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and CTS (Holdings).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the renewal of the Travel Permit Administration (including the Caps), we have taken into account the following principal factors and reasons:–

1. Background and benefits of the renewal of the Travel Permit Administration

I. Background information on the Group

The principal business of the Group includes operations of travel destinations (including hotels, theme parks, natural and cultural spots and leisure resorts), travel agency, travel documents and related operations and passenger transportation operations. CTSHK is a wholly-owned subsidiary of the Company and is principally engaged in the business of travel agency, travel document and related operations.

The table below is an overview of the revenue of the Group by four business segments (the “**Business Segments**”) as extracted from the annual report of the Company for the year ended 31 December 2017.

	Revenue for the year ended 31 December			
	2016		2017	
	<i>HK\$ million</i>	<i>% of</i>	<i>HK\$ million</i>	<i>% of</i>
	<i>(audited)</i>	<i>total</i>	<i>(audited)</i>	<i>total</i>
Tourist attraction operations	1,840	45%	2,465	50%
Travel agency, travel document and related operations	1,198	29%	1,228	25%
Hotel operations	753	19%	788	16%
Passenger transportation operations	275	7%	428	9%
Total	<u>4,066</u>	<u>100%</u>	<u>4,909</u>	<u>100%</u>

The revenue of the Group was primarily derived from travel related businesses for each of the years ended 31 December 2016 and 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. Background information on CTS (Holdings)

CTS (Holdings) is the holding company of the Company. CTS (Holdings) is a PRC state-owned enterprise, where the CTS (Holdings) Group is principally engaged in travel business and real estate development.

III. Background and benefits of the renewal of the Travel Permit Administration

The PRC government has appointed CTS (Holdings) to provide general administration services in Hong Kong for application of tourist visas and travel permits for the entry into the PRC. CTS (Holdings) and CTSHK entered into the Agency Agreement in 2001, pursuant to which CTS (Holdings) appointed CTSHK as its exclusive agent to provide the Travel Permit Administration until 30 June 2047 (i.e. 50 years after 30 June 1997).

For each of the years ended 31 December 2016 and 2017, the revenue of the Group derived from the Travel Permit Administration amounted to approximately HK\$198 million and approximately HK\$199 million, representing approximately 5% and 4% of the total revenue of the Group, respectively.

At the extraordinary general meeting of the Company held on 15 December 2015, the Independent Shareholders had approved the renewal of the Travel Permit Administration and the caps for each of the three years ending 31 December 2018. Accordingly, the Company now proposes to renew the Travel Permit Administration and the Caps for the three years ending 31 December 2021.

Having principally considered (i) the provision of the Travel Permit Administration is of revenue nature to the Group; (ii) the provision of the Travel Permit Administration is in line with the principal businesses of the Group, being travel related businesses; (iii) the operational capabilities built up and the long-term business cooperation relationship established by the Group throughout the years since 2001; and (iv) the terms of the Travel Permit Administration are fair and reasonable as discussed in the section below, we are of the view that the provision of the Travel Permit Administration is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms in respect of the renewal of the Travel Permit Administration

Pursuant to the Agency Agreement, CTS (Holdings) shall pay CTSHK 45% of the gross fee revenue from permit applications for the services provided by CTSHK in relation to the Travel Permit Administration, where the payments shall be made by CTS (Holdings) in arrears on a monthly basis. We are advised by the management of the Group that the 45% of gross fee revenue from the provision of the Travel Permit Administration has been accounted for as revenue of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Shareholders should note that the business in connection with the provision of the Travel Permit Administration is unique to the Group given:

- (i) the PRC government has appointed CTS (Holdings) to provide services in Hong Kong for application of tourist visas and travel permits into the PRC, where CTSHK is the exclusive agent to provide the Travel Permit Administration for CTS (Holdings) pursuant to the Agency Agreement; and
- (ii) as advised by the management of the Group, the Group does not provide the identical type of services under the Travel Permit Administration to any party other than CTS (Holdings).

