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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 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale 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)

**DISCLOSEABLE, CONNECTED TRANSACTION
AND RENEWAL OF CONTINUING CONNECTED TRANSACTION
AND NOTICE OF EGM**

Financial adviser to China Travel International Investment Hong Kong Limited

Morgan Stanley

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

 **SOMERLEY LIMITED**

A notice convening an extraordinary general meeting of China Travel International Investment Hong Kong Limited to be held at Cafe du Paru, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 18 December 2009 at 3:00 p.m. is set out on pages 40 to 41 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

3 December 2009

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	18
Letter from Somerley	20
Appendix – General information	36
Notice of the EGM	40

DEFINITIONS

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

“2001 Acquisition”	the Company’s acquisition of CTS HK from CTS (Holdings) in 2001
“Acquisition”	the acquisition of the Target Assets from the Vendor by the Company pursuant to the Agreement
“Agency Agreement”	the agency agreement dated 15 May 2001 entered into between CTS HK and CTS (Holdings) in relation to Travel Permit Administration
“Agreement”	the conditional sale and purchase agreement entered into on 18 November 2009 (entered into after the close of trading hours of the Stock Exchange) between the Company and the Vendor in relation to the Acquisition
“Aldington”	Aldington International Limited (定泰國際有限公司), a company incorporated in Western Samoa and is wholly-owned by Mutual Great
“associates”	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
“Changchun JYT”	Changchun Jingyuetan Youle Company Limited* (長春淨月潭遊樂有限責任公司), a company incorporated in the PRC and is 30% owned by CTS Scenery Resort
“Changsha Colorful World”	Changsha Colorful World Company Limited* (長沙世界之窗有限公司), a company incorporated in the PRC and is 26% owned by Aldington
“China CTS (HK)”	China National Travel Service (HK) Group Corporation* (中國港中旅集團公司), a state-owned enterprise under the direct supervision of the SASAC which beneficially owns the entire issued share capital of CTS (Holdings)

DEFINITIONS

“China CTS (HK) Group”	China CTS (HK) and its associates, which shall exclude the Group and the Trump Return Group for the purpose of this circular
“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
“Completion”	completion of the Acquisition pursuant to the Agreement
“Completion Date”	the 5th Business Day after the fulfilment (or waiver) of all of the conditions precedent in the Agreement or such other date as may be agreed by the parties
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CTS HK”	China Travel Service (Hong Kong) Limited, a wholly-owned subsidiary of the Company
“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 (Holdings) Group”	CTS (Holdings) and its subsidiaries, which shall exclude the Group and the Trump Return Group for the purpose of this circular
“CTS Scenery Resort”	CTS Scenery Resort Investment Company Limited* (中旅景區投資有限公司), a company incorporated in the PRC and is wholly-owned by Mutual Great
“CTS Scenery Resort Businesses”	the businesses held by CTS Scenery Resort and its subsidiaries
“Dean Glory”	Dean Glory Development Limited, a company incorporated in British Virgin Islands and wholly owned by CTS (Holdings)
“Directors”	The directors of the Company

DEFINITIONS

“EGM”	The extraordinary general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve, among others, the Agreement, the Travel Permit Administration (including the Cap(s)) and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“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
“Huangshan Taiping”	Huangshan Taiping Cable Car Co., Ltd.* (黄山太平索道有限公司), a company incorporated in the PRC and 30% owned by CTS (Holdings) as at the Latest Practicable Date
“Huangshan Taiping Restructuring”	has the meaning under item (iii) under the paragraph headed “Conditions Precedent” in the section headed “Letter from the Board” in this circular
“Huangshan Yuping Cable Car”	Huangshan Yuping Cable Car Company Limited* (黄山玉屏客运索道有限责任公司), a company incorporated in the PRC and is 20% owned by CTS Scenery Resort
“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 Agreement, the Travel Permit Administration (including the Cap(s)) and the transactions contemplated thereunder
“Independent Financial Adviser” or “Somerley”	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 Agreement, the Travel Permit Administration, the Cap(s) and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other person and its associates which have a material interest in the Acquisition and the Travel Permit Administration (including the Cap(s))
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company
“Latest Practicable Date”	30 November 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	not later than 6 months after the date of the Agreement
“Lushan Cable Car”	Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co. Ltd* (江西星子廬山秀峰客運索道有限公司), a company incorporated in the PRC and is 80% owned by CTS Scenery Resort
“Mutual Great”	Mutual Great (Hong Kong) Limited, a company incorporated in Hong Kong and wholly-owned by Trump Return
“Nanyue Cable Car”	Nanyue Cable Car Company Limited* (南岳索道運輸有限公司), a company incorporated in the PRC and is 17% owned by CTS Scenery Resort
“PRC” or “Mainland China”	the People’s Republic of China, for the purpose of this circular, exclusively refer to Mainland China
“Sakura China Travel”	Chengdu Huashuiwan China Travel Company Limited* (成都花水灣中旅遊樂有限責任公司), a company incorporated in the PRC and is wholly-owned by CTS Scenery Resort
“Sakura Hotel Company”	Chengdu Huashuiwan Sakura Hotel Company Limited* (成都花水灣中旅櫻花賓館有限責任公司), a company incorporated in the PRC and is wholly-owned by CTS Scenery Resort
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Assets”	the entire issued share capital of Trump Return and the Trump Return Shareholder’s Loan
“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 CTS HK to CTS (Holdings) pursuant to the terms of the Agency Agreement
“Trump Return”	Trump Return Limited, a company incorporated in British Virgin Islands and wholly-owned by Dean Glory
“Trump Return Shareholder’s Loan”	the entire shareholder’s loan and other indebtedness owed by Trump Return to Dean Glory as at Completion
“Trump Return Group”	Trump Return and its subsidiaries and associates
“UNESCO”	the United Nations Educational, Scientific and Cultural Organization
“Vendor”	Dean Glory

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)

Executive Directors:

Mr. Zhang Xuewu (*Chairman*)
Mr. Zheng Heshui (*Vice-Chairman*)
Mr. Lo Sui On (*Vice-Chairman*)
Ms. Jiang Yan
Mr. Mao Jianjun
Mr. Fang Xiaorong
Mr. Zhang Fengchun
Mr. Xu Muhan (*General Manager*)

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

3 December 2009

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE, CONNECTED TRANSACTION
AND RENEWAL OF CONTINUING CONNECTED TRANSACTION
AND NOTICE OF EGM**

INTRODUCTION

References are made to the announcements of the Company dated 18 November 2009 in relation to the Acquisition and the Travel Permit Administration (including the Cap(s)).

On 18 November 2009, the Company entered into the Agreement with the Vendor pursuant to which the Vendor conditionally agreed to sell and the Company conditionally agreed to acquire the Target Assets, at the Consideration of HK\$275,000,000. On Completion, Trump Return shall become a wholly-owned subsidiary of the Company and the financial results of the Trump Return Group will be consolidated into the Group's financial statements.

LETTER FROM THE BOARD

In addition, CTS HK 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 22 December 2006, the then independent shareholders approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value of HK\$400 million for the Travel Permit Administration for each of the three years ending 31 December 2009. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the annual caps for the Travel Permit Administration for the three years ending 31 December 2012 are required to be renewed in order to comply with the Listing Rules.

