
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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)

**(A) MAJOR TRANSACTION AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN A SUBSIDIARY**

**(B) PROPOSALS FOR
DECLARATION OF FINAL DIVIDEND,
RE-ELECTION OF DIRECTORS, AND
GENERAL MANDATES TO ISSUE SHARES AND TO BUY BACK SHARES
AND**

(C) NOTICE OF ANNUAL GENERAL MEETING

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



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 Wednesday, 20 May 2015 at 2:30 p.m. is set out on pages 56 to 60 of this circular. Whether or not you are able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, by no later than 48 hours before the time appointed for the holding of the meeting (or adjourned meeting or of the poll, as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

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DEFINITIONS

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

“Add-Well”	Add-Well Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“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 Wednesday, 20 May 2015 at 2:30 p.m. or any adjournment thereof
“Announcement”	the Company’s announcement dated 24 March 2015
“Articles”	the articles of association of the Company, as amended from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Blessing Home”	Blessing Home Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock code: 308)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms of the Disposal Agreement
“Conditions Precedent”	the conditions precedent set out in the Disposal Agreement which must be satisfied or waived by the Purchaser within six months from the date of the Disposal Agreement (or such other date as agreed by the parties) in order for Completion to take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 57.51% of the issued share capital of the Company and a connected person of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its associates, but excluding the Group for the purpose of this circular
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendors to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 24 March 2015 entered into among the Vendors and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, being all the Independent Non-Executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Disposal
“Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other person and its associates which has a material interest in the Disposal
“Latest Practicable Date”	13 April 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this circular, exclusively refer to Mainland China

DEFINITIONS

“Purchaser”	CTS (Holdings) (for itself or its nominee)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% issued ordinary shares in the Target Company owned by the Vendors as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder’s Loan”	represents the entire shareholder’s loan and other indebtedness owed by the Target Company to the Company
“Shareholders”	shareholders of the Company
“Shares”	Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Chadwick Developments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Target Group”	the Target Company and its subsidiaries
“Valuer”	American Appraisal China Limited
“Vendors”	the Company and Add-Well
“Weihe Power”	Shaanxi Weihe Power Co., Ltd., a Sino-foreign cooperative joint venture company established in the PRC and is owned as to 51% by the Target Company
“Xianyang OSR”	Xianyang Ocean Spring Resort Co., Ltd., a Sino-foreign equity joint venture company established in the PRC and is owned as to 89.14% by the Target Company

Unless otherwise stated in this circular, translations of RMB into HK\$ are made at the rate of RMB1.00 to HK\$1.26 for information purpose only. Such conversion should not be construed as a representation that any amount has been, could have been or may be converted at the above rate or at all.

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:

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

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

17 April 2015

To Shareholders

Dear Sir or Madam,

**(A) MAJOR TRANSACTION AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN A SUBSIDIARY**

**(B) PROPOSALS FOR
DECLARATION OF FINAL DIVIDEND,
RE-ELECTION OF DIRECTORS, AND
GENERAL MANDATES TO ISSUE SHARES AND TO BUY BACK SHARES
AND**

(C) NOTICE OF ANNUAL GENERAL MEETING

A. DISPOSAL OF INTEREST IN A SUBSIDIARY

1. INTRODUCTION

Reference is made to the Announcement, whereby the Company announced that on 24 March 2015 (after trading hours of the Stock Exchange), the Vendors and the Purchaser entered into the Disposal Agreement, pursuant to which, subject to the Conditions Precedent set out therein, the

LETTER FROM THE BOARD

Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares at a total consideration of RMB510 million (equivalent to approximately HK\$642.6 million). On completion, the Group expects to record a gain of approximately HK\$480 million from the Disposal.

2. THE DISPOSAL AGREEMENT

Date: 24 March 2015 (entered into after the close of trading hours of the Stock Exchange)

Parties: (1) vendors: the Vendors
(2) purchaser: the Purchaser

Subject matter: Pursuant to the Disposal Agreement, the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares.

As at the Latest Practicable Date, the Company is the legal and beneficial owner of 99.9% issued ordinary shares in the Target Company, whereas Add-Well, a wholly-owned subsidiary of the Company, holds 0.1% issued ordinary shares in the Target Company on trust for the Company.

Consideration:

The consideration for the Disposal shall be RMB510 million (equivalent to approximately HK\$642.6 million), which was determined and agreed between the parties after arm's length negotiations and taking into account various relevant factors including (i) the financial position, business outlook and future prospects of the Target Group; (ii) the prospects of the power industry in the PRC; (iii) the unaudited book value of assets attributable to the Disposal; (iv) the valuation of Weihe Power; and (v) the post-completion consideration adjustment mechanism. The Purchaser shall pay the consideration in cash to the Vendors upon Completion.