For the assessment of the fairness and reasonableness of the terms of the Travel Permit Administration, we have reviewed and considered the following factors:

- (i) for each of the years ended 31 December 2016 and 2017, the gross profit margin of the Travel Permit Administration (the “**Travel Permit Margin**”) was higher than that of the China visa service provided by the Group to foreigners (the “**China Visa Service**”). Despite the cost components of the Travel Permit Administration and the China Visa Service were not identical given they are not identical businesses (i.e. the Travel Permit Administration incurs application system service fee and courier service expense, whereas China Visa Service incurs visa cost paid to governmental body), (a) the China Visa Service is the business most comparable with the Travel Permit Administration amongst the businesses of the Group given both of them involve the provision of administration for travel documents; (b) the operation of the Travel Permit Administration and the China Visa Service were separate; and (c) the China Visa Service does not involve the appointment by CTS (Holdings) nor other connected persons of the Company, as advised by the management of the Group; and
- (ii) for each of the years ended 31 December 2016 and 2017, the Travel Permit Margin was higher than the gross profit margin of every Business Segment of the Group, as advised by the management of the Group.

In respect of the internal control measures of the Group for the provision of the Travel Permit Administration, we are advised by the management of the Group that:

- (i) the Group collects gross fees from its clients and transfers the full amount of such fees to CTS (Holdings) on a daily basis, where the Group will continue to, on a monthly basis and with reference to the gross fees transferred to CTS (Holdings), calculate and ensure that CTS (Holdings) pays 45% of the gross fee revenue to CTSHK for the provision of the Travel Permit Administration for the subject month;

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- (ii) the Group will continue to, on a monthly basis, monitor the gross profit margin of the Travel Permit Administration on a monthly basis to ensure that it is profitable and therefore in the interests of the Group to continue to engage in the Travel Permit Administration. For each of the years ended 31 December 2016 and 2017, the Travel Permit Margin was higher than the gross profit margin of every Business Segment of the Group, but if, in the future, the Group notices from its monthly review that the gross profit margin of the Travel Permit Administration is on a decline trend and is projected to become not profitable, the Group would liaise with CTS (Holdings) on such as the revision of the pricing terms of the Agency Agreement and the Group would also comply with the requirements of Chapter 14A of the Listing Rules, where applicable; and
- (iii) the independent non-executive Directors and the auditors will, in accordance with Chapter 14A of the Listing Rules, continue to review, on an annual basis, the terms of the Travel Permit Administration.

We have reviewed recent sample documents of the Group, including but not limited to invoices and bank transfer documents, and we note that, for each of the recent months, CTS (Holdings) had paid 45% of the gross fee revenue to CTSHK for the provision of the Travel Permit Administration. We have also reviewed the gross profit margins of the Travel Permit Administration and the China Visa Service, including their calculation and their major cost components as described previously. We have also reviewed the two most recent annual reports of the Company and we understand the Company complied with the annual review requirements in accordance with Chapter 14A of the Listing Rules for each of the years ended 31 December 2016 and 2017.

After taking into account, in particular, (i) the provision of the Travel Permit Administration is revenue in nature; (ii) the Travel Permit Margin is higher than that of the China Visa Service and also higher than the gross profit margin of every Business Segment of the Group; and (iii) the internal control measures, including but not limited to monitoring the gross profit margin of the Travel Permit Administration on a monthly basis, as mentioned above, we are of the view that the terms of the Travel Permit Administration are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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3. Caps in respect of the renewal of the Travel Permit Administration

The following table sets out the historical actual transaction amounts and the Caps in relation to the provision of the Travel Permit Administration by CTSHK.

	Historical actual transaction amounts			Caps ⁽²⁾		
	For the year ended		For the nine	For the year ending		
	31 December		months ended	31 December		
	2016	2017	30 September	2019	2020	2021
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>			
Provision of the Travel Permit Administration by CTSHK ⁽¹⁾	198	199	185	310	310	310

Notes:

1. As advised by the management of the Group, the monetary amounts presented above reflect the 45% of gross fee revenue from the provision of the Travel Permit Administration.
2. The Caps should not be construed as an assurance by the Group of its future revenue or profitability.