The purpose of this circular is to provide you with further information on details of the Agreement, the Travel Permit Administration, the Cap(s) and the transactions contemplated thereunder. This circular also sets out the respective advice of the Independent Financial Adviser and the Independent Board Committee in relation to the Agreement and the Travel Permit Administration (including the Cap(s)). A notice of the EGM is set out on pages 40 to 41 of this circular.

I. THE AGREEMENT

Date

18 November 2009 (entered into after the close of trading hours of the Stock Exchange)

Parties to the Agreement

- (1) Purchaser: the Company
- (2) Vendor: Dean Glory, a wholly-owned subsidiary of CTS (Holdings), the controlling Shareholder

The assets to be acquired

- (1) the entire issued share capital of Trump Return owned by Dean Glory; and
- (2) the Trump Return Shareholder's Loan (*Note 1*).

Note 1: The Trump Return Shareholder's Loan represents the entire shareholder's loan and other indebtedness owed by Trump Return to Dean Glory as at Completion which shall include the shareholder's loan created to satisfy the consideration for the Huangshan Taiping Restructuring. As of 30 September 2009, the aggregate unaudited amount of the Trump Return Shareholder's Loan and the consideration for the Huangshan Taiping Restructuring was approximately HK\$240,505,939.

LETTER FROM THE BOARD

Consideration

The Consideration of HK\$275,000,000 will be payable in cash by the Company to the Vendor. The Consideration will be satisfied by the Company to the Vendor within 5 Business Days from the Completion Date.

Based on the information provided by the CTS (Holdings) Group, as of 30 September, 2009, the aggregate amount of receivables due from the China CTS (HK) Group to the Trump Return Group is approximately HK\$58,640,727. The China CTS (HK) Group will repay such receivables due to the Trump Return Group within 5 Business Days from the Completion Date.

The Consideration was determined after arm's length negotiation between the Vendor and the Company and after taking into account of: (i) the historical and current trading multiples of listed companies with businesses similar to those of the Trump Return Group including their price-to-earnings multiples (P/E) and price-to-book multiples (P/B); (ii) the financial position, business outlook and future prospect of the Trump Return Group; and (iii) the value of assets attributable to the Acquisition.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Agreement was made on normal commercial terms and in the ordinary and usual course of business of the Group.

Conditions precedent

Completion of the Agreement is conditional upon fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM (at which CTS (Holdings) and its associates will abstain from voting) of resolution(s) approving, among other things, the Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (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 Agreement and any of the transactions contemplated thereunder;
- (iii) the completion of (i) the transfer of the 30% shareholding in the registered capital of Huangshan Taiping from CTS (Holdings) to Mutual Great; and (ii) the assignment of the entire shareholder's loan due from Huangshan Taiping to CTS (Holdings) from CTS (Holdings) to Mutual Great. The purpose of the Huangshan Taiping Restructuring is to streamline the structure of the Target Assets; and

LETTER FROM THE BOARD

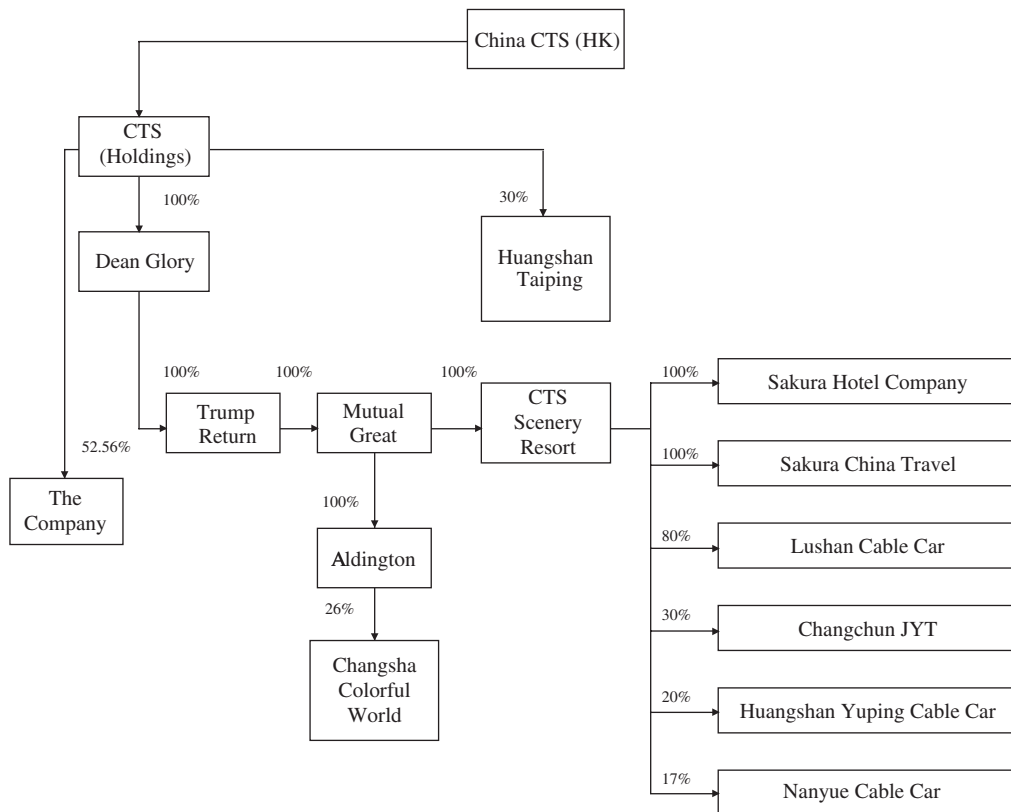
- (iv) the representations, warranties and undertakings given by the Company and the Vendors respectively remaining true and correct in all material respects on the Completion Date.

The Company may waive condition (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 parties to the Agreement, the Agreement will be terminated and all obligations of the parties under the Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist and none of the parties to the Agreement shall have any claims against the other (save for any antecedent breach).