The business valuation report of Weihe Power prepared by the Valuer is set out in Appendix II(A) to this circular. As the Valuer has applied the discounted cash flow method in preparing the business valuation report, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. For preparation of the business valuation report, the following assumptions are adopted by the Valuer:

- 1) there will be no major changes in political, legal and economic conditions in the PRC;
- 2) regulatory environment and market conditions for power generation industry will be developing according to prevailing market expectations;
- 3) there will be no major changes in the current taxation law in the PRC;

LETTER FROM THE BOARD

- 4) Weihe Power will not be constrained by the availability of finance and there will be no material fluctuation in the finance costs;
- 5) there will not be any adverse events beyond the control of Weihe Power's management, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of Weihe Power;
- 6) the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- 7) Weihe Power will retain competent management, key personnel and technical staff to support its operation until the end of the joint venture period.

Full contents of the business valuation report, including details of the assumptions, basis and methodology of the valuation are included in this circular as Appendix II(A).

Based on the information currently available, the Directors are of the view that the business valuation report prepared by the Valuer has been made after due and careful enquiry. A letter from the Company's auditors and the confirmation from the Directors with respect to the business valuation report as required under Rule 14.62 of the Listing Rules are also included in this circular as Appendix II(B).

Conditions Precedent:

Completion is conditional upon the following conditions precedent being satisfied or waived:—

- (1) the Disposal Agreement shall have been signed by the parties and become effective;
- (2) the Vendors shall have obtained all necessary internal approval in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement, including but not limited to the approval of the Independent Shareholders as may be required under the Listing Rules and in accordance with the articles of association of the Company;
- (3) each of the Vendors and the Purchaser shall have obtained approval from its board of directors (or its shareholders if required under its articles of association) in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (4) there shall have no material adverse change for the Target Group;

LETTER FROM THE BOARD

- (5) the parties shall have observed all laws and regulations in relation to the transfer of the Sale Shares, including completion of all necessary procedures and registration;
- (6) the completion of the Target Company's disposal of its 89.14% equity interest in Xianyang OSR; and
- (7) the repayment of the Shareholder's Loan by the Target Company to the Company.

The Purchaser may waive the Conditions Precedent (1) or (4) above, whereas the Vendors may waive the Condition Precedent (1) above. If any of the Conditions Precedent have not been satisfied or waived within six months from the date of the Disposal Agreement (or such other date as agreed by the parties), the Disposal Agreement will immediately and automatically terminate and no party shall have any claim whatsoever against another party, save for antecedent breach.

Post-Completion Consideration Adjustment Mechanism:

Pursuant to the Disposal Agreement, if the audited net profit after tax of Weihe Power for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 ("Audited Profit") deviates from the base value of RMB452 million, RMB392 million and RMB112 million respectively for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 ("Base Value") by more than 10%, the Vendors and the Purchaser will pay each other in accordance with the following formulae:

- (i) if the Audited Profit is higher than the Base Value by 10%, the Purchaser shall, within 10 business days after the issue of the relevant audited accounts of Weihe Power, pay the Vendors an amount equal to:

$(\text{Audited Profit} - \text{Base Value} \times 110\%) \times 51\%$; and

- (ii) if the Audited Profit is lower than the Base Value by 10%, the Vendors shall, within 10 business days after the issue of the relevant audited accounts of Weihe Power, pay the Purchaser an amount equal to:

$(\text{Base Value} \times 90\% - \text{Audited Profit}) \times 51\%$, where the Audited Profit will be treated as 0 if it is negative.

Completion

Completion shall take place within ten business days following the satisfaction or waiver of all the Conditions Precedent or such other date as may be agreed by the parties thereto. After Completion, the Target Company will cease to be the Company's subsidiary.

LETTER FROM THE BOARD

3. INFORMATION ABOUT THE PURCHASER AND THE TARGET GROUP

The CTS (Holdings) Group

The CTS (Holdings) Group is principally engaged in travel business, real estate development, finance, iron and steel production and logistics and trading.

Add-Well

Add-Well is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company.

The Group

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

The Target Group

The Target Company is an investment holding company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company as at the date of this circular.

As at the Latest Practicable Date, the Target Company owns 51% equity interest in Weihe Power, which is principally engaged in the operation of a 4X300MW combined heat and power plant in Shaanxi Province, and 89.14% equity interest in Xianyang OSR, which is principally engaged in the operation of a leisure resort in Xianyang, Shaanxi Province. The Target Company entered into an agreement on 30 January 2015 with Blessing Home, a wholly owned subsidiary of the Company, to dispose of its 89.14% equity interest in Xianyang OSR to Blessing Home and completion of such disposal is one of the Conditions Precedent.

The unaudited net profit before and after taxation of the Target Group (prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") for the two financial years ended 31 December 2013 and 31 December 2014 are as follows:

	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit before taxation	269,663	236,710
Net profit after taxation	268,972	235,634

As at 31 January 2015, the unaudited consolidated net assets of the Target Group (which did not incorporate the net assets of Xianyang OSR) and Shareholder Loan of the Target Group (prepared in accordance with HKFRS) were approximately HK\$242 million and HK\$206 million respectively.

LETTER FROM THE BOARD

In 2014, the Group used the Target Company as a vehicle to hold the Group's surplus cash to generate interest income. Before the date of this circular, the Group has withdrawn all the surplus cash it provided to the Target Company.