In respect of the historical actual transaction amounts and the Caps, we note the following:

- (i) the historical actual transaction amounts for each of the years ended 31 December 2016 and 2017 were close to HK\$200 million;
- (ii) the historical actual transaction amounts for the nine months ended 30 September 2018 reached HK\$185 million and, on a pro rata basis, the amount for the year ending 31 December 2018 would be approximately HK\$247 million (the “**Pro Rata 2018 Amount**”), representing an annual growth of approximately 24% (the “**Annual Growth Rate**”); and
- (iii) the Pro Rata 2018 Amount for the year ending 31 December 2018 increased by the Annual Growth Rate would be approximately HK\$306 million, which is around the amount of the Cap for each of the years ending 31 December 2019, 2020 and 2021 of approximately HK\$310 million.

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We understand the growth of the actual transaction amount for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 (the “**Previous Growth Rate**”) was not significant, whereas the Annual Growth Rate is higher than the Previous Growth Rate and is a more updated information on the possible growth rate and the recent growth trend, therefore more emphasis is placed on the Annual Growth Rate when considering the Caps.

For our assessment of the fairness and reasonableness of the Caps, we have also reviewed governmental information and considered the following factors which may lead to a higher number of Chinese compatriots, who would demand the services under the Travel Permit Administration, travelling to the PRC in the coming years:–

- (i) the recent infrastructure developments which facilitate cross border travelling. Such infrastructure developments particularly include (a) the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (廣深港高鐵香港段), which commenced operation in September 2018; and (b) the Hong Kong-Zhuhai-Macao Bridge (港珠澳大橋), which commenced operation in October 2018;
- (ii) the increasing number of business opportunities in the PRC, including those expected to be brought forward by (a) the emphasis of the government of Hong Kong to develop the Greater Bay Area (粵港澳大灣區); and (b) the One Belt One Road (一帶一路) development strategy adopted by the government of the PRC; and
- (iii) the ongoing development of the tourism industry, including the related facilities, of the PRC in view of, among other things, the 13th Five-year Plan on the Development of the Tourism Industry (“十三五”旅遊業發展規劃) published by the State Council of the PRC (中國國務院) in December 2016.

We have discussed with and are advised by the management of the Group that, in respect of the demand of the Travel Permit Administration, the aforesaid factors may not be applicable to travelers who are already holding effective travel permits, however, the aforesaid factors are applicable to (i) those who have not yet applied for the travel permits; (ii) those who have lost their travel permits; and (iii) those who have expired travel permits and require renewal. The Annual Growth Rate demonstrates the possible annual rate of increase in the amount of the Travel Permit Administration. We also note that the Pro Rata 2018 Amount of approximately HK\$247 million represents approximately 80% of the Caps of HK\$310 million.

Taking into account, in particular, (i) each of the Caps of HK\$310 million is approximately the Pro Rata 2018 Amount increased by the Annual Growth Rate; (ii) the aforementioned factors which may lead to a higher number of Chinese compatriots, who would demand the service under the Travel Permit Administration, travelling to the PRC in the coming years; and (iii) the Travel Permit Administration is revenue in nature to the Group, we are of the view that the Caps are fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having considered the above principal factors and reasons, in respect of the renewal of the Travel Permit Administration (including the Caps), we are of the view that (i) the provision of the Travel Permit Administration is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Travel Permit Administration are on normal commercial terms and, together with the Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the renewal of the Travel Permit Administration (including the Caps).

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Allen Wang
Managing Director

Note: Mr. Allen Wang has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. He has participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular 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 executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Interests in shares			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at the Latest Practicable Date
	Corporate interest	Personal interest	Family interest			
Mr. Fu Zhuoyang	-	-	-	768,000	768,000	0.01%
Mr. Lo Sui On	-	600,000	-	770,000	1,370,000	0.03%
Mr. Jiang Hong	-	-	-	800,000	800,000	0.01%
Mr. You Cheng	-	450,000	-	-	450,000	0.01%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (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 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) who had interests, directly or indirectly, or short positions in the Shares and underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the latest practicable date
China CTS	Interest of controlled corporation (<i>Note 1</i>)	3,276,164,728	60.05%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (<i>Note 1 and 2</i>)	3,276,164,728	60.05%
Hongkong New Travel Investments Ltd. (formerly known as Alliance Power Resources Ltd.)	Beneficial owner (<i>Note 2</i>)	1,109,952,705	20.34%
CTS Asset Management (I) Limited	Interest of controlled corporation (<i>Note 2</i>)	1,109,952,705	20.34%
CNIC Corporation Limited (formerly known as GUOXIN International Investment Corporation Limited)	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%
Ryden Holdings Company Limited	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%
中國華馨投資有限公司	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the latest practicable date
博遠投資有限公司	Interest of controlled corporation (<i>Note 3</i>)	1,115,340,456	20.44%