Completion

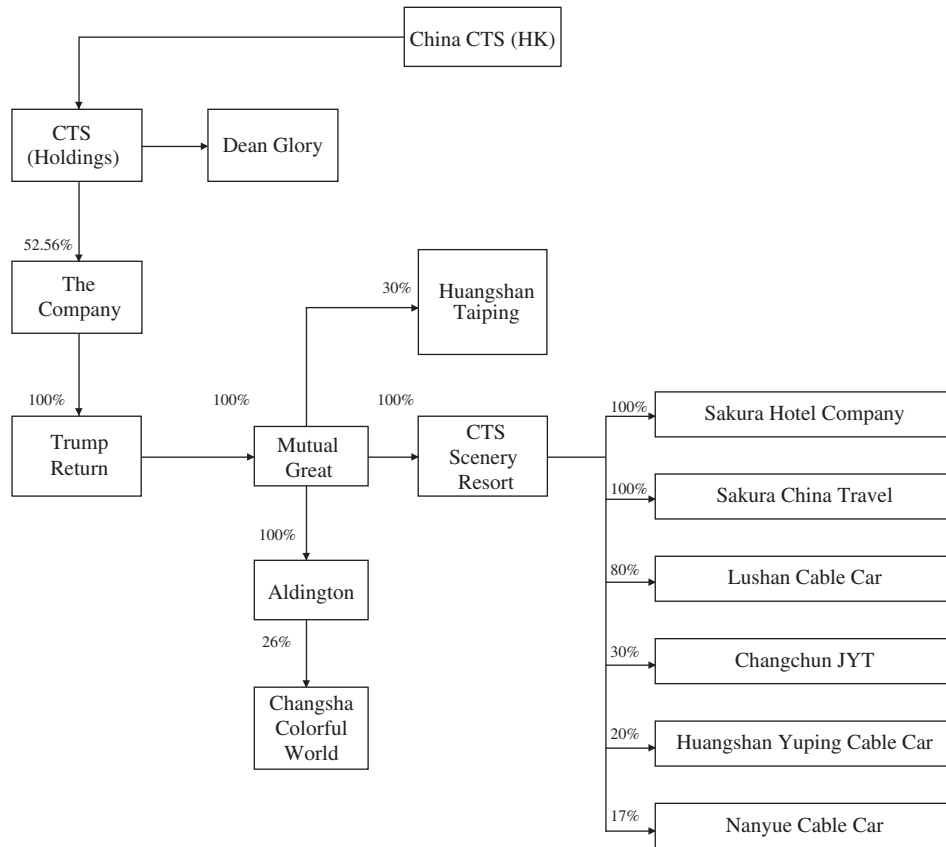
Completion shall take place on the 5th Business Day after the fulfilment (or waiver) of all of the conditions precedent in the Agreement or such other date as may be agreed by the parties. Upon Completion, Trump Return will become a wholly-owned subsidiary of the Company and the financial results of the Trump Return Group will be consolidated into the Group's financial statements.

The chart below sets out the current corporate structure of the Trump Return Group:



LETTER FROM THE BOARD

The chart below sets out the corporate structure of the Trump Return Group upon Completion:



LETTER FROM THE BOARD

INFORMATION ON THE TARGET COMPANIES

Trump Return

Trump Return was incorporated in the British Virgin Islands in 2008. Trump Return is an investment holding company and a wholly-owned subsidiary of CTS (Holdings). The original cost of the Trump Return Group amounts to approximately HK\$245,000,000.

As at the Latest Practicable Date, (i) Trump Return owns 100% of the issued share capital of Mutual Great; (ii) Mutual Great owns 100% of the issued share capital of CTS Scenery Resort; (iii) Mutual Great owns 100% of the issued share capital of Aldington; and (iv) Aldington owns 26% of the issued share capital of Changsha Colorful World.

The unaudited financial information of the Trump Return Group prepared in accordance with the HKFRS is as follows:

	For the year ended		For the
	31 December		nine months
	2007	2008	ended
	(HK\$'000)	(HK\$'000)	30 September
			2009
			(HK\$'000)
Profit before tax (<i>Note 2</i>)	12,987	18,397	18,103
Profit after tax (<i>Note 2</i>)	12,238	17,636	18,076
Profit attributable to equity holders of the parent (<i>Note 2</i>)	12,222	17,703	18,061

As at 30 September 2009, the value of assets attributable to the Acquisition was approximately HK\$236,169,681, which represents the aggregate of the net asset value of the Trump Return Group, the Trump Return Shareholder's Loan and the consideration for the Huangshan Taiping Restructuring (*Note 2*).

Note 2: The unaudited financial information represents the aggregate of the financial information of the Trump Return Group and the attributable interest in Huangshan Taiping. The completion of the Huangshan Taiping Restructuring is a condition precedent to the Agreement which is due to occur prior to or upon Completion.

LETTER FROM THE BOARD

CTS Scenery Resort

Incorporated in 2005 in Beijing, CTS Scenery Resort is wholly owned by Trump Return through Mutual Great. It is mainly involved in the investment, development and management of resort hotel, theme park, cable car systems and skiing facilities. As at the date of this circular, CTS Scenery Resort held equity interests in six resorts and related businesses. The details of the principal assets of CTS Scenery Resort are set out below:

Company name	Location	Brief description	Number of visitors in 2008 <i>(1,000)</i>	Percentage of shares held by CTS Scenery Resort
Sakura China Travel	Chengdu, Sichuan	Located in Huashuiwan Resort in Chengdu, Sakura China Travel owns and operates a sliding track in Huashuiwan Resort	13.5	100.0%
Sakura Hotel Company	Chengdu, Sichuan	Located in Huashuiwan Resort in Chengdu, Sakura Hotel Company owns and operates Sakura Hotel, which mainly hosts business conferences and tour groups	38.0	100.0%
Lushan Cable Car	Lushan, Jiangxi	Located in the Lushan national geopark, Lushan Cable Car owns and operates cable car systems and provides other travel-related services	48.1	80.0%
Changchun JYT	Jingyuetan, Changchun, Jilin	Located in the national Grade 4A forest park Jinyuetan, Changchun JYT owns and operates skiing facilities, which is one of the largest skiing sites in North-Eastern China	99.3	30.2%
Huangshan Yuping Cable Car	Huangshan, Anhui	Located in the national geopark Huangshan. Huangshan Yuping Cable Car owns and operates a cable car system in Yuping route, which is one of the three cable car systems in Huangshan	1,620.7	20.0%
Nanyue Cable Car	Hengshan, Hunan	Located in the national geopark Hengshan, Nanyue Cable Car owns and operates a cable car system in Hengshan	580.0	17.0%

LETTER FROM THE BOARD

Changsha Colorful World

Changsha Colorful World is 26% owned by Trump Return through its wholly-owned subsidiaries, Mutual Great and Aldington. Changsha Colorful World owns and operates a theme park in Changsha, Hunan Province, with an area of approximately 400,000 sq.m., which is one of the leading theme parks in Hunan Province.

Huangshan Taiping

Established in 1992 in Huangshan, Huangshan Taiping is 30% owned by CTS (Holdings). Huangshan is a geopark in the PRC which has been accredited as a world heritage by UNESCO. Huangshan Taiping owns and operates a cable car system at the north gate of Huangshan as its principal business.

INFORMATION OF THE PARTIES

The principal businesses of the Group include travel agency and related operations, online travel consolidator, hotels, theme parks, resorts, passenger transportation, golf club, art performance and infrastructure investment.

Dean Glory was incorporated in British Virgin Islands in 2008. Dean Glory is an investment holding company and a wholly-owned subsidiary of CTS (Holdings). The CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

China CTS (HK), the ultimate controlling shareholder of CTS (Holdings) and the Company, is a company incorporated in the PRC. As the travel-related business flagship and consolidated platform of China CTS (HK), the Group has been focusing on the development and consolidation of high-quality travel resources, so as to further develop its core travel and travel related businesses. The Acquisition demonstrates the Company's commitment to further develop its travel and travel related businesses.

In light of the favourable long-term outlook of PRC economy and the rapid increase in the disposable income of PRC consumers, the Directors are of the view that the development and operation of tourism facilities in geoparks, forest parks and other natural scenic spots have attractive prospect and growth potential and represent an important part of the Company's long-term development strategy. The Directors also believe that the assets to be acquired under the Agreement are located at popular tourism districts of the PRC are being well-operated and share a good prospect for future growth.

LETTER FROM THE BOARD

The Directors believe the Trump Return Group to be complementary to the Group's existing businesses, and expect there will be coordinated marketing efforts conducted by the Group targeting to attract more travellers.

