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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)

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES,
TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of the Company 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, 4 May 2012 at 2:30 p.m. is set out on pages 25 to 29 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

29 March 2012

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DEFINITIONS

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

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| “Adoption Date” | the date that the New Share Option Scheme is approved by ordinary resolution of the Shareholders at the AGM; |
| “AGM” | the annual general meeting of the Company 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, 4 May 2012 at 2:30 p.m.; |
| “Articles” | the articles of association of the Company as may be amended from time to time; |
| “Associate” | has the meaning given in the Listing Rules; |
| “Auditors” | the auditors for the time being of the Company; |
| “Board” | the board of Directors (and, where appropriate, includes any committee or delegate of the Board appointed by the Board to perform any of its functions); |
| “Board Lot” | the board lot in which Shares are traded on the Stock Exchange from time to time, being 2,000 Shares as at the Latest Practicable Date; |
| “Business Day” | any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business; |
| “Company” | China Travel International Investment Hong Kong Limited |
| “Connected Person” | has the meaning given in the Listing Rules; |
| “Date of Grant” | means, in relation to an Option, the date on which the Option is granted; |
| “Director(s)” | the director(s) of the Company; |
| “Eligible Person” | means any director (whether executive or non-executive, including any Independent Non-executive Director) or employee (whether full time or part time), executives or officers, any advisers, consultants, suppliers, customers, any of the Subsidiaries and agents of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the Subsidiaries; |

DEFINITIONS

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| “Existing Share Option Scheme” | the existing share option scheme of the Company adopted pursuant to an ordinary resolution of the Shareholders passed on 3 June 2002; |
| “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 People’s Republic of China; |
| “Independent Non-Executive Director” | in relation to any company, a person who is an independent non-executive director of that company within the meaning of Chapter 3.11 of the Listing Rules; |
| “Latest Practicable Date” | 22 March 2012, 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 of Hong Kong Limited; |
| “Member of the Group” | the Company and any Subsidiary; |
| “New Share Option Scheme” | the share option scheme of the Company proposed to be approved by the Shareholders at the AGM, the principal terms of which are summarised in Appendix III to this circular; |
| “Option” | as the context may require, a right granted under the New Share Option Scheme or the Existing Share Option Scheme to subscribe for Shares in accordance with the New Share Option Scheme or the Existing Share Option Scheme; |
| “Option Certificate” | an Option Certificate issued by the Company in accordance with the Rules and setting out the Option Period, exercise price, vesting of the Options (if applicable) and any other conditions of exercise; |
| “Option-holder” | a person holding an Option (and, where relevant, includes his/her personal representatives); |
| “Option Period” | in relation to an Option, the period specified by the Board at the Date of Grant, such period not to exceed the period of 10 years from the Date of Grant of such Option; |

DEFINITIONS

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| “Other Scheme” | any other share option scheme involving the grant by the Company or any of its subsidiaries of options over new securities issued by the Company or any of its Subsidiaries in accordance with Chapter 17 of the Listing Rules or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules; |
| “Rules” | means the rules of the New Share Option Scheme as changed from time to time; |
| “Shareholders” | the shareholders of the Company; |
| “Shares” | fully paid ordinary shares of HK\$0.10 each in the capital of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “Subsidiary” | means a subsidiary (within the meaning of Section 2 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong) of the Company for the time being; |
| “Substantial Shareholder” | has the meaning given in the Listing Rules. |

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. Wang Shuai Ting (*Chairman*)
Mr. Lo Sui On (*Vice-Chairman*)
Ms. Jiang Yan
Mr. Fang Xiaorong
Mr. Zhang Fengchun
Mr. Xu Muhan (*General Manager*)
Mr. Fu Zhuoyang

Independent Non-Executive Directors:

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

REGISTERED OFFICE:

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

29 March 2012

To Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES,
TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. RE-ELECTION OF DIRECTORS

At the AGM of the Company, Mr. Lo Sui On, Ms. Jiang Yan, Dr. Fong Yun Wah and Mr. Wong Man Kong, Peter will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with Article 101 of the Articles.

LETTER FROM THE BOARD

Dr. Fong Yun Wan and Mr. Wong Man Kong, Peter were appointed as independent non-executive Directors of the Company since 1998. They have substantial business experience and are highly valued and respected members of the Board. Dr. Fong and Mr. Wong have provided the Company with confirmation of their independence in accordance with the relevant requirements of the Listing Rules and it is in the belief of the Board that both Dr. Fong and Mr. Wong are independent. Accordingly, the Board is of the view that the re-election of Dr. Fong and Mr. Wong as independent non-executive Directors of the Company is in the interests of the Company and Shareholders as a whole.

Mr. Wang Shuai Ting, who was appointed by the Board on 9 September 2011, will retire at the forthcoming AGM and, being eligible, offer himself for re-election in accordance with Article 92 of the Articles.

Particulars of the retiring Directors are set out in Appendix I to this circular.

2. GENERAL MANDATE TO REPURCHASE SHARES

In addition, approval is being sought from the Shareholders to repurchase the Shares. At the AGM, an ordinary resolution will be proposed to approve the granting of a general mandate to the Directors to exercise the powers of the Company to repurchase (the “Repurchase Mandate”) Shares representing up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the relevant resolution.