Note 1: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS. CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO and the interests of China CTS in the Company duplicate the interests of CTS (Holdings).

Note 2: Of these 3,276,164,728 shares, 2,145,512,023 shares are held directly by CTS (Holdings). 20,700,000 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,109,952,705 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Note 3: 1,109,952,705 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. Ryden Holdings Company Limited is 100% directly owned by CNIC Corporation Limited, which is 90% directly owned by 博遠投資有限公司, a 100%-owned subsidiary of 中國華馨投資有限公司. Ryden Holdings Company Limited, CNIC Corporation Limited, 博遠投資有限公司 and 中國華馨投資有限公司 are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had any interest, directly or indirectly, or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2017 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse changes in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated accounts of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
First Shanghai Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, First Shanghai Capital Limited had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, First Shanghai Capital Limited was not interested, directly or indirectly, in any assets which had since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. LANGUAGE

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Agency Agreement will be available for inspection during normal business hours at the registered office of the Company at Hong Kong at 12/F., CTS House, 78-83 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM.

Particulars of the retiring Directors subject to re-election at the EGM are set out below:

MR. FU ZHUOYANG *Chairman & Executive Director*

Aged 59, appointed on 13 June 2018, is a member of the Remuneration Committee and the Chairman of the Nomination Committee of the Company. Mr. Fu is a Deputy General Manager of China CTS and CTS (Holdings), and the Chairman of Hong Kong China Travel Service Investment (China) Limited, a wholly owned subsidiary of CTS (Holdings). Mr. Fu is also a Director of Common Bond Investments Limited, a subsidiary of the Company. Mr. Fu was the Deputy General Manager of China Travel Service (Holdings) Corporation of China, the General Manager of China National Tourism Trading & Service Corporation, and the Chairman of China Spacesat Company Limited, a company listed on the Shanghai Stock Exchange. He was also an Executive Director of the Company from November 2010 to February 2017, a member of the Strategy and Development Committee of the Company from June 2012 to February 2017, and the chairman of CTS International Logistics Corporation Limited, a company listed on the Shanghai Stock Exchange, from October 2016 to September 2017. Mr. Fu has extensive experience in investment management and capital operation. Mr. Fu graduated from Xiamen University with a Bachelor of Arts degree in 1982, and graduated from Graduate School, Chinese Academy of Social Sciences in 1998.

Save as disclosed above, Mr. Fu has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. There is no service contract between the Company and Mr. Fu. He is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. In particular, the term of Mr. Fu's appointment shall be subject to his re-election following retirement at the next annual general meeting (being the latest date on which Mr. Fu shall retire and be re-elected) in accordance with the Articles. The director's fees payable to the Directors for their service in each year is approved by the Shareholders at the annual general meeting. Pursuant to the authorization granted by the Shareholders, the Board will then determine the director's fee payable to each Director with reference to his performance and the prevailing market conditions and trends. The director's fee of Mr. Fu as Chairman of the Board for the year 2018 currently proposed is approximately HK\$330,000, such fee was based on the general duties and responsibilities as the Chairman of the Board and the prevailing market conditions, and is payable on a time pro-rata basis for any non-full year's service.

Save as disclosed above, Mr. Fu does not hold any other position with the Company or its subsidiaries and does not have any relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company. As at the date hereof, Mr. Fu has beneficial interest in 768,000 underlying shares of the Company in respect of his interests in the share options granted by the Company at an exercise price of HK\$1.70 per Share within the meaning of Part XV of the SFO.