The Directors (including the independent non-executive Directors) consider the Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. THE TRAVEL PERMIT ADMINISTRATION

Transaction nature

CTS HK and CTS (Holdings) agreed that CTS HK would provide general administration services in Hong Kong to CTS (Holdings) for the application for tourist visas and travel permits for entry into the PRC, for a fixed term until 30 June 2047.

Pricing basis

In accordance with the terms of the Agency Agreement determined on an arm's length basis between the parties, CTS (Holdings) agreed to pay CTS HK 45% of the gross fee revenue from permit applications for the services provided by CTS HK in relation to Travel Permit Administration. 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.

Term of the Agency Agreement

CTS HK 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 2001 Acquisition, which was then approved by the Independent Shareholders. The Company believes that a fixed contractual term of 46 years enabling CTS HK to provide Travel Permit Administration until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

The Directors (including the independent non-executive Directors) consider that the Travel Permit Administration is on normal commercial terms and in the ordinary and usual course of business of the Group and that the Travel Permit Administration and the Cap(s) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL FIGURES

According to the audited consolidated accounts of the Group for the three years ended 31 December 2008 and the unaudited condensed consolidated accounts of the Group for the eight months ended 31 August 2009 that are prepared in accordance with HKFRS, the amount of continuing connected transaction in connection with the Travel Permit Administration for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 is as follows:

	Year ended 31 December			For the eight months ended
	2006	2007	2008	31 August 2009
	(Audited)	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of Travel Permit Administration by CTS HK	313,730	308,457	300,111	233,064

Cap(s) for the Travel Permit Administration

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

	Year ending 31 December		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Provision of Travel Permit Administration by CTS HK	420,000	420,000	420,000

The above caps are determined based on an expected increase in revenue of 20% in 2010 based on the annualized value of the historical figures for the eight months ended 31 August 2009.

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

If during the periods ending 31 December 2012, the aggregate annual value of the Travel Permit Administration exceeds the proposed cap or there is a material change to the Agency Agreement, the Company will take the necessary steps to ensure compliance with the Listing Rules as required.

LETTER FROM THE BOARD

The Travel Permit Administration will also be subject to the annual review requirement and the reporting requirement respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 and 14A.46 of the Listing Rules.

REASONS FOR ENTERING INTO AND BENEFITS OF THE TRAVEL PERMIT ADMINISTRATION

CTS HK is the only commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out Travel Permit Administration on behalf of CTS (Holdings). In view of past operational convenience and benefits brought to the Group, the Directors (including the independent non-executive Directors) 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.

LISTING RULES IMPLICATIONS

I. The Agreement

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the Acquisition shall exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. CTS (Holdings) is a substantial Shareholder, and thus a connected person of the Company. The Acquisition also constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at the EGM under the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the EGM for the purpose of approving the Acquisition under the Agreement.

II. Travel Permit Administration

The annual caps for the Travel Permit Administration shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus the renewal of the annual caps and continuing provision of the Travel Permit Administration is subject to the reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the EGM for the purpose of approving the renewal of the Travel Permit Administration (including the Cap(s)).

At the EGM, the Company will seek Independent Shareholders' approval for the Agreement, the Travel Permit Administration, the Cap(s) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of (i) the terms of the Agreement and the transactions contemplated thereunder and (ii) the renewal of the Travel Permit Administration (including the Cap(s)) so far as the Independent Shareholders are concerned. An independent financial adviser, Somerley, has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether (i) and (ii) above are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole and to advise whether the Independent Shareholders should vote in favour of the relevant resolutions at the EGM.

EGM

A notice of the EGM is set out on pages 40 to 41 of this circular. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the resolutions proposed at the EGM shall be voted by poll.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the EGM or adjournment thereof in person if you so wish.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Acquisition and the Travel Permit Administration (including the Cap(s)) are in the interest of the Company and the Shareholders as a whole, that the Agreement and the Travel Permit Administration are on normal commercial terms and are in the ordinary and usual course of business of the Group, and accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

By Order of the Board
China Travel International Investment Hong Kong Limited
Zhang Xuewu
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 Agreement, the Travel Permit Administration, the Cap(s) 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)

3 December 2009

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE, CONNECTED TRANSACTION AND RENEWAL OF CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 3 December 2009 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 Agreement, the Travel Permit Administration (including the Cap(s)) and to advise the Independent Shareholders whether, in our opinion, the terms of the Agreement, the Travel Permit Administration (including the Cap(s)) 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 Agreement, the Travel Permit Administration, the Cap(s) and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board which contains, inter alia, information about the Agreement, the Travel Permit Administration (including the Cap(s)), and the letter of advice from Somerley which contains its advice in respect of the Agreement, the Travel Permit Administration, the Cap(s) and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taking into account the principal reasons and factors considered by and the advice of Somerley, we consider the Agreement and the Travel Permit Administration (including the Cap(s)) are on normal commercial terms, in the ordinary 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 resolutions to be proposed at the EGM to approve the Agreement, the Travel Permit Administration and the Cap(s).

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 text of 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

3 December 2009

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

Dear Sirs,

DISCLOSEABLE, CONNECTED TRANSACTION AND RENEWAL OF CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the transactions contemplated under the Agreement which involve the acquisition by the Company, of the entire issued share capital of Trump Return and the Trump Return Shareholder's Loan from Dean Glory; and (ii) the continuing provision of general administration services in Hong Kong for applications of tourist visas and travel permits for entry into the PRC by CTS HK to CTS (Holdings). Details of the Agreement and the Travel Permit Administration (including the Caps) are contained in the circular to Shareholders dated 3 December 2009 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. As CTS (Holdings) was interested in approximately 52.56% of the entire issued share capital of the Company as at the Latest Practicable Date and is a substantial Shareholder and thus a connected person of the Company as defined under the Listing Rules. Dean Glory being a wholly-owned subsidiary of CTS (Holdings) is considered as an associate of CTS (Holdings) and is therefore also a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. CTS HK is a wholly-owned subsidiary of the Company. The Travel Permit Administration constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the Company anticipates that annual aggregate value of the Travel Permit Administration is expected to be more than HK\$10,000,000 and exceed 2.5% of the Group's total turnover, the Travel Permit Administration (including the Caps) are subject to the reporting, announcement and Independent

LETTER FROM SOMERLEY

Shareholders' approval requirements pursuant to Rules 14A.45 to 14A.48 and 14A.52 to 14A.54 of the Listing Rules. CTS (Holdings) and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Agreement, the Travel Permit Administration (including the Caps) and the transactions contemplated thereunder.

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 Agreement and the Travel Permit Administration (including the Caps) are fair and reasonable so far as the Independent Shareholders are concerned and whether the Agreement and the Travel Permit Administration 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 regard.

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 date 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 not however, conducted any independent investigation into the business and affairs of the 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

The principal activities of the Group include travel agency and related operations, hotels, theme parks, passenger transportation, golf club, leisure resorts, arts performance operations and infrastructure investment. The Group operates eight hotels under the "Metropark" brand, five in Hong Kong and Macau, three in the PRC. The Group also runs Zhuhai Ocean Spring Resort in Zhuhai and theme parks including "Splendid China" and "Window of the World" and a golf club in Shenzhen. The Group also operates an on-line travel consolidator Mangocity.com and provides passenger transportation services.