This letter together with the explanatory statement, which is set out in Appendix II to this circular and is required under Rule 10.06(1)(b) of the Listing Rules to provide the Shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution approving the Repurchase Mandate, constitutes the memorandum of the terms of the proposed repurchases required under Section 49BA(3)(b) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

3. GENERAL MANDATE TO ISSUE SHARES

In addition, approval is being sought from the Shareholders at the AGM to grant a general mandate to the Directors to exercise the powers of the Company to allot and issue new Shares in the capital of the Company amounting to up to 20% of the aggregate nominal amount of the share capital of the Company in issue, by way of an ordinary resolution to be proposed at the AGM.

In the event that it becomes desirable for the Company to issue any new Shares, the Directors are given flexibility and discretion to allot and issue new Shares amounting to up to 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution and, if also authorised by the Shareholders at the AGM, by adding to such mandate the number of Shares repurchased by the Company pursuant to the Repurchase Mandate.

LETTER FROM THE BOARD

As at Latest Practicable Date, the issued share capital of the Company was HK\$568,089,152.50 divided into 5,680,891,525 Shares. Subject to the passing of the resolution granting the proposed general mandate and on the basis that no further Shares will be issued or repurchased before the AGM, the Company will be allowed under the general mandate to allot, issue and deal with a maximum of 1,136,178,305 Shares (representing 20% of the said total number of issued Shares).

4. CHANGE OF AUDITORS

According to the relevant regulations issued by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. The Company is a subsidiary of China Travel Service (Holdings) Hong Kong Limited which is a state-owned enterprise, and since the number of years that the Company has continuously engaged its existing auditor, Ernst & Young, has exceeded the prescribed time limit, Ernst & Young will retire as the auditor of the Company with effect from the close of the AGM and will not be re-appointed. An ordinary resolution will be proposed at the AGM to appoint PricewaterhouseCoopers as the new auditor of the Company to fill the vacancy arising from the retirement of Ernst & Young.

5. TERMINATION OF EXISTING SHARE OPTION SCHEME

The Directors propose to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme. One of the purposes of this circular is to provide you with details on the terms of the New Share Option Scheme and other information in relation to the resolution to be proposed at the AGM for termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme.

The Existing Share Option Scheme was adopted by the Company on 3 June 2002 and will expire on 4 June 2012. The Directors consider that it is in the best interests of the Company to adopt the New Share Option Scheme in place of the Existing Share Option Scheme, and therefore propose that the Existing Share Option Scheme be terminated and the New Share Option Scheme be adopted by the Shareholders at the AGM. Upon termination of the Existing Share Option Scheme, no further options will be granted under the Existing Share Option Scheme. However, the rules of the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any Option granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the Existing Share Option Scheme. All options granted under the Existing Share Option Scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the Existing Share Option Scheme.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had granted 129,510,000 Options to subscribe for a total of 129,510,000 Shares, of which no Options have been exercised, 5,850,000 Options to subscribe for 5,850,000 Shares have lapsed, and no Options have been cancelled under the Existing Share Option Scheme. Accordingly, there were 123,660,000 outstanding Options to subscribe for 123,660,000 Shares as at the Latest Practicable Date. The Company has no intention to grant further options under the Existing Share Option Scheme from the Latest Practicable Date to the date of the AGM.

As at the Latest Practicable Date, there were 5,680,891,525 Shares in issue. Assuming that no further Share will be allotted, issued or repurchased prior to the AGM, the total number of Shares that may fall to be allotted and issued after the resolution authorising the Directors to allot and issue up to 10% of the then issued share capital of the Company has passed at the AGM would be 568,089,152 Shares, representing approximately 10% of the total number of Shares in issue.

6. ADOPTION OF NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to replace the Existing Share Option Scheme and to provide the Company with a flexible means of incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons. Eligible Persons include employees and directors of the Group, as well as any advisers, consultants, suppliers, customers and agents of the Group.

The Rules set out the basis for determining the minimum subscription price (as described in paragraph 5 in Appendix III) and provide that the Company may specify the date or dates on which an Option will vest or may be exercised in the grant of an Option (as described in paragraph 7 in Appendix III). The Rules will not prescribe specific performance targets that must be met before an Option can be exercised. However, the Rules will give the Board discretion to impose such conditions on the Options where appropriate. The Directors consider that it may not always be appropriate to impose such conditions particularly when the purpose of granting options is to remunerate or compensate employees. The Directors consider it more beneficial to the Company to retain the flexibility to determine when such conditions are appropriate. The Directors believe that these provisions, as well as such other terms as may be determined by the Board, will serve to protect the value of the Company as well as to achieve the purpose of the New Share Option Scheme.

The Board or a duly constituted committee of the Board will be responsible for administering the New Share Option Scheme. There are no trustees appointed for the purposes of the New Share Option Scheme.