Save as disclosed above, as at the date of this circular, Mr. Fu has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

MR. JIANG HONG *Executive Director & General Manager*

Aged 49, appointed on 24 October 2018, graduated from the Peking University Law School in 1991 with a Bachelor of Laws degree. He was the director and general manager of Hong Kong China Travel Service Investment (China) Limited, a company specialized in the development of urban and tourism real estate and a wholly-owned subsidiary of CTS (Holdings). He was the deputy general manager (in charge of overall operation) of the strategic investment department and the general manager of the corporate development and management department of CTS (Holdings). Mr. Jiang was a cadre in the marketing division of National Tourism Administration; an officer of the general office, the legal counsel, and the securities affairs representative of China Pan-Tourism Industry Development Co., Ltd. (a company listed on the Shanghai Stock Exchange); the general manager of Pan-Tourism Advertising Development Ltd.; an officer in the human resources division, and the general manager in the development and planning division of China National Tourism Trading & Service Corporation; the general manager of the strategic development department of China Travel Service (Holdings) Corporation of China and a director of China Travel Service Head Office. Mr. Jiang has extensive experience in investment management, capital operation and the development of tourism real estate.

Save as disclosed above, Mr. Jiang has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. Pursuant to the service contract entered into between the Company and Mr. Jiang, he is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. In particular, the term of Mr. Jiang's appointment shall be subject to his re-election following retirement at the next annual general meeting (being the latest date on which Mr. Jiang shall retire and be re-elected) in accordance with the Articles. The director's fees payable to the Directors for their service in each year is approved by the Shareholders at the annual general meeting. Pursuant to the authorization granted by the Shareholders, the Board will then determine the director's fee payable to each Director with reference to his performance and the prevailing market conditions and trends. Mr. Jiang is entitled to receive a director's fee of HK\$240,000 per year and a fixed salary of about HK\$1,280,000 per year (including allowance and subsidy), which is determined by the Board with reference to his duties and responsibilities, the Company's remuneration policies and the prevailing market conditions, and will be subject to review from time to time. Mr. Jiang's year-end bonus will be determined by the Board with reference to the operating results and the assessment incentive policies of the Company, and his individual performance appraisal results.

Save as disclosed above, Mr. Jiang does not hold any other position with the Company or its subsidiaries and does not have any relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company in the past three years. As at the date hereof, Mr. Jiang has beneficial interest in 800,000 underlying shares of the Company in respect of his interests in the share options granted by the Company at an exercise price of HK\$1.70 per Share within the meaning of Part XV of the SFO.

Save as disclosed above, as of the date of this circular, Mr. Jiang has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

MR. YOU CHENG *Executive Director*

Aged 44, appointed on 26 October 2018, is the general manager of the human resources department of CTS (Holdings), the controlling shareholder of the Company. Mr. You was a director of Shaanxi Weihe Power Co., Ltd., the deputy general manager of the Company, a director of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., Shenzhen The World Miniature Co., Ltd. and Shenzhen Splendid China Development Co., Ltd., the subsidiaries of the Company. Mr. You graduated from the school of labour and human resources of Renmin University of China with a bachelor's degree in human resources management, and obtained a master degree in finance from the Chinese University of Hong Kong. Mr. You has extensive experience in human resources management and business management.

Save as disclosed above, Mr. You has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. There is no service contract between the Company and Mr. You. He is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. In particular, the term of Mr. You's appointment shall be subject to his re-election following retirement at the next annual general meeting (being the latest date on which Mr. You shall retire and be re-elected) in accordance with the Articles. The director's fees payable to the Directors for their service in each year is approved by the shareholders of the Company at the annual general meeting. Pursuant to the authorization granted by the shareholders of the Company, the Board will then determine the director's fee payable to each Director with reference to his performance and the prevailing market conditions and trends. The director's fee of Mr. You as an Executive Director for the year 2018 currently proposed is approximately HK\$240,000, such fee was based on the general duties and responsibilities as an Executive Director of the Company and the prevailing market conditions, and is payable on a time pro-rata basis for any non-full year's service.