According to the 2008 annual report of the Company, the natural disasters in the PRC and the sharp contraction of global economy during the year directly depressed both business and leisure travel spending, which adversely affected the Group's performance in 2008. Although the Group's overall turnover from its continuing operations slid slightly by 0.7% when compared to last year, the theme park operations and hotel operations sustained sound growth, recording an increase in revenue of 4.5% and 36.1% respectively. Profit attributable to equity holders of the Company dropped by 16.2% to HK\$531.3 million when compared to 2007. The decline in

LETTER FROM SOMERLEY

the profit attributable to Shareholders was also partly attributable to a sharp decrease of the Group's share of profit from the power generation business and a share of loss from the ferry operations.

The Group experienced tough challenge in the first half of 2009 amid the global recession and the H1N1 swine flu significantly hit the PRC tourism industry. For the first six months ended 30 June 2009, the unaudited consolidated turnover from the Group's continuing operations down 6.3% to HK\$1,888.8 million while the profit attributable to Shareholders shed 98.0% to HK\$13.4 million from the corresponding period last year. Apart from the negative macro business climate, the one-off gain of HK\$397.4 million in respect of the disposal of cargo business recognised in the first half of 2008 and the increase in depreciation expenses arising from shortened useful lives and write-off of certain fixed assets also contributed to the reduction in profit attributable to Shareholders in the first six months of 2009.

II. Information on CTS (Holdings) Group and Dean Glory

China CTS (HK), a state-owned enterprise supervised by SASAC, beneficially owns the entire issued share capital of CTS (Holdings). The CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading. Dean Glory is an investment holding company incorporated in British Virgin Islands in 2008 and a wholly-owned subsidiary of CTS (Holdings).

III. The Acquisition

1. Background to and reasons for the Agreement

The Group is the travel-related business flagship and consolidated platform of the China CTS (HK) Group and has been focusing on the development and consolidation of high-quality travel resources. Theme park and resort operations together generated approximately 15% of the Group's total turnover for the year ended 31 December 2008. The Group currently operates two theme parks in Shenzhen namely "Window of the World" and "Splendid China" and launched the Zhuhai Ocean Spring Resort in 2006.

With an intention to streamline and focus on the core travel and travel related businesses, the Group disposed of its freight forwarding and cargo services business in Hong Kong and the PRC to and acquired from, CTS (Holdings) a hotel management company which operates hotels and service apartments under the "Metropark" brand across major cities in the PRC and three hotels located in Beijing, Shanghai and Yangzhou in May 2008. In June 2009, the Group entered into a conditional sale and purchase agreement to dispose of its travel agency business in the PRC to CTS (Holdings) for the consolidation and integration of the travel agency business within the China CTS (HK) Group. The Group was granted a six-year call option to buy back the consolidated and integrated travel agency business from CTS (Holdings) Group at a price based on arm's length negotiation between the Company and CTS (Holdings) with reference to the

LETTER FROM SOMERLEY

valuation by an independent valuer. The Acquisition represents an opportunity for the Group to further develop its travel related business in the PRC. The Directors consider Trump Return Group which principally engages in the operation of tourism facilities in geoparks, forest parks and other natural scenic spots in popular tourists districts of PRC, has attractive prospect and growth potential.

The Directors are also of the view that the business of Trump Return Group would be complementary to the Group's existing travel related business. It is also expected that there will be coordinated marketing efforts conducted by the Group targeting to attract more travellers in the future.

2. *Principal terms of the Agreement*

(a) *Assets to be acquired and Consideration*

Pursuant to the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the entire issued share capital of Trump Return and the Trump Return Shareholder's Loan at an aggregate consideration of HK\$275 million. The Consideration will be settled in cash payable to the Vendor within five Business Days from the Completion Date. The Trump Return Shareholder's Loan represents the entire shareholder's loan and other indebtedness owed by Trump Return to Dean Glory as at Completion which shall include the shareholder's loan created to satisfy the consideration for the Huangshan Taiping Restructuring which is a condition to the Agreement as described below. As at 30 September 2009, the aggregate unaudited amount of the Trump Return Shareholder's Loan and the consideration for the Huangshan Taiping Restructuring was approximately HK\$240,505,939.

The Consideration was determined after arm's length negotiation between the Company and the Vendor and after taking into account of (i) the historical and current trading multiples of listed companies with businesses similar to those of the Trump Return Group including their price-to-earnings multiples ("PER") and price-to-book multiples ("PBR"); (ii) the financial position, business outlook and future prospect of the Trump Return Group; and (iii) the value of assets attributable to the Acquisition.

(b) *Conditions precedent*

Completion of the Agreement is conditional upon fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM (at which CTS (Holdings) and its associates will abstain from voting) of resolution(s) approving, among other things, the Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;

LETTER FROM SOMERLEY

- (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 Agreement and any of the transactions contemplated thereunder;
- (iii) the completion of (i) the transfer of the 30% shareholding in the registered capital of Huangshan Taiping from CTS (Holdings) to Mutual Great; and (ii) the assignment of the entire shareholder's loan due from Huangshan Taiping to CTS (Holdings) from CTS (Holdings) to Mutual Great. The purpose of the Huangshan Taiping Restructuring is to streamline the structure of the Target Assets; and
- (iv) the representations, warranties and undertakings given by the Company and the Vendor respectively remaining true and correct in all material respects on the Completion Date.

The Company may waive condition (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 parties to the Agreement, the Agreement will be terminated and all obligations of the parties under the Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist and none of the parties to the Agreement shall have any claims against the other (save for any antecedent breach).

3. *Information on the Trump Return Group*

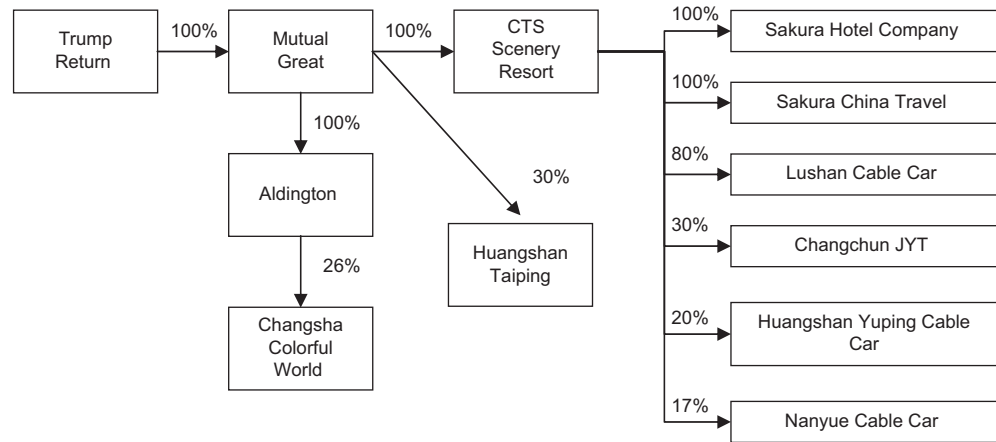
(a) *Business of the Trump Return Group*

Trump Return was incorporated in the British Virgin Islands in 2008. It is an investment holding company and a wholly-owned subsidiary of CTS (Holdings). The original cost of the Trump Return Group amounts to approximately HK\$245,000,000.