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the AGM (1) approving the termination of the Existing Share Option Scheme and approving and adopting the New Share Option Scheme; (2) authorise the Board to grant Options under the New Share Option Scheme; and (3) authorise the Board to allot and issue Shares pursuant to the exercise of any Options to be granted pursuant to the New Share Option Scheme; and

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares falling to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

Subject to the obtaining of the Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company as at the date on which the New Share Option Scheme is adopted unless the Company obtains a fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares, representing a maximum of 10% of the Company's issued share capital as at the Adoption Date, which fall to be issued pursuant to the exercise of the Options to be granted under the New Share Option Scheme.

A summary of the principal Rules which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular. A copy of the Rules will be available for inspection at 12/F, CTS House, 78-83 Connaught Road Central, Hong Kong during normal business hours on any Business Day from the date of this circular to and including the date of the AGM and at the AGM.

The terms of the New Share Option Scheme and the Existing Share Option Scheme are broadly similar. A few changes have been made to reflect changes to the Listing Rules and to market practice in this area since the Existing Share Option Scheme was adopted.

The Directors consider that it is not appropriate to disclose the value of all Options that may be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date. The Directors believe that any statement regarding the value of the Share Options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the Share Options to be granted shall not be assignable, and no holder of the Share Options shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option. In addition, any such valuation would have to be made on the basis of certain option pricing model or other methodology which depends on a number of variables that cannot be ascertained at this stage, or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Such variables include, but are not limited to, the subscription price for the Shares to be issued upon the exercise of the Options, the period for which the Options can be exercised, and whether or not the Options granted will be exercised by the grantees. As no Share Options had been granted as at the Latest Practicable Date under the New Share Option Scheme, certain variables are not available for calculating the value of the Share Options thereunder, the Directors believe that any calculation of the value of the Options under the New Share Option Scheme as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and may be misleading to Shareholders and the investors of the Company.

LETTER FROM THE BOARD

None of the Directors is a trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustees of the New Share Option Scheme (if any).

As at the Latest Practicable Date, no Shareholder had a material interest in the proposed termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolutions in relation thereto.

7. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board also proposes to amend the Articles to bring it in line with the updated Listing Rules. Set out in the special resolution no. 9 of the notice of AGM on pages 25 to 29 of this circular are the proposed amendments to the Articles.

8. ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 25 to 29 of this circular. A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the AGM, 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 48 hours before the time appointed for the holding of the AGM (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 AGM (or adjourned meeting or of the poll, as the case may be) if you so wish.

As required under rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the Chairman of the Company will exercise his right as Chairman of the AGM under Article 73 of the Articles to demand a poll on each of the resolutions to be proposed at the AGM.

9. 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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

10. RECOMMENDATION

The Directors believe that the proposals referred to in this circular are in the interest of the Company and the Shareholders as a whole, and in particular that the terms of the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme are fair and reasonable. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

Yours faithfully,
By Order of the Board
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
Wang Shuai Ting
Chairman

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

MR. WANG SHUAI TING *Chairman and Executive director*

Aged 56, appointed in September 2011, is the Vice Chairman, General Manager and Director of China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”) and China National Travel Service (HK) Group Corporation (“China CTS HK”), the controlling shareholders of the Company. Mr. Wang formerly served as Vice Chairman and Deputy General Manager of China Resources (Holdings) Company Limited, Chairman and Executive Director of China Resources Power Holdings Company Limited and non-executive Director of China Resources Enterprise, Limited. Mr. Wang is currently an independent non-executive director of Springland International Holdings Limited. Mr. Wang is highly renowned in the electricity industry in the PRC and possesses extensive management experience in large enterprise group. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. (“CR Xuzhou”) from 1994 to 2001 and was in charge of the construction and operation of Xuzhou Power Plant. Prior to his engagement in CR Xuzhou, Mr. Wang worked in the general office of the Government of Jiangsu Province from June 1985 to March 1987 and was subsequently the head of the Industrial Office of Xuzhou Municipal Government. He was also the Deputy Secretary-general of Xuzhou Municipal Government. Mr. Wang holds an Executive Master’s degree in Business Administration (“EMBA”) from China Europe International Business School.

Save as disclosed above, Mr. Wang has not held any directorship in the last three years in other public companies the securities of which are listed on the securities market in Hong Kong and overseas. There is no service contract between the Company and Mr. Wang. Mr. Wang is not appointed for a specific term but shall be subject to retirement and re-election at the annual general meeting in accordance with the Articles. The director’s fees payable to the Directors in aggregate 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 fees payable to each Director with reference to his performance and the prevailing market conditions. During the year ended 31 December 2011, Mr. Wang received a director’s fee of HK\$103,000.

Save as disclosed above, Mr. Wang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Wang does not have any interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”).

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

MR. LO SUI ON *Vice Chairman & Executive Director*

Aged 61, appointed in 2000, is a Director of CTS (Holdings) and China CTS (HK), and is also a director of a number of subsidiaries of CTS (Holdings) and the Company. Mr. Lo has over 30 years of operation and management experience in the tourism industry. Mr. Lo is a Deputy of the Eleventh National People's Congress of the PRC, a member of The Election Committee for the Second, Third & Fourth Government of the HKSAR, the Chairman of Committee on Tourism of The Hong Kong Chinese Enterprises Association and the President of Hong Kong Association of China Travel Organisers Limited. In addition, Mr. Lo was appointed as a member of Hong Kong Tourism Board, a Director of the Travel Industry Council of Hong Kong, a member of the Tourism Strategy Group of the HKSAR Government and a member of Central Policy Unit Panel on Pan-Pearl River Delta.