The unaudited net profit before and after taxation of the Target Group (prepared in accordance with HKFRS) attributable to its interest in Weihe Power for the two financial years ended 31 December 2013 and 31 December 2014 are as follows:

	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit before taxation	297,262	285,233
Net profit after taxation	281,200	276,815

4. REASONS FOR THE DISPOSAL AND FINANCIAL IMPLICATIONS THEREOF

It is the Group's strategy to focus on travel destination operations and supplementary operations and the Disposal would enable the Group to dispose of its power generation operations and focus on its core competitiveness. Besides, the Disposal will transform the Company into a pure travel company which enables Shareholders and investors to invest in the prospering travel industry in China without taking undue risks in the power industry and helps to unlock the underlying value of the Group's travel operations. In addition, Weihe Power is a Sino-foreign cooperative joint venture company with a joint venture period expiring on 7 May 2017. Upon expiry of the joint venture period, Weihe Power will carry out liquidation in accordance with the PRC laws and the Target Company will transfer its interest in Weihe Power to its joint venture partner at nil consideration. Therefore Weihe Power does not have long term development prospects. The Directors also consider that the Disposal presents a good opportunity for the Group to realise its investment in the Target Group while the coal price has been decreasing and will enable the Group to improve its liquidity and strengthen the overall financial position of the Group as a whole.

Based on the carrying value of the Target Group as at 31 January 2015, the Group expects to record a gain of approximately HK\$480 million from the Disposal and this figure may change depending on the actual amount of assets attributable to the Disposal upon Completion. The excess of the consideration for the Disposal over the unaudited net asset values of the Target Group as at 31 January 2015 is approximately HK\$401 million which is different from the gain of approximately HK\$480 million above due to the release of exchange fluctuation reserve upon Disposal and the inclusion of an income tax provision in calculating the gain. Upon Completion, the earnings of Group would be reduced by the earnings currently attributable to the Target Group. The Group will strive to fill the earnings gap following the Disposal by ways of organic growth of travel operations, development of integrated leisure resorts, acquisitions of new natural and cultural scenic spots and travel projects, and disposals of loss making operations, etc. In addition, based on the unaudited consolidated accounts of the Group as at 31 January 2015, it is expected that immediately after completion, there would be an increase in the Group's total assets due to the gain from Disposal and there would be a decrease in the Group's total liabilities.

LETTER FROM THE BOARD

The Group will apply the sales proceeds from the Disposal to develop its travel businesses and as general working capital.

In view of the aforesaid, the Directors (including the Independent Non-Executive Directors) consider that the Disposal is fair and reasonable and on normal commercial terms and that the entering into of the Disposal Agreement is in the interest of the Company and the Shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Purchaser is the controlling shareholder of the Company which together with its subsidiaries own approximately 57.51% of the issued share capital of the Company as at the Latest Practicable Date, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. DECLARATION OF FINAL DIVIDEND

The Board has recommended that subject to the approval by Shareholders at the AGM, a final dividend of HK5 cents per Share and a special final dividend of HK2 cents per share for the year ended 31 December 2014 shall be paid to the Shareholders whose names appear on the Company's register of members on 1 June 2015.

C. RE-ELECTION OF DIRECTORS

At the AGM, Mr. Lo Sui On, Mr. Wong Man Kong, Peter and Mr. Chan Wing Kee will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with Article 101 of the Articles. Further, the continuous appointment of Mr. Wong Man Kong, Peter is subject to separate resolution to be approved by the Shareholders, as he served as an Independent Non-Executive Director for more than nine years.

Mr. Wong Man Kong, Peter has been appointed as an Independent Non-Executive Director since 1998. He has substantial business experience and is a highly valued and respected member of the Board. Mr. Wong has provided the Company with confirmation of his independence in accordance with the relevant requirements of the Listing Rules and it is in the belief of the Board that Mr. Wong is independent. Accordingly, the Board is of the view that the re-election of Mr. Wong as an Independent Non-Executive Director is in the interests of the Company and Shareholders as a whole.

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

LETTER FROM THE BOARD

D. GENERAL MANDATE TO BUY BACK SHARES

In addition, approval is being sought from the Shareholders to buy back 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 buy back Shares representing up to a maximum of 10% of the aggregate number of Shares in issue as at the date of the passing of the relevant resolution (the “Buy-back Mandate”).

This letter together with the explanatory statement, which is set out in Appendix V 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 Buy-Back Mandate, constitutes the memorandum of the terms of the proposed buy-backs required under Section 239 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

E. 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 number of Shares 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 Buy-back Mandate.

As at the Latest Practicable Date, the number of issued shares of the Company was 5,619,979,525 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 1,123,995,905 Shares (representing 20% of the said total number of issued Shares).

F. ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 56 to 60 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, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 48 hours before the time appointed for the holding of the 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.