As at the Latest Practicable Date, Trump Return held 100% interest in Mutual Great. Mutual Great indirectly through Aldington held 26% of the equity interest in Changsha Colourful World. Mutual Great also held 100% interest in CTS Scenery Resort which held (i) 100% equity interest in Sakura Hotel Company and Sakura China Travel; (ii) 80% equity interest in Lushan Cable Car; (iii) 30% equity interest in Changchun JYT; (iv) 20% interest in Huangshan Yuping Cable Car; and (v) 17% equity interest in Nanyue Cable Car. Pursuant to the Agreement, the Acquisition is conditional upon the transfer of the 30% shareholding in the

LETTER FROM SOMERLEY

registered capital of Huangshan Taiping held by CTS (Holdings) to Mutual Great and the assignment of the entire shareholder's loan due from Huangshan Taiping to CTS (Holdings) from CTS (Holdings) to Mutual Great. The following chart set out the corporate structure of Trump Return Group upon Completion.



Sakura China Travel owns and operates a sliding track in Huashuiwan Resort in Chengdu, Sichuan. Sakura Hotel Company owns and operates Sakura Hotel in Huashuiwan Resort and its main businesses are hosting business conferences and tour groups. Chengdu is the capital city of Sichuan province and has a total area of 12,300 square kilometres. Chengdu is accredited as one of the first twenty-four state-approved historical and cultural cities and owns twenty-three state and provincial cultural relic units. Chengdu is surrounded by Huang Long Valley and Jiuzhaigou Scenic Area which are the natural habitat of giant pandas. Chengdu recorded 43.3 million visitors in 2007.

Changsha Colorful World owns and operates a theme park in Changsha, Hunan Province. Changsha Colorful World is a leading theme park of 400,000 square metres in Hunan Province and is also evaluated as a “4A” scenic spot by the China National Tourism Administration. Changsha has a population of approximately 6.5 million and an area of 11.8 million square metres. Changsha is rested with a number of historical heritages and its number of visitors increased substantially by approximately 50% from 21.6 million in 2003 to 32.4 million in 2008.

Changchun JYT owns and operates skiing facilities in Jinyuetan, Changchun, a national Grade 4A forest park. Jinyuetan is one of the largest skiing sites in North-Eastern China. Being the capital city of Jilin Province, Changchun is an important transportation and communication hub of Northeast China. Changchun was awarded as one of the best travel cities in China in 1998 by the PRC Government and recorded a 54.8% growth in number of visitors from 10.4 million in 2003 to 16.1 million in 2007.

LETTER FROM SOMERLEY

Huangshan Taiping, Lushan Cable Car, Huangshan Yuping Cable Car and Nanyue Cable Car own and operate cable car systems in different national geoparks in Huangshan, Lushan and Hengshan and recorded a total of 2.6 million visitors in 2008. Huangshan is located in Anhui Province and was awarded as one of the top ten scenic spots in China in 1985 and listed on the World Heritage List by the UNESCO in 1990. Lushan is located in Jiujiang City, Jiangxi Province. There are over 90 mountains in Lushan region. Lushan was listed on the World Heritage List by the UNESCO, and was awarded as one of the best travel spots by the United Nations in 2005. Hengshan is situated in Hunan Province and is also known as Nan Yue. Hengshan has a mountain range of 150 kilometers long with 72 peaks. Hengshan is also known as one of the sacred mountains of China.

(b) *Financial information of the Trump Return Group*

The unaudited financial information of Trump Return Group prepared in accordance with HKFRS is as follow:

	For the year ended		For the
	31 December		nine months
	2007	2008	ended
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	30 September
			2009
			<i>(HK\$'000)</i>
Profit before tax <i>(Note)</i>	12,987	18,397	18,103
Profit after tax <i>(Note)</i>	12,238	17,636	18,076
Profit attributable to equity holders of the parent <i>(Note)</i>	12,222	17,703	18,061

Note: The unaudited financial information represents the aggregate of the financial information of the Trump Return Group and the attributable interest in Huangshan Taiping. Completion of the Huangshan Taiping Restructuring is a condition precedent to the Agreement which is due to occur prior to or upon Completion.

As at 30 September 2009, the value of assets attributable to the Acquisition was approximately HK\$236,169,681, which represents the aggregate of the net asset value of the Trump Return Group, the Trump Return Shareholder's Loan and the consideration for the Huangshan Taiping Restructuring. Based on the information provided by the CTS (Holdings) Group, there was a receivable due from the China CTS (HK) Group to the Trump Return Group in an aggregate amount of approximately HK\$58,640,727 ("CTS Receivable"). Pursuant to the Agreement, the China CTS (HK) Group will repay the CTS Receivable to the Trump Return

LETTER FROM SOMERLEY

Group within five Business Days from the Completion Date. Other major assets of Trump Return Group include investment in associates, Sakura Hotel and its land use right, and other property, plant and equipment including the cable car systems and sliding track.

Profit before tax and profit attributable to equity holders of Trump Return Group for 2008 grew by 41.7% and 44.8% respectively when compared to 2007.

4. *Overview of the tourism industry in the PRC*

The PRC tourism industry has been developing rapidly in recent years. According to the World Tourism Organisation, the number of inbound tourists visiting PRC and the tourism foreign currency receipts of PRC ranked 4th and 5th in the world in 2007 respectively. According to the China National Tourism Administration, total inbound tourist arrivals reached 130.1 million in 2008 representing a growth of 4.2% when compared to 2006.

The China National Tourism Administration expects that the growth of tourism industry in the PRC will experience a downturn following the outbreak of the global financial tsunami. It is of the view that the growth and development of tourism industry in the PRC in 2009 will be casted on domestic travel demand such as inter-state leisure travel and domestic business traveller. The PRC Government has introduced a RMB1,000 million tourism stimulus package to enhance the tourism infrastructure, public service facilities and promote outlying trips within the state. The growth of PRC economy has been strong and consumption on domestic travel is expected to increase under the rising disposable income of PRC citizens. The World Tourism Organisation 2020 market survey predicts, PRC will be the leading inbound and the fourth largest outbound destination in the world by 2020.

5. *Market comparables*

For the purpose of assessing the Consideration, we have reviewed and compared the market statistics of all PRC listed companies which principally engage in the operation of theme parks, resorts and related ancillary facilities in the PRC (the “Comparable Companies”).

LETTER FROM SOMERLEY

The following table sets out the comparison of the Consideration in terms of PER and PBR to those of the Comparable Companies:

Comparable Companies	Stock Exchange	Market Capitalisation <i>(RMB\$ million)</i> <i>(Note 1)</i>	PER <i>(Note 2)</i>	PBR <i>(Note 2)</i>
Huangshan Tourism Development Co., Ltd.	Shanghai	7,711	40.90	6.77
Emei Shan Tourism Co., Ltd.	Shenzhen	2,829	126.71	4.60
China United Travel Co., Ltd.	Shanghai	2,843	136.34	5.26
Guilin Tourism Corporation Ltd.	Shenzhen	1,991	86.00	4.02
LiJiang YuLong Tourism Co., Ltd.	Shenzhen	1,827	39.77	4.64
Beijing Jingxi Tourism Development Co., Ltd.	Shenzhen	2,105	N/A <i>(Note 3)</i>	8.16
Zhangjiajie Tourism Development Co., Ltd.	Shenzhen	1,323	N/A <i>(Note 3)</i>	N/A <i>(Note 4)</i>
Xi'an Tourism (Group) Co., Ltd.	Shenzhen	1,487	139.30	3.83
Dalian Sunasia Tourism Holdings Co., Ltd.	Shanghai	1,248	343.33	4.70
Wuhan Sante Cableways Group Co., Ltd.	Shenzhen	1,493	132.00	3.77
Average			130.55	5.08
Trump Return			15.53	1.16

Source: Bloomberg

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.