There is no service contract between the Company and Mr. Lo. He is not appointed for a specific term but shall be subject to retirement and re-election at the annual general meeting in accordance with the Articles. The director's fees payable to the Directors in aggregate 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. During the year ended 31 December 2011, Mr. Lo received a director's fee of HK\$240,000.

Save as disclosed above, Mr. Lo does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Lo had beneficial interest in 1,770,000 underlying Shares in respect of 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. Mr. Lo has not held any directorship in the last three years in other public companies the securities of which are listed on the securities market in Hong Kong and overseas.

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

MS. JIANG YAN *Executive Director*

Aged 54, appointed in 2006, is the Director and Deputy General Manager of CTS (Holdings) and China CTS HK. Prior to joining CTS (Holdings), Ms. Jiang worked in State Oceanic Administration and All-China Women's Federation. She was also the Senior Assistant of the Director General of Personnel Office and Division Chief of The Liaison Office of the Central People's Government in HKSAR. Ms. Jiang obtained a Master's degree in Business Administration from University of South Australia.

There is no service contract between the Company and Ms. Jiang. She is not appointed for a specific term but shall be subject to retirement and re-election at the annual general meeting in accordance with the Articles. The director's fees payable to the Directors in aggregate 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. During the year ended 31 December 2011, Ms. Jiang received a director's fee of HK\$240,000.

Save as disclosed above, Ms. Jiang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Jiang had beneficial interest in 1,770,000 underlying Shares in respect of 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. Ms. Jiang has not held any directorship in the last three years in other public companies the securities of which are listed on the securities market in Hong Kong and overseas.

Save as disclosed above, Ms. Jiang has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with her re-election and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

DR. FONG YUN WAH S.B.S., J.P. *Independent non-Executive Director*

Aged 87, appointed as an Independent Non-Executive Director of the Company in 1998, is the Chairman of The Hip Shing Hong Group, Kam Wah Investment Co., Ltd., Fong Shu Fook Tong Foundation and Fong's Family Foundation. Dr. Fong is also the director of the Real Estate Developers Association of Hong Kong and the council member of United College at the Chinese University of Hong Kong. He has been appointed as honorary professor and honorary adviser of a number of Universities in the PRC and has also served as the chairman and council member of many charitable organizations in Hong Kong. He was a member of the Selection Committee for the First Government of the HKSAR and was awarded the Silver Bauhinia Star in 2000 by the Government of the HKSAR.

There is no service contract between the Company and Dr. Fong. He is not appointed for a specific term but shall be subject to retirement and re-election at the annual general meeting in accordance with the Articles. The director's fees payable to the Directors in aggregate 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. During the year ended 31 December 2011, Dr. Fong received a director's fee of HK\$350,000.

Save as disclosed above, Dr. Fong does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Dr. Fong is interested in 50,000 ordinary shares, representing approximately 0.0009% in the share capital of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Dr. Fong has not held any directorship in the last three years in other public companies the securities of which are listed on the securities market in Hong Kong and overseas.

Save as disclosed above, Dr. Fong has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there is no other information that should be disclosed pursuant to paragraph 13.51(2) (h) to (v) of the Listing Rules.

MR. WONG MAN KONG, PETER *B.B.S., J.P., BSc, F.C.I.T., MRINA Independent Non-Executive Director*

Aged 63, appointed in 1998, is the Chairman of Audit Committee and Remuneration Committee of the Company. Mr. Wong has over 38 years of experience in industrial, commercial and public service. He is the Chairman of M.K. Corporation Ltd. and North West Development Ltd., as well as the director of Hong Kong Ferry (Holdings) Co. Ltd., Glorious Sun Enterprises Limited, Sun Hung Kai & Co., Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Ltd. and New Times Group Holdings Ltd. Mr. Wong serves as a deputy of the Eleventh National People's Congress of the PRC. He graduated from the University of California at Berkeley in U.S.A.

There is no service contract between the Company and Mr. Wong. He is not appointed for a specific term but shall be subject to retirement and re-election at the annual general meeting in accordance with the Articles. The director's fees payable to the Directors in aggregate 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. During the year ended 31 December 2011, Mr. Wong received a director's fee of HK\$350,000.

Mr. Wong does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Wong did not have any interest in Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Wong has not held any directorship in the last three years in other public companies the securities of which are listed on the securities market in Hong Kong and overseas.

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

The following is the Explanatory Statement required to be sent to the Shareholders under the Listing Rules in connection with the general mandate for repurchase of Shares and, together with the letter from the board contained in this circular, also constitutes the memorandum of the terms of the repurchase required under section 49BA(3)(b) of the Companies Ordinance.