LETTER FROM THE BOARD

Any Shareholder with a material interest in the Disposal and his close associates will abstain from voting on resolution approving the Disposal. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, CTS (Holdings) and its associates, which hold 57.51% of the issued share capital of the Company, will abstain from voting in relation to the ordinary resolution to be put forward at the AGM for the purpose of approving the Disposal Agreement and the transactions contemplated thereunder.

Ms. Jiang Yan, who is also a director of CTS (Holdings), has not attended the Board meeting in relation to the Disposal together with the transactions contemplated thereunder. Apart from that, none of the Directors has a material interest in the Disposal Agreement and the transaction contemplated thereunder or was required to abstain from voting on the Board resolutions for considering and approving the same.

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 AGM will exercise his right under Article 73 of the Articles to demand a poll on each of the resolutions to be proposed at the AGM.

G. RECOMMENDATION

The Disposal

The Independent Board Committee has been appointed to advise the Independent Shareholders in connection with the Disposal. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

The Directors (including the Independent Board Committee who has taken into account the advice of the Independent Financial Adviser) is of the view that the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including Independent Board Committee) recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution in relation to the Disposal.

Re-election of Directors and general mandates to issue shares and to buy back shares

The Directors believe that the proposals for re-election of retiring Directors, the Buy-back Mandate and the general mandate to issue Shares are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the corresponding resolutions to be proposed at the AGM.

H. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

LETTER FROM THE BOARD

Completion is conditional upon, among other things, the satisfaction of the conditions precedent of the Disposal Agreement, and the Disposal may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing with the Shares.

Yours faithfully,

By order of the Board

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

Jiang Yan

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated therein.



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)

17 April 2015

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

We refer to the circular issued by the Company to the Shareholders dated 17 April 2015 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise you on the terms of the Disposal Agreement and the transactions contemplated therein as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Disposal Agreement and the transactions contemplated therein as set out in the Circular. First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 16 to 24 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Disposal Agreement and the transactions contemplated therein and the additional information set out in the appendices to the Circular.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider the terms of the Disposal Agreement and the transactions contemplated therein as set out in the Circular to be fair and reasonable so far as the interests of the Independent Shareholders are concerned and to be in the interests of the Company

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support and to vote in favour of the ordinary resolution to approve the Disposal Agreement and the transactions contemplated therein.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
Dr. Fong Yun Wah
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



FIRST SHANGHAI CAPITAL LIMITED

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

17 April 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the circular of the Company to the Shareholders dated 17 April 2015 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 24 March 2015, the Vendors (i.e. the Company and Add-Well, which is a wholly-owned subsidiary of the Company) and the Purchaser (i.e. CTS (Holdings)) entered into the Disposal Agreement, pursuant to which the Vendors conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire the Sale Shares (i.e. the entire issued share capital of the Target Company) at the consideration of RMB510 million (the “**Consideration**”), which shall be settled entirely in cash. After the restructuring of the Target Group prior to Completion (the “**Restructuring**”), the principal asset of the Target Group would be its 51% equity interest in Weihe Power, which is principally engaged in the operation of a combined heat and power plant in Shaanxi Province, the PRC.

The Purchaser is the holding company of the Company. Pursuant to the Listing Rules, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company. Accordingly, the Disposal is subject to, among other requirements, the approval by the Independent Shareholders at the AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 formed to advise the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Shareholders should note that, within the past two years from the Latest Practicable Date, we acted as the independent financial adviser for the disposal of Mangocity.com (Investment) Limited by the Company, the details of which are set out in the circular of the Company dated 30 April 2014. Given (i) our independent role in this previous engagement; and (ii) our fee for this previous engagement represented an insignificant percentage of the revenue of our parent group, we consider this previous engagement would not affect our independence to form our opinion in respect of the Disposal.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Disposal Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:–

1. Background and benefits of the Disposal

I. Background information on the Group

The principal business of the Group includes operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots and leisure resorts), travel agency and related operations, passenger transportation, golf club, arts performance (collectively, the “**Travel and Leisure Business**”) and power generation (the “**Power Business**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below is an overview of the historical segment results of the Group based on information in the annual results announcement of the Company for the year ended 31 December 2014 (the “**2014 Annual Results**”).

	Segment results			
	for the year ended 31 December			
	2013		2014	
	HK\$ million	% of total	HK\$ million	% of total
	(audited)		(audited)	
Travel and Leisure Business	511	62%	605	67%
Power Business	276	34%	284	32%
Corporate and others	35	4%	10	1%
	<u>822</u>	<u>100%</u>	<u>899</u>	<u>100%</u>

The Travel and Leisure Business is the principal business of the Group and contributed approximately 62% and 67% of the segment results of the Group for each of the years ended 31 December 2013 and 2014, respectively. The segment results of the Travel and Leisure Business increased from approximately HK\$511 million for the year ended 31 December 2013 to approximately HK\$605 million for the year ended 31 December 2014, representing an annual growth of approximately 18%, which was mainly attributable to the improvements in results of the tourist attraction operations and the passenger transportation operations.