LETTER FROM SOMERLEY

3. The relevant Comparable Companies recorded net losses for the year ended 31 December 2008 and PER is therefore not applicable.
4. The relevant Comparable Company had net liabilities as at 31 December 2008 and PBR is therefore not applicable.

PER

As shown in the above table, the Comparable Companies are trading at PER in the range of 39.77 to 343.33 times. The PER represented by the Consideration of about 15.53 times is the lowest amongst the Comparable Companies and is lower than the average PER of the Comparable Companies of 130.55 times. Having deducted the CTS Receivable which has to be repaid by China CTS (HK) Group to the Trump Return Group within five Business Days from the Completion Date, from the Consideration, we come up an adjusted PER of 12.22 times ("Adjusted PER"). We are confirmed by the Directors the CTS Receivable is interest-free and did not generate any interest income to the Group in the past.

PBR

As reflected in the above table, the Comparable Companies are trading at PBR in the range of 3.77 to 8.16 times. The PBR of 1.16 times represented by the Consideration is the lowest amongst the Comparable Companies and lower than the average PBR of the Comparable Companies of 5.08 times.

6. *Financial effects*

(a) Earnings and cashflow

Upon Completion, Trump Return will become a wholly-owned subsidiary of the Company and its results will be fully consolidated into the accounts of the Group. In view of the profitable track record of Trump Return Group, the Acquisition is expected to have a positive impact on the revenue and earnings of the Group.

The payment of Consideration of HK\$275 million in cash is not expected to have a significant adverse effect on the Group's working capital having considered its cash resources of approximately HK\$1,594.4 million, bank and other borrowings of approximately HK\$209.7 million and the capital commitment which was contracted but not provided for of HK\$140.6 million as at 30 June 2009.

LETTER FROM SOMERLEY

(b) *Effect on net assets*

Goodwill may arise from the Acquisition. The actual amount of goodwill arises from the Acquisition would be determined on Completion and being the difference between the Consideration and the fair value of the identified assets, liabilities and contingent liabilities of Trump Return Group on that date. The Group's interest in Trump Return Group is subject to regular impairment assessment. If the recoverable amount of Trump Return Group falls below its carrying amount at the date of impairment assessment, the Group's interest in Trump Return Group would be impaired and the difference between the carrying amount and the recoverable amount would be recognised as an expense in the Group's profit and loss account immediately and would affect the net assets position accordingly.

IV. The Travel Permit Administration

1. *Background to and reasons for the Travel Permit Administration*

CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel production, real estate development, logistics and trading. CTS (Holdings) has been appointed by the PRC Government to provide general administration services in Hong Kong for the applications of tourist visas and travel permits for the entry of Chinese residents in Hong Kong and Taiwan into the PRC. On 15 May 2001, CTS HK and CTS (Holdings) entered into the Agency Agreement to document the transactions relating to the Travel Permit Administration for a fixed term of 46 years to 30 June 2047.

At the extraordinary general meeting of the Company held on 22 December 2006, the then independent shareholders approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction with an annual cap amount of HK\$400 million for each of the three years ending 31 December 2009. As the Agency Agreement has not expired and remains in force until 30 June 2047, the annual caps under the Agency Agreement for the three years ending 31 December 2012 are required to be renewed in order to comply with the Listing Rules.

For the three years ended 31 December 2006, 2007 and 2008, revenue derived from the Travel Permit Administration accounted for approximately 7.7%, 7.0% and 6.8% of the Group's total revenue from its continuing operations respectively. In view of past operational convenience and benefits brought to the Group, the Directors consider that it would be in the interests of the Group to continue to engage in Travel Permit Administration given that CTS HK 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).

LETTER FROM SOMERLEY

2. *Principal terms of the Travel Permit Administration*

Pursuant to the Agency Agreement, CTS HK has agreed to provide the general administration services in Hong Kong for applications of tourist visas and travel permits for entry into the PRC to CTS (Holdings) until 30 June 2047. CTS (Holdings) is responsible for liaising with the relevant PRC Government for the processing of such applications in the PRC, and the costs relating to the handling of such applications between CTS (Holdings) and the issuing authority within the PRC Government. CTS HK is responsible for costs associated with receiving and despatching travel permits and tourist visas in Hong Kong. CTS (Holdings) has to pay CTS HK 45% of the gross fee revenue from permit applications for the Travel Permit Administration. 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. Pursuant to the Agency Agreement, CTS (Holdings) could not appoint any other party to handle the Travel Permit Administration or provide such service itself in Hong Kong unless with the consent of CTS HK.

3. *The Caps*

The Travel Permit Administration is subject to the Listing Rules requirements and conditions as more particularly discussed under the section headed “Reporting requirements and conditions of the Travel Permit Administration” below. In particular, the Travel Permit Administration is subject to the Caps.

Review of historical figures

The table below sets out the transaction amount of the Travel Permit Administration for each of the two years ended 31 December 2007 and 2008 and the eight months ended 31 August 2008 and 2009 (“Track Record Period”):

	Year ended		Eight months ended	
	31 December		31 August	
	2007	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from Travel				
Permit Administration	308,457	300,111	203,451	233,064

We are advised by the Directors that, revenue generated from Travel Permit Administration in 2007 of HK\$308.5 million remained comparable to 2006. The worldwide financial meltdown weakened travel spending. Revenue generated from Travel Permit Administration dropped by 2.7% in 2008 when compared to 2007 despite PRC’s hosting of 2008 Beijing Olympics. We are advised by the Directors

LETTER FROM SOMERLEY

that due to handy size and the shortened time for PRC customs procedures, the electronic travel permit has attracted a large number of Hong Kong residents' applications since its first launch in 1999. As the electronic permit has to be renewed every ten years, the Directors estimate that starting from 2009, will be the peak season for travel permit renewal. The Travel Permit Administration increased substantially by 14.6% in the first eight months of 2009 when compared to the corresponding period in 2008.

Assessment of the Caps

Set out below are the Caps for each of the three financial years ending 31 December 2012:

	Year ending 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of Travel Permit			
Administration by CTS HK	420,000	420,000	420,000

In assessing the reasonableness of the Caps, we have discussed with the Directors the basis and assumptions underlying the projection of the Caps. In calculating the Caps, the Directors have taken into account (i) revenue generated from the Travel Permit Administration in historical periods; (ii) expected growth in Hong Kong and Taiwan-PRC leisure and business travel in the next few years; and (iii) the Travel Permit Administration will enhance in the coming three years due to the gradual expiry of the electronic travel permits. The Caps are arrived at by adopting a 20% growth rate on the 2009 annualised amount based on the actual transaction value of the Travel Permit Administration in the first eight months in 2008. The Caps have also catered for possible adjustment on the price of travel permit handling fee in the coming three years. The Company does not propose a separate cap particularly for each of the three years ending 31 December 2012 since the projected 20% annual growth is an average and the growth rate of the revenue from Travel Permit Administration may fluctuate from year to year.