GENERAL MANDATE FOR REPURCHASE OF SHARES

(a) Share Capital

As at the Latest Practicable Date, the issued share capital of the Company was HK\$568,089,152.50 divided into 5,680,891,525 Shares. Subject to the passing of the resolution granting the proposed Repurchase Mandate and on the basis that no further Shares will be issued or repurchased before the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 568,089,152 Shares (representing 10% of the said total number of issued Shares).

(b) Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from the Shareholders to enable the Directors to repurchase securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the Company's securities and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) Funding of Repurchases

Repurchases of Shares must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of the Company and the laws of Hong Kong, being profits available for distribution or the proceeds of a fresh issue of shares made for the purpose of the repurchases, and it is envisaged that the funds required for any repurchase would be derived from such sources.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements as at 31 December 2011) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) Disclosure of Interests

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Company is authorised to make repurchases of Shares.

(e) Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong and the Articles.

(f) Market Prices of Shares

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

| | Shares | |
|---|-------------------------------|------------------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2011 | | |
| March | 1.75 | 1.55 |
| April | 1.71 | 1.58 |
| May | 1.60 | 1.38 |
| June | 1.45 | 1.25 |
| July | 1.65 | 1.36 |
| August | 1.63 | 1.29 |
| September | 1.47 | 1.02 |
| October | 1.26 | 0.93 |
| November | 1.24 | 1.10 |
| December | 1.32 | 1.12 |
| 2012 | | |
| January | 1.46 | 1.27 |
| February | 1.65 | 1.46 |
| March (up to the Latest Practicable Date) | 1.64 | 1.51 |

(g) Repurchase of Shares

During the six months immediately preceding the Latest Practicable Date, an aggregate of 17,464,000 Shares were repurchased by the Company on the Stock Exchange, details of which are set out below:

| Date | Number of Shares repurchased | Highest price paid per Share (HK\$) | Lowest price paid per Share (HK\$) | Total amount paid (HK\$) |
|-------------|-------------------------------------|--|---|-------------------------------------|
| 07/12/11 | 208,000 | 1.17 | 1.17 | 243,360 |
| 08/12/11 | 338,000 | 1.17 | 1.16 | 393,080 |
| 09/12/11 | 1,000,000 | 1.18 | 1.16 | 1,161,280 |
| 12/12/11 | 1,484,000 | 1.18 | 1.16 | 1,743,440 |
| 13/12/11 | 1,000,000 | 1.19 | 1.15 | 1,169,200 |
| 14/12/11 | 640,000 | 1.19 | 1.18 | 758,200 |
| 15/12/11 | 570,000 | 1.20 | 1.18 | 678,740 |
| 16/12/11 | 100,000 | 1.20 | 1.20 | 120,000 |
| 19/12/11 | 120,000 | 1.19 | 1.19 | 142,800 |
| 22/12/11 | 100,000 | 1.22 | 1.22 | 122,000 |
| 23/12/11 | 164,000 | 1.24 | 1.24 | 203,360 |
| 28/12/11 | 202,000 | 1.27 | 1.25 | 255,500 |
| 29/12/11 | 500,000 | 1.27 | 1.26 | 632,000 |
| 30/12/11 | 300,000 | 1.30 | 1.29 | 389,000 |
| 05/01/12 | 400,000 | 1.31 | 1.31 | 524,000 |
| 09/01/12 | 400,000 | 1.28 | 1.28 | 512,000 |
| 10/01/12 | 200,000 | 1.31 | 1.31 | 262,000 |
| 11/01/12 | 328,000 | 1.33 | 1.32 | 434,960 |
| 12/01/12 | 800,000 | 1.37 | 1.36 | 1,090,000 |
| 13/01/12 | 310,000 | 1.39 | 1.38 | 428,220 |
| 18/01/12 | 1,000,000 | 1.41 | 1.40 | 1,403,000 |
| 20/01/12 | 800,000 | 1.41 | 1.41 | 1,128,000 |
| 26/01/12 | 1,000,000 | 1.41 | 1.41 | 1,417,000 |
| 27/01/12 | 500,000 | 1.42 | 1.42 | 710,000 |
| 30/01/12 | 1,000,000 | 1.42 | 1.41 | 1,415,000 |
| 06/02/12 | 1,000,000 | 1.53 | 1.51 | 1,523,000 |
| 19/03/12 | 1,000,000 | 1.59 | 1.58 | 1,589,500 |
| 20/03/12 | 1,000,000 | 1.59 | 1.57 | 1,578,700 |
| 22/03/12 | 1,000,000 | 1.59 | 1.59 | 1,590,000 |
| | <u>17,464,000</u> | | | <u>23,617,340</u> |

(h) General

Upon the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company will increase. Such increase will be treated as an acquisition for the purposes of the Hong Kong Codes on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). As a result, a Shareholder or a group of Shareholders, acting in concert could, depending on the level of increase of shareholding interest obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, CTS (Holdings) beneficially owned, directly and indirectly, approximately 55.04% of the issued share capital of the Company. If the Repurchase Mandate is exercised in full, the beneficial interests of CTS (Holdings) in the Company may be increased to approximately 61.21% of the issued share capital of the Company. The Directors consider that such repurchases made under the Repurchase Mandate will not give rise to an obligation for CTS (Holdings) to make a mandatory offer under Rule 26 of the Takeovers Code. Moreover, the Directors have no present intention to exercise the power of the Company to repurchase Shares to such an extent as would result in the number of Shares in public hands falling below 25%.