Save as disclosed above, Mr. You does not hold any other position with the Company or its subsidiaries and does not have any relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company in the past three years. As at the date hereof, Mr. You has a personal interest of 450,000 Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as of the date of this circular, Mr. You has confirmed that there are no other matters that need to be brought to the attention of the Shareholders of the Company in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

MR. TSE CHO CHE EDWARD *Independent Non-Executive Director*

Aged 62, appointed on 24 October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He holds a bachelor's degree and a master's degree in civil engineering from the Massachusetts Institute of Technology, the United States, and a master of business administration as well as a Ph.D. in civil engineering from the University of California, Berkeley, the United States. Mr. Tse is currently an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (Stock Code: HK.02607, SH.601607). He has been engaged in management consultancy and corporate senior management for nearly 30 years, with extensive experience and expertise in definition and implementation of corporate transformation, establishment of organizations, business strategy and overseas expansion. He holds the position of Chairman in Gao Feng Advisory Company since April 2014. He was the chairman of the board in Greater China region of Booz & Company, an independent director of Baoshan Iron & Steel Co., Ltd. (Stock code SH.600019), director of Shanghai Automotive Industry Corporation (Group), executive vice president of corporate planning and development division and business president of Greater China region of HKT Limited, a member of the Strategy Development Committee and a part-time member of the Central Policy Unit of the Hong Kong Special Administrative Region, and president of Greater China region of Boston Consulting Group, etc.

Save as disclosed above, Mr. Tse has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. Pursuant to the director appointment contract entered into between the Company and Mr. Tse, he is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. In particular, the term of Mr. Tse's appointment shall be subject to his re-election following retirement at the next annual general meeting (being the latest date on which Mr. Tse shall retire and be re-elected) in accordance with the Articles. The director's fees payable to the Directors for their service in each year is approved by the Shareholders at the annual general meeting. Pursuant to the authorization granted by the Shareholders, the Board will then determine the director's fee payable to each Director with reference to his performance and the prevailing market conditions and trends. The director's fee of Mr. Tse as an Independent Non-Executive Director for the year 2018 currently proposed is approximately HK\$350,000, such fee was based on the general duties and responsibilities as an Independent Non-Executive Director of the Company and the prevailing market conditions, and is payable on a time pro-rata basis for any non-full year's service.

Save as disclosed above, Mr. Tse does not hold any other position with the Company or its subsidiaries and does not have any relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company in the past three years. As at the date hereof, Mr. Tse does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as of the date of this circular, Mr. Tse has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

MR. ZHANG XIAOKE *Independent Non-Executive Director*

Aged 64, appointed on 24 October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He is a specially-invited expert of the Chinese Academy of Social Sciences and a deputy of the eighth and ninth National People's Congress of the People's Republic of China. Mr. Zhang obtained a doctor of business administration degree from Warnborough College, UK, and an EMBA degree from Xi'an Jiaotong University. Mr. Zhang was the general manager of China International Travel Service, Xi'an, the under-secretary of Shaanxi Provincial Tourism Bureau, and the general manager and chairman of the Shaanxi Tourism Holdings Company. Due to his outstanding performance, Mr. Zhang received about 20 awards and honours such as the excellent manager of national travel agency industry and the outstanding entrepreneur of national tourism industry.

Save as disclosed above, Mr. Zhang has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. Pursuant to the director appointment contract entered into between the Company and Mr. Zhang, he is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. In particular, the term of Mr. Zhang's appointment shall be subject to his re-election following retirement at the next annual general meeting (being the latest date on which Mr. Zhang shall retire and be re-elected) in accordance with the Articles. The director's fees payable to the Directors for their service in each year is approved by the Shareholders at the annual general meeting. Pursuant to the authorization granted by the Shareholders, the Board will then determine the director's fee payable to each Director with reference to his performance and the prevailing market conditions and trends. The director's fee of Mr. Zhang as an Independent Non-Executive Director for the year 2018 currently proposed is approximately HK\$350,000, such fee was based on the general duties and responsibilities as an Independent Non-Executive Director of the Company and the prevailing market conditions, and is payable on a time pro-rata basis for any non-full year's service.