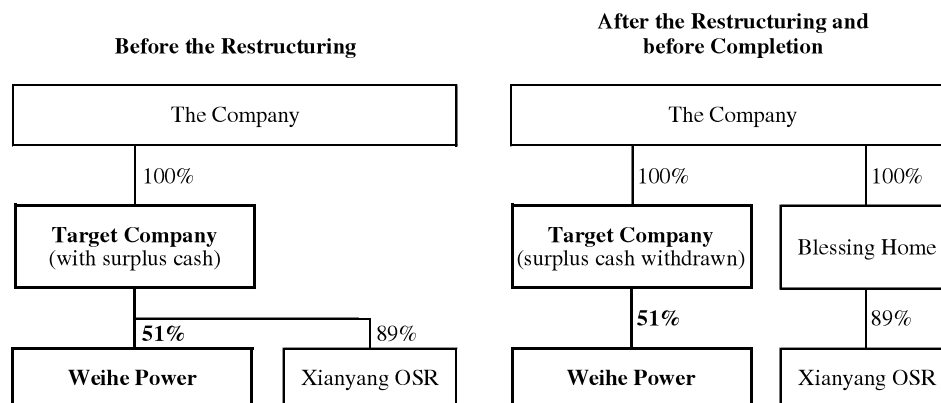
II. Background information on the Target Group, the Disposal and the Restructuring

The Target Company is a wholly-owned subsidiary of the Company, where the Company is the legal and beneficial owner of 99.9% issued ordinary shares in the Target Company and Add-Well (a wholly-owned subsidiary of the Company) holds 0.1% issued ordinary shares in the Target Company on trust for the Company. The Group had used the Target Company, which is an investment holding company, as a vehicle to hold the surplus cash of the Group to generate interest income. As at the Latest Practicable Date, the Target Company holds (i) 51% equity interest in Weihe Power, which carries out the Power Business via the operation of a combined heat and power plant in Shaanxi Province, the PRC; and (ii) approximately 89% equity interest in Xianyang OSR, which is principally engaged in the operation of a leisure resort in Shaanxi Province, the PRC.

We are advised by the management of the Group that the purpose of the Disposal is to, among other things, dispose of the assets and liabilities related to Weihe Power under the Target Company (the “**Power Investment**”), therefore the Restructuring involves (i) the withdrawal of the surplus cash held under the Target Company by the Company, the completion of which has already taken place as at the Latest Practicable Date; and (ii) the intra-group transfer of the equity interest in Xianyang OSR

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from the Target Company to Blessing Home (a wholly owned subsidiary of the Company), the completion of which is one of the Conditions Precedent. The following simplified chart illustrates the effects of the Restructuring.



We are further advised by the management of the Group that, following the Restructuring before Completion, the principal remaining assets and liabilities of the Target Company would be (i) the Power Investment; and (ii) the Shareholder's Loan, the repayment of which is one of the Conditions Precedent.

III. Financial information on the Target Group

As stated in the letter from the Board in the Circular, (i) the unaudited net assets of the Target Group, which did not incorporate the net assets of Xianyang OSR, and the Shareholder's Loan as at 31 January 2015 were approximately HK\$242 million and HK\$206 million, respectively; and (ii) the unaudited net profit after taxation of the Target Group attributable to its interest in Weihe Power for each of the years ended 31 December 2013 and 2014 were approximately HK\$277 million and HK\$281 million, respectively (collectively, the "Target Accounts").

IV. Background information on the Purchaser

The Purchaser, being CTS (Holdings), is the holding company of the Company. CTS (Holdings) is a Hong Kong incorporated and PRC state-owned company under the direction of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會). The CTS (Holdings) Group is principally engaged in travel business, real estate development, finance, iron and steel production and logistics and trading.

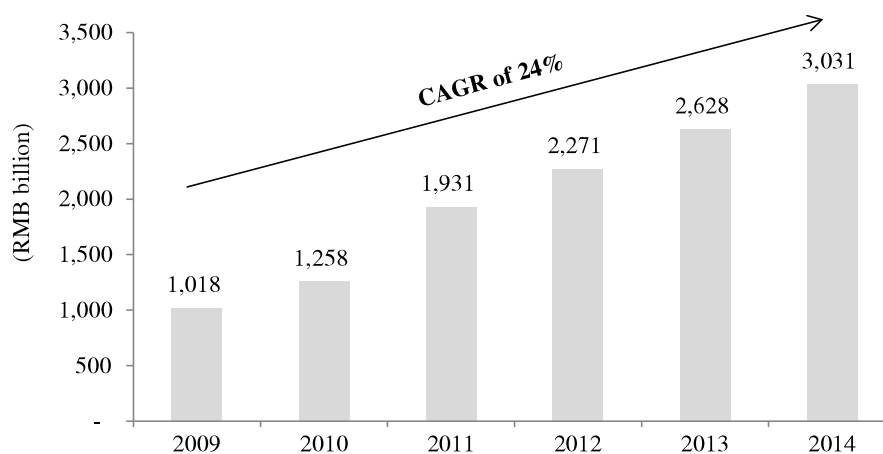
V. Reasons for and benefits of the Disposal