APPENDIX III PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

NEW SHARE OPTION SCHEME

The following is a summary of the principal rules of the New Share Option Scheme proposed to be approved at the AGM but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the New Share Option Scheme:

1. Purpose

The purpose of the New Share Option Scheme is to provide incentive to or reward Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group and for other purposes as the Board may approve from time to time.

2. Who may join

The Board may grant an Option to any Eligible Person to subscribe for such number of Shares at the subscription price as the Board may determine, as set out in paragraph 5 below, subject always to any limits and restrictions specified in the Rules. Options may only be granted under the New Share Option Scheme in respect of Shares in Board Lots. The basis of eligibility of any of the Eligible Persons to the grant of Options shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution or potential contribution to the development and growth of the Group.

3. Acceptance of offers

An offer for the grant of Options must be accepted within 28 days after the day on which such offer was made. Option-holders are required to pay an amount of HK\$1.00 for each acceptance of an offer of the grant of an Option payable on acceptance of such offer.

4. Terms of Options

Options granted under the New Share Option Scheme are subject to such terms and conditions as may be determined by the Board and specified at the time of grant which may include:

- (i) vesting conditions which must be satisfied before an Option-holder's Option shall become vested and capable of exercise; and
- (ii) lapse conditions which may be different from those set out at paragraphs 10, 11, 12, 13 and 15 below.

5. Subscription Price

The subscription price will be determined by the Board (subject to any necessary consent or approval being obtained) and notified to an Option-holder and shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date

APPENDIX III PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

of Grant (or where that is not a trading day, the last trading day prior to the Date of Grant); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of one Share.

6. Maximum number of Shares subject to the New Share Option Scheme

The limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and not yet exercised under the New Share Option Scheme and any Other Schemes to Eligible Persons must not exceed 30% of the Shares of the Company in issue from time to time.

In addition, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any options granted under any Other Scheme must not in aggregate exceed 10% of the Shares of the Company in issue as at the Adoption Date (the "Scheme Mandate"). Options lapsed in accordance with the terms of the New Share Option Scheme and any Other Scheme will not be counted for the purpose of calculating the Scheme Mandate.

With the approval of the Shareholders, the Board may "refresh" the Scheme Mandate provided that the total number of Shares which may be issued upon the exercise of all Options to be granted under the New Share Option Scheme and any options to be granted under any Other Scheme under the limit as "refreshed" shall not exceed 10% of the Shares of the Company at the date on which the Shareholders approve the "refreshed" limit. Options previously granted under the Existing Share Option Scheme and any Other Schemes (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

Subject always to the overall 30% limit the Board shall not grant any Options (the "Relevant Options") to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options granted to him in the 12 month period up to and including the Date of Grant of the Relevant Options, exceed 1% of the Shares in issue at such date (including cancelled, exercised and outstanding Options).

The Board may grant Options to any Eligible Person in excess of the above limits and "refreshed" limits with the approval of the Shareholders in general meeting.

7. Time of exercise of option

An Option can be exercised from the moment and to the extent that it vests. The date or dates on which an Option vests will be set by the Board at the time of grant.

An Option may be exercised in accordance with the Rules at any time prior to the expiry of grant of the Option Period.

The vesting or exercise of Options may also be subject to any conditions imposed by the Board at the time of grant (see paragraph 4 above).

APPENDIX III PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

8. Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant Options, there is no performance target which must be achieved before any of the Options can be exercised.

9. Non-transferability of Options

Except for the transmission of an Option on the death of an Option-holder to his/her personal representatives, neither the Option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person. If an Option-holder transfers, assigns or disposes of any such Option or rights, whether voluntarily or involuntarily, then the relevant Option will immediately lapse.

10. Rights on ceasing employment or other engagement

If an Option-holder ceases to be an Eligible Person for any reason other than death or disability, or certain other grounds specified in the Rules, then any vested and unvested Options will lapse on the date the Option-holder ceased to be an Eligible Person.

11. Rights on death, disability and transfer

If an Option-holder ceases to be an Eligible Person by reason of his death or disability, then any unvested Option will lapse and the Option-holder or his personal representatives (if appropriate) may exercise all his vested Options within a period of 12 months of the date of cessation of employment. Any vested Option not exercised prior to the expiry of this period shall lapse.

12. Rights on a General Offer

If, as a result of a general offer, more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror, any company controlled by the offeror or any person associated with or acting in concert with the offeror, the Board will notify every Option-holder of this within 14 days of becoming so aware (or as soon as practicable) and each Option-holder will be entitled to exercise his vested Options during the 6 months starting on the later of (i) the date of the Board's notification to the Option-holders; and (ii) the date on which the person making the offer obtains control of the Company. The Options will lapse on expiry of this 6 month period.