LETTER FROM SOMERLEY

Visitor arrivals to PRC for the period from 2006 to 2009

	2006	2007	2008	2009 (Jan-Aug)
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Hong Kong Residents	73.9	77.9	78.4	51.3
Taiwan Province Residents	4.4	4.6	4.4	2.9
Others	46.6	49.3	47.3	29.6
Total	124.9	131.8	130.1	83.8

Source: China National Tourism Administration

As shown in the table above, the number of Hong Kong residents visiting PRC is on a growing trend. The launch of regular direct flight between PRC and Taiwan in August 2009 is expected to bring positive effect on Mainland travel by Taiwan residents.

The annualised revenue from Travel Permit Administration for 2009 based on the actual transaction amount in the first eight months in 2009, recorded a growth rate of 16.5% when compared to 2008. Having taken into account the upcoming increase in travel permit renewal, the investment of PRC Government in the tourism industry, the World Expo to be held in Shanghai in 2010 and the possible increase in handling fee, we are of the view that the Caps which are arrived at based on a projected growth rate of 20%, for the three years ending 31 December 2012, fair and reasonable.

The Travel Permit Administration is subject to annual review by the independent non-executive Directors and the Company's auditors, detail requirements are set out in the below paragraph headed "Reporting requirements and conditions of the Travel Permit Administration". Such annual review shall safeguard the interests of the Independent Shareholders.

4. Reporting requirements and conditions of the Travel Permit Administration

Pursuant to Rules 14A.37 to 14A.40, the Travel Permit Administration is subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Travel Permit Administration and confirm in the annual report and accounts that the Travel Permit Administration have been entered into:
 - (i) in the ordinary and usual course of business of the Group;

LETTER FROM SOMERLEY

- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Travel Permit Administration:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreement governing the transaction; and
 - (iv) have not exceeded the Cap;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Travel Permit Administration shall allow, the Company's auditors with sufficient access to their records for the purpose of the reporting on the Travel Permit Administration as set out in paragraph (b);
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Travel Permit Administration, in particular, (i) the restriction of the value of the Travel Permit Administration by way of the Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Travel Permit Administration and the Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Travel Permit Administration and assist to safeguard the interests of the Independent Shareholders.

LETTER FROM SOMERLEY

DISCUSSION AND ANALYSIS

It has always been the long term intention of CTS (Holdings) to use the Group as its flagship to operate tourism and hotel related business in the PRC. The Group has carried out its first step in expanding its hotel operation by acquiring a hotel management company and three hotels in some core cities in the PRC from CTS (Holdings) in May 2008. To crystallise the plan of the consolidation and integration of the travel agency business within the China CTS (HK) Group in the PRC, the Group has disposed of its travel agency business to its parent while securing a six-year call option to buy it back after completion of the relevant reorganisation. We see the Acquisition a logical extension of the Group's strategy to develop itself as a consolidated platform of high-quality travel resources by further strengthening its presence in the PRC tourist industry.

Both the PER and PBR implied by the consideration for the Acquisition were the lowest amongst the Comparable Companies. Trump Return Group recorded a 45% growth in profit attributable to equity holders for 2008 amid a global economic downturn. The economic growth of China is accelerating and the development pace of infrastructure is rapid. It is expected that by 2020, China will be the largest tourist destination. We concur with the Directors' view that the long term prospects of the tourism business in the PRC are encouraging. The theme parks, resort and other ancillary facilities acquired under the Agreement would be complementary to the Group's other existing tourism and hotel related businesses. The Acquisition is expected to bring synergy to the Group.

The Travel Permit Administration which is incidental and conducive to the Group's tourist business brings steady source of revenue. The Caps are determined with reference to the historical transaction amounts, the expected growth in Hong Kong and Taiwan-PRC leisure and business travel and the estimated renewal of travel permit upon expiry in the coming years.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Agreement and the Travel Permit Administration are on normal commercial terms and in the ordinary and usual course of business of the Group. We further consider that the terms of the Agreement and the Travel Permit Administration (including the Caps), 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 Agreement and the Travel Permit Administration (including the Caps), and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Maggie Chan
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement 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:

Long position in Shares:

Name of Director(s)	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%
Mr. Xu Muhan	2	-	-	2,000	2,000	0.000035%

Notes:

1. These Shares were beneficially owned by certain corporations in which Dr. Fong Yun Wah was taken to be interested pursuant to Divisions 7 and 8 of Part XV of the SFO.
2. Mr. Xu Muhan was deemed to be interested in these Shares held by his spouse.

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 were 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

As at the Latest Practicable Date, the following persons (other than Directors or chief executive of the Company) were interested in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

Long position in the Shares:

Name of Shareholder(s)	<i>Notes</i>	Number of issued Shares held	% of the issued share capital
China CTS (HK)	<i>1</i>	2,993,632,728	52.56%
CTS (Holdings)	<i>1,3</i>	2,993,632,728	52.56%
Foden International Limited ("FIL")	<i>2</i>	20,700,000	0.36%

Notes:

- The entire issued share capital of CTS (Holdings) was beneficially owned by China CTS (HK). CTS (Holdings) was the immediate holding company of the Company. Accordingly, China CTS (HK) was deemed to be interested in the Shares in which CTS (Holdings) was interested pursuant to Part XV of the SFO and the interests of China CTS (HK) in the Company duplicated the interests of CTS (Holdings).

As at the Latest Practicable Date, Mr. Zhang Xuewu, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Mao Jianjun, Mr. Fang Xiaorong and Mr. Zhang Fengchun were also directors of China CTS (HK) and CTS (Holdings).

- 20,700,000 Shares were held by FIL which was a wholly-owned subsidiary of CTS (Holdings).
- Of these 2,993,632,728 Shares, 2,972,932,728 Shares were held by CTS (Holdings) directly and 20,700,000 Shares were held by FIL, in which CTS (Holdings) was taken to be interested pursuant to Part XV of the SFO.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were required to be recorded in the register required to be kept 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 2008 (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 were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2008, 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
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

Somerley 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, Somerley 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, Somerley was not interested, directly or indirectly, in any assets which had since 31 December 2008 (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 Agreement and the Agency Agreement will be available for inspection during normal business hours at the registered office of the Company in 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.

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 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, 18 December 2009 at 3:00 p.m. to consider as special business and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions:

“THAT

1. the agreement (the “Agreement”) entered into between Dean Glory Development Limited (“Dean Glory”) as vendor and the Company as purchaser on 18 November 2009, pursuant to which, among others, Dean Glory has conditionally agreed to sell to the Company (i) the entire issued share capital of Trump Return Limited; and (ii) the entire shareholder’s loan and other indebtedness owed by Trump Return Limited to Dean Glory as at completion (a copy of the Agreement has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification), the terms thereof, the execution and delivery thereof by the Company and the performance and implementation of the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
2. 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 3 December 2009 (the “Circular”) (a copy of the Circular has been produced to the meeting marked “B” and has been initialled by the chairman of the meeting for the purpose of identification) be and are hereby confirmed, approved and ratified;
3. 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 Agreement and the Travel Permit Administration and to agree to such variations, amendments or waivers

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Agreement and the Travel Permit Administration, any two directors of the Company are authorised to sign and use the common seal.”

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

Hong Kong, 3 December 2009

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 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 votes to be taken at the meeting shall be by way of poll.