The business strategy of the Group is to focus on the Travel and Leisure Business, which has been the principal business of the Group and recorded an increase in profitability for the recent financial year. The Disposal transforms the Group into a pure-play business and allows the Group to immediately realise its investment in the Power Business and utilise the proceeds and spared resources on its core business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

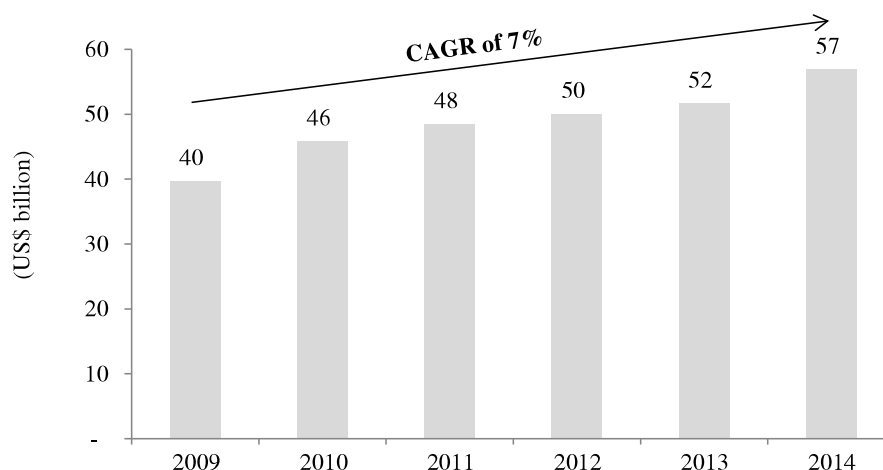
We have reviewed industry information published on the website of the National Bureau of Statistics of the PRC. The charts below set out the historical figures and the compound annual growth rate (“CAGR”) of the revenue from domestic tourism and the foreign exchange earnings from international tourism of the PRC from 2009 to 2014.

Revenue from domestic tourism of the PRC (2009-2014)



Source: the website of the National Bureau of Statistics of the PRC

Foreign exchange earnings from international tourism of the PRC (2009-2014)



Source: the website of the National Bureau of Statistics of the PRC

The revenue from domestic tourism of the PRC increased from approximately RMB1,018 billion in 2009 to approximately RMB3,031 billion in 2014, representing a CAGR of approximately 24% during the period. The foreign exchange earnings from international tourism of the PRC increased from approximately US\$40 billion in 2009 to approximately US\$57 billion in 2014, representing a CAGR of approximately 7% during the period. We understand the tourism industry in the PRC has demonstrated a growth trend in the recent years.

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Weihe Power, which is held as to 51% by the Target Company and carries out the Power Business, is a Sino-foreign cooperative joint venture company. Pursuant to the joint venture agreement entered into in March 1997, upon expiry of the joint venture period on 7 May 2017, Weihe Power will carry out liquidation in accordance with the PRC laws and the Target Company will transfer its interest in Weihe Power to its joint venture partners at nil consideration. We understand Weihe Power, which has a different operation model as compared with the Travel and Leisure Business, is an investment of the Group with approximately two years of remaining contribution life as at the Latest Practicable Date and does not have a long term prospect.

Having principally considered (i) the business strategy of the Group is to focus on the Travel and Leisure Business; (ii) Weihe Power is outside the scope of the Travel and Leisure Business and does not have a long term prospect; (iii) the Disposal transforms the Group into a pure-play business and allows the Group to immediately realise its investment in the Power Business and utilise the proceeds and spared resources on its core business; and (iv) the terms of the Disposal Agreement are fair and reasonable as concluded below, we are of the view that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Disposal Agreement

Pursuant to the Disposal Agreement, the Vendors (i.e. the Company and Add-Well, which is a wholly-owned subsidiary of the Company) conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire the Sale Shares (i.e. the entire issued share capital of the Target Company) at the Consideration of RMB510 million, which shall be settled entirely in cash upon Completion.

(i) Consideration

As previously mentioned, following the Restructuring before Completion, the principal remaining assets and liabilities of the Target Company would be (i) the Power Investment; and (ii) the Shareholder's Loan, the repayment of which is one of the Conditions Precedent. The Consideration of RMB510 million equals the appraised value of the Power Investment of RMB673 million less the relevant Shareholder's Loan of approximately HK\$206 million (equivalent to approximately RMB163 million) as at 31 January 2015.