13. Rights on Winding Up

If notice is duly given of a resolution for the voluntary winding-up of the Company, Options may be exercised within 3 months after the date of the resolution, provided that such exercise and the issue or transfer of any Shares is authorised by the liquidator and/or the court (as appropriate). Any Options not exercised during the 3 month period will lapse at the end of the period. If the Company is wound-up by the court, Options may be exercised within 2 months after the date of the winding-up order, provided that such exercise and the issue or transfer of any Shares is authorised by the liquidator or the court (as appropriate). Any Options not exercised during the 2 month period will lapse at the end of the period.

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14. Reorganisation of Capital Structure

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation issue, further rights issues of Shares, consolidation, subdivision or reduction of the share capital of the Company, or, in the event of any distribution in specie involving any member of the Group whilst any Option may become or remain exercisable, in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to (i) the number of Shares, the subject matter of the Option (insofar as it is unexercised); and/or (ii) the price at which the Options are exercisable, as the Board may decide.

Any such adjustment shall be made on the basis that (i) the proportion of the issued share capital of the Company to which an Option-holder is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment; and (ii) it will not enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any Option-holder would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments; and (iii) that the Auditors or independent financial adviser selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to Rule 17.03 (13) of the Listing Rules, except where such adjustment is made on a capitalisation issue.

15. Lapse of options

An Option will lapse on the earlier of:

- (i) the expiry of the Option Period; or
- (ii) expiry of any of the other periods referred to in paragraphs 10, 11, 12 and 13; or
- (iii) expiry of 3 months following a court order sanctioning a compromise or arrangement in relation to the reconstruction of the Company or its amalgamation with another company or companies; or
- (iv) the date on which the Board exercises the Company's right to cancel the Options on discovering that an Option-holder whose Options continue to subsist even though he has ceased to be an Eligible Person is (a) guilty of misconduct justifying termination of employment for cause; (b) was in breach of a material term of his employment; (c) has disclosed trade secrets or confidential information of a Member of the Group; or (d) is competing with a Member of the Group or is in breach of any non-solicitation provision; or
- (v) the date on which the Board exercises the Company's right to cancel the Option following a breach of the Rules summarised in paragraph 9 above.

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16. Ranking of Shares

No dividends will be payable and no voting rights will be exercisable in relation to an Option that has not been exercised. Shares issued or transferred on the exercise of an Option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

17. Cancellation of Options granted but not exercised

Notwithstanding any other provision in this New Share Option Scheme, the Board may cancel any Option provided that (i) the Company pays to the Option-holder an amount equal to the fair market value of the Option at the date of cancellation as determined by the Board, after consultation with the Auditors or an independent financial adviser appointed by the Board; or (ii) the Board offers to grant to the Option-holder replacement Options (or options under any Other Scheme) or makes such arrangements as the Option-holder may agree to compensate him for the loss of the Option. Following the cancellation of any Options granted under the New Share Option Scheme but not exercised, new Options may only be granted to the same grantee under the New Share Option Scheme with available unissued Options (excluding the cancelled options) within the limit of the Scheme Mandate then available to the Board.

18. Amendments to the Scheme and Terms of Options

The Board may amend any of the provisions of the New Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time and provided that amendments which are to the advantage of present or future Option-holders and which relate to matters contained in Rule 17.03 of the Listing Rules are sanctioned by the Shareholders in general meeting. Any amendments to the terms and conditions of the New Share Option Scheme which are of a material nature or to the terms of options already granted may only be made with the approval of the Shareholders save where the amendments take effect automatically under the existing terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any amendment of the Rules may only be made with the approval of the Shareholders in general meeting.

19. Termination of the Scheme

The Board may terminate the New Share Option Scheme at any time by resolving that no further Options shall be granted under the New Share Option Scheme. In such circumstances, no new grants of Options under the New Share Option Scheme will be made but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and any Options which have been granted under the New Share Option Scheme but not yet exercised shall continue to be valid and exercisable in accordance with the Rules.

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20. Period of the Scheme

Subject to the Board exercising its right under the Rules to terminate the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted. The Rules shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior to expiry of the 10 year period and which are at that time or become thereafter capable of exercise under the Rules, or otherwise to the extent as may be required in accordance with the Rules.

21. Restrictions on the time of grant of option

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with Rule 2.07C of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish results for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

22. Restrictions on Grant

Each grant of Options to an Eligible Person who is a director (including an Independent Non-Executive Director), chief executive or Substantial Shareholder of the Company, or any of their respective Associates, under the New Share Option Scheme must be approved by the Independent Non-Executive Directors of the Company (excluding any Independent Non-Executive Director who is the proposed grantee of the Options).

Where any grant of Options to a Substantial Shareholder or an Independent Non-Executive Director of the Company, or any of their respective Associates, would result in the Shares issued and to be issued upon exercise of all Options already granted or to be granted under the New Share Option Scheme (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, such further grant of Options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a Connected Person of the Company must abstain from voting on the resolution to approve such further grant of Options, except that such a Connected Person may vote against such resolution subject to the requirements of Rule 17.04 of the Listing Rules. Any change in the terms of an option granted to a Substantial Shareholder or an Independent Non-Executive Director of the Company or any of their respective Associates is also required to be approved by Shareholders.