Save as disclosed above, Mr. Zhang does not hold any other position with the Company or its subsidiaries and does not have any relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company in the past three years. As at the date hereof, Mr. Zhang does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as of the date of this circular, Mr. Zhang has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

MR. HUANG HUI *Independent Non-Executive Director*

Aged 42, appointed on 24 October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He obtained two bachelor degrees – in mechanical engineering and in law – and a master degree in law, from Tsinghua University, and a PhD in law from the University of New South Wales, Australia. He is a professor of law in the faculty of law, the Chinese University of Hong Kong. Mr. Huang specializes in corporate law, securities law and financial regulation, etc. Mr. Huang is a member of the World Bank Panel for Financial Institution Resolution and Insolvency, a specially-invited expert of the Supreme People’s Court of the PRC. He has written extensively in his areas of expertise, with articles published in some of the top-rated journals in the US, the UK, Australia, Canada, German, Israel, Hong Kong and Mainland China, etc. He has also published nine books and book chapters with international and reputable publishers.

Save as disclosed above, Mr. Huang has not held any directorships in other public listed companies in Hong Kong or overseas in the past three years. Pursuant to the director appointment contract entered into between the Company and Mr. Huang, he is not appointed for a specific term but shall be subject to the provisions of retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Articles. In particular, the term of Mr. Huang’s appointment shall be subject to his re-election following retirement at the next annual general meeting (being the latest date on which Mr. Huang shall retire and be re-elected) in accordance with the Articles. The director’s fees payable to the Directors for their service in each year is approved by the Shareholders at the annual general meeting. Pursuant to the authorization granted by the Shareholders, the Board will then determine the director’s fee payable to each Director with reference to his performance and the prevailing market conditions and trends. The director’s fee of Mr. Huang as an Independent Non-Executive Director for the year 2018 currently proposed is approximately HK\$350,000, such fee was based on the general duties and responsibilities as an Independent Non-Executive Director of the Company and the prevailing market conditions, and is payable on a time pro-rata basis for any non-full year’s service.

Save as disclosed above, Mr. Huang does not hold any other position with the Company or its subsidiaries and does not have any relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company in the past three years. As at the date hereof, Mr. Huang does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as of the date of this circular, Mr. Huang has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

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: 308)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of China Travel International Investment Hong Kong Limited (the “Company”) will be held at Cafe du Parc, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 14 December 2018 at 2:30 p.m. to consider as special business and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolution:

1. **“THAT**

the performance and implementation of the general administration service (the “**Travel Permit Administration**”) provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC pursuant to the agency agreement dated 15 May 2001 entered into between China Travel Service (Hong Kong) Limited and China Travel Service (Holdings) Hong Kong Limited and the respective annual cap amounts as set out in the Company’s circular dated 28 November 2018 (the “**Circular**”) (a copy of the Circular has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification) be and are hereby confirmed, approved and ratified; and the directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions as they may consider necessary or desirable for the purpose of or in connection with the Travel Permit Administration.”

2. **“THAT**

To re-elect the following Directors:

- (a) Mr. Fu Zhuoyang as an Executive Director;
- (b) Mr. Jiang Hong as an Executive Director;
- (c) Mr. You Cheng as an Executive Director;
- (d) Mr. Tse Cho Che Edward as an Independent Non-Executive Director;
- (e) Mr. Zhang Xiaoke as an Independent Non-Executive Director; and
- (f) Mr. Huang Hui as an Independent Non-Executive Director.

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

Hong Kong, 28 November 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 proxy form 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time of the Meeting or any adjournment thereof.
- (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 Register of Members of the Company will be closed from Thursday, 13 December 2018 to Friday, 14 December 2018 (both dates inclusive), for the purposes of ascertaining Shareholders' entitlement to attend and vote at the meeting. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share register, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 12 December 2018.
- (6) The votes to be taken at the Meeting shall be by way of poll.
- (7) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the Board comprises five Executive Directors, namely Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Jiang Hong, Mr. Chen Xianjun and Mr. You Cheng and four Independent Non-Executive Directors, namely Mr. Wong Man Kong Peter, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke and Mr. Huang Hui.