The appraised value of the Power Investment is based on the business valuation report prepared by the Valuer. We have reviewed the business valuation report, which is set out in Appendix II(A) to the Circular. We have discussed with the Valuer regarding the methodology of and the principal bases and assumptions adopted for the business valuation of the Power Investment. We understand that the common valuation approaches are the cost approach, the market approach and the income approach. The income approach, which is based on the discounted cash flow method, was adopted for the valuation of the Power Investment given (i) the cost approach was not appropriate because it could not reflect the earnings potential of Weihe Power; and (ii) the market approach was not appropriate because the expiration of the joint venture agreement of Weihe Power on 7 May 2017 contradicts the going concern of listed companies with comparable business activity. We have interviewed the Valuer as to its expertise and we have obtained knowledge about the qualification and experience of the Valuer. Based on our discussion with the Valuer and also with the management team of the Group, we understand that, to the best of their knowledge, (i) apart from independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

valuation engagements, the Valuer has no other current or prior relationships with the Company, other parties to the Disposal or any of their core connected persons; and (ii) we are not aware the Company or other parties to the Disposal has made any formal or informal representation to the Valuer which is not in accordance with our knowledge. We have also obtained understanding about the major parameters adopted in the business valuation, for instance, we understand that (i) the projected cash flows are primarily contributed by the expected dividend payments by Weihe Power, which in turn have made reference to the historical and projected net income of Weihe Power; and (ii) the projected cash flows are discounted by the weighted average cost of capital, the parameters of which had made reference to, among other sources, Bloomberg and valuation yearbook. During the course of our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the business valuation of the Power Investment.

After taking into account, in particular, (i) the Consideration equals the appraised value of the Power Investment less the Shareholder's Loan; (ii) the repayment of the Shareholder's Loan is one of the Conditions Precedent; (iii) the Consideration shall be entirely settled in cash upon Completion; and (iv) the benefits of entering into the Disposal Agreement as previously discussed, particularly the Disposal transforms the Group into a pure-play business and allows the Group to immediately realise its investment in the Power Business and utilise the proceeds and spared resources on its core business, we are of the view that the Consideration is acceptable.

(ii) Post-Completion adjustment mechanism

Pursuant to the Disposal Agreement, if the audited net profit after tax of Weihe Power for each of the years ending 31 December 2015 and 2016 and the four months ending 30 April 2017 (the "**Audited Profits**") deviates from the base value of RMB452 million, RMB392 million and RMB112 million respectively for each of the years ending 31 December 2015 and 2016 and the four months ending 30 April 2017 (the "**Base Values**") by more than 10%, the Vendors and the Purchaser will pay each other in accordance with the following formulae (the "**Consideration Adjustment Mechanism**").

- (i) if the Audited Profit is higher than the Base Value by 10%, the Purchaser shall, within 10 business days after the issue of the relevant audited accounts of Weihe Power, pay the Vendors an amount equal to:

$(\text{Audited Profit} - \text{Base Value} \times 110\%) \times 51\%$; and

- (ii) if the Audited Profit is lower than the Base Value by 10%, the Vendors shall, within 10 business days after the issue of the relevant audited accounts of Weihe Power, pay the Purchaser an amount equal to:

$(\text{Base Value} \times 90\% - \text{Audited Profit}) \times 51\%$, where the Audited Profit will be treated as nil if it is negative.

Note: Weihe Power is held as to 51% by the Target Company, therefore the differences are multiplied by 51%.

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After taking into account (i) the Base Values are the projected net profit after tax of Weihe Power adopted in the business valuation report set out in Appendix II(A) to the Circular; (ii) the adjustment mechanism protects the parties to the Disposal Agreement, including the Group, should the financial performance of Weihe Power deviates significantly by more than 10% of the Base Values after Completion; and (iii) despite the Group would have to bear the payment to the Purchasers should the financial performance significantly deteriorate, the Group would share the profit of Weihe Power should the financial performance of Weihe Power significantly improve after Completion, we are of the view that the Consideration Adjustment Mechanism is acceptable.

(iii) Conclusion

Having collectively considered our above analysis, we are of the view that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Disposal

I. Earnings

According to the 2014 Annual Results, the Group recorded profit attributable to owners of the Company of approximately HK\$1,739 million for the year ended 31 December 2014. Based on the Target Accounts, the unaudited net profit after taxation of the Target Group attributable to its interest in Weihe Power was approximately HK\$281 million for the year ended 31 December 2014. We understand the Group is expected to record a non-recurring gain on the Disposal upon Completion (the “**One-off Gain**”) and, according to the letter from the Board in the Circular, the One-off Gain is estimated to be approximately HK\$480 million, where the actual amount would depend on the amount of assets attributable to the Disposal upon Completion. Following Completion, the Company would no longer hold any equity interest in the Target Company and Weihe Power, where the profits or losses of the Target Company and Weihe Power would no longer be accounted for in the income statement of the Group. Nonetheless, the Group would be subject to the Consideration Adjustment Mechanism. As previously mentioned, the Group would utilise the proceeds and spared resources from the Disposal to develop its core business.

II. Net assets

According to the 2014 Annual Results, the Group had net assets attributable to owners of the Company of approximately HK\$15,542 million as at 31 December 2014. Based on the Target Accounts, the unaudited net assets of the Target Group, which did not incorporate the net assets of Xianyang OSR, was approximately HK\$242 million as at 31 January 2015. With reference to the letter from the Board in the Circular, based on the unaudited consolidated accounts of the Group as at 31 January 2015, the total assets of the Group is expected to increase due to the One-off Gain, whereas the total liabilities of the Group is expected to decrease upon Completion. Following Completion, the Company would no longer hold any equity interest in the Target Company and Weihe Power, where the assets and liabilities of the Target Company and Weihe Power would no longer be accounted for in the statement of financial position of the Group.