NOTICE OF ANNUAL 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 the Annual General Meeting 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, 4 May 2012 at 2:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 2011.
2. To declare a final dividend.
3. To re-elect retiring directors and authorize the board of directors to fix the fees of the directors.
4. To appoint PricewaterhouseCoopers as auditors and to authorise the board of directors to fix their remuneration.

As special business to consider and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions:

5. **“THAT:**
 - (A) subject to paragraph (B) of this Resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (“Shares”) be and is hereby generally and unconditionally approved;
 - (B) the aggregate nominal amount of the Shares which may be repurchased on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange recognized for this purpose by the Securities and Futures Commission of Hong Kong (the “SFC”) and the Stock Exchange under the Hong Kong Code on Share Repurchases (the “Repurchase Code”) pursuant to the approval in paragraph (A) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;

NOTICE OF ANNUAL GENERAL MEETING

- (C) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by the laws of Hong Kong to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”

6. **“THAT:**

- (A) subject to paragraph (C) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, options, and warrants which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options, and warrants which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option, warrant or otherwise) by the Directors pursuant to the approval in paragraph (A) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares, (iii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.
- (D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by the laws of Hong Kong to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares or issue of options, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- 7. **“THAT** subject to the passing of Ordinary Resolutions nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with additional Shares pursuant to the Ordinary Resolution no. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to the Ordinary Resolution no. 5 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the Ordinary Resolution no. 5.”
- 8. **“THAT**
 - (a) subject to and conditional upon The Listing Committee of the Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the shares of the Company (not exceeding 10% of the Company’s issued share capital on the date of this resolution) which may fall to be issued upon the exercise of the options to be granted under the new share option scheme of the Company (the “New Share Option Scheme”), the rules of which are contained in the document marked “A” produced to the meeting and signed by the Chairman of the meeting for identification purposes, the New Share Option Scheme be and is hereby approved and adopted and the Directors of the Company be and are hereby authorized to grant options and to allot, issue and deal with the shares which fall to be issued pursuant to the exercise of any option granted under the New Share Option Scheme and to take all such steps as may be necessary or expedient in order to give full effect to the New Share Option Scheme; and
 - (b) the existing share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders of the Company on 3 June 2002 (the “Existing Share Option Scheme”) be terminated with effect from the date on which the New Share Option Scheme shall become unconditional and effective, and shall cease to

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have any further effect except that the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted under the Existing Share Option Scheme prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the Existing Share Option Scheme.

As special business to consider and, if thought fit, to pass with or without amendments, the following resolutions as special resolutions:

9. **“THAT Article 167 be deleted in its entirety and replaced by the following:**

“167. Any notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the designed stock exchange) to be given or issued under these Articles shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication, and may be served by the Company on any member either personally or by sending it through the post in a prepaid letter, envelope or wrapper addressed to such member at his registered address as appearing in the register or by delivering or leaving it at such registered address as aforesaid or by transmitting to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company or (in the case of a notice) by advertisement in both an English language newspaper in English and a Chinese language newspaper in Chinese or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the designated stock exchange and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above other than by posting it on a website. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.”

“THAT the following Article 169A be added:

“Any notice sent by electronic communication shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s website or the website of the designated stock exchange, is deemed given by the Company to a member on the day following that on which a notice of availability is deemed served on the member.”

By Order of the Board
Wang Shuai Ting
Chairman

Hong Kong, 29 March 2012

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Notes:

- (1) A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxy(ies) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the meeting will be enclosed with the 2011 Annual Report to be despatched to the Shareholders. 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 instrument appointing a 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, Wanchai, Hong Kong, not less 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).
- (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 Wednesday, 2 May 2012 to Friday, 4 May 2012 (both days 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 registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 30 April 2012. For the purpose of ascertaining Shareholders' entitlement to the proposed dividend, the Registrar of Members of the Company will be closed from Thursday, 10 May 2012 to Friday, 11 May 2012 (both days inclusive). In order to qualify for the proposed final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at the address as set out above not later than 4:30 p.m. on Wednesday, 9 May 2012.
- (6) In relation to agenda item 3 in this notice regarding election of retiring directors of the Company, Mr. Wang Shuai Ting, Mr. Lo Sui On, Ms. Jiang Yan, Dr. Fong Yun Wah and Mr. Wong Man Kong, Peter will retire at the meeting and, being eligible, offer themselves for re-election in accordance with the articles of association of the Company. The biographical details and interests in the shares of the Company of the said directors to be re-elected at the meeting are set out in the circular of the Company dated 29 March 2012 (the "Circular") despatched together with the 2011 Annual Report.
- (7) In relation to agenda items 5, 6 and 7 of this notice, the directors of the Company propose to seek shareholders' approval of the general mandates to repurchase shares and to issue shares, as described in the Circular.
- (8) 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 of the Company comprises seven executive directors, being Mr. Wang Shuai Ting, Mr. Mr. Lo Sui On, Ms. Jiang Yan, Mr. Fang Xiaorong, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang; and four independent non-executive directors, being Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.