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III. Working capital

According to the 2014 Annual Results, the Group had cash and bank balances of approximately HK\$3,327 million as at 31 December 2014. Given that (i) the repayment of the Shareholder's Loan is one of the Conditions Precedent; and (ii) the Consideration of RMB510 million shall be entirely settled in cash upon Completion, the working capital of the Group is expected to improve upon Completion.

IV. Conclusion

Despite the financial performance and the financial position of the Target Company and Weihe Power would no longer be accounted for in the financial statements of the Group following Completion, after primarily taking into account (i) the Disposal transforms the Group into a pure-play business and allows the Group to immediately realise its investment in the Power Business and utilise the proceeds and spared resources on its core business; (ii) Weihe Power has approximately two years of remaining contribution life as at the Latest Practicable Date and does not have a long term prospect; and (iii) our previous discussion on the Consideration Adjustment Mechanism, we consider the possible financial effects of the Disposal to be acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Fanny Lee

Managing Director

Allen Wang

Director

Note: Ms. Fanny Lee and Mr. Allen Wang have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 2006 and 2014, respectively. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

1. INDEBTEDNESS**Borrowings**

As at the close of business on 28 February 2015, the Group had outstanding unsecured bank and other borrowings of approximately HK\$1,982 million.

Security

As at close of business on 28 February 2015, the Group's bank deposits of approximately HK\$37 million were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility & retail deposit.

Contingent liabilities and guarantees

As at the close of business on 28 February 2015, the Group had the following contingent liabilities: performance bond given to a customer for due performance of a sales contract amounting to HK\$0.3 million.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 28 February 2015, the Group did not have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, mortgages, charges, debentures, obligations under hire purchase contracts or finance leases or guarantees or other material contingent liabilities.

2. FINANCIAL AND TRADING PROSPECTS

The Company is positioned as a tourism and cultural businesses platform which focuses on tourist attractions, with a mission to offer new travel destination lifestyle to its customers. The Group will consolidate its position in city travel destinations, aggressively acquire scarce natural and cultural scenic spots, develop leisure resorts in an orderly manner, and develop supplementary products and businesses in a selective manner.

In respect of existing businesses, the Company will adopt targeted measures such as management enhancement, innovation and upgrade of product and business to raise profitability. In addition, the Company will implement industry-leading plans and benchmarking management to increase competitiveness. Also, the Company will strengthen cost control and adopt centralized procurement and quality control to drive down costs and improve efficiency.

The Company will continue to focus on value creation and gradually exit from businesses which are incompatible with its strategy, lacking synergy, and have been loss making for a long time with no prospects of turning around, so as to maintain the Company's high asset quality to ensure favourable operation.

The Disposal will enable the Company to dispose of its power generation operations and focus on its core competitiveness, and to further improve its liquidity and strengthen the overall financial position of the Company as a whole. Coupled with a comparatively low liability to asset ratio, the Company will have higher flexibility to meet the capital expenditure requirements of future developments.

Although the complicated economic situations at home and abroad persists and there is keen competition across the industry, the business fundamentals of the Company's overall business remain steady and healthy. In addition, the Company has a healthy financial position and possesses the capabilities to invest and develop. The Company is fully confident in the prospects of future development guided under its proven strategy. In accordance with the above-mentioned strategy and the requirements of management enhancement and key priorities, the Group will strengthen strategy execution, push forward strategic projects, innovate on business models and enhance profitability, striving its best to execute the initiatives and create shareholder value.

3. MATERIAL ADVERSE CHANGES

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 2014, the date to which the latest published audited consolidated accounts of the Group were made up.

4. WORKING CAPITAL

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

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Leading / Thinking / Performing

17 April 2015

The Directors

China Travel International Investment Hong Kong Limited
12/F, CTS House,
78-83 Connaught Road, Central,
Hong Kong

Our Ref.: 14/2062

Dear Sirs,

**VALUATION OF INDICATED VALUE OF
51% EQUITY INTEREST IN SHAANXI WEIHE POWER CO., LTD.
ATTRIBUTABLE TO CHADWICK DEVELOPMENTS LIMITED**

Pursuant to the terms, conditions and purpose of an engagement agreement dated 19 September 2014 and a supplementary agreement dated 26 January 2015 (“Engagement Agreements”) between China Travel International Investment Hong Kong Limited (“Company” or “Client”) and American Appraisal China Limited (“American Appraisal”), we have performed an analysis of fair value (“Valuation”) of the 51% equity interest in Shaanxi Weihe Power Co., Ltd. (“Weihe” or the “Subject Company”) as of 31 January 2015 (“Valuation Date”). We understand that the Company contemplates the disposal of the above mentioned interest and the Valuation is prepared based on the prospective financial information, underlying assumptions and information provided by the management of the Company (“Management”).

We understand that the Company, with our consent, discloses this letter in the circular to shareholders and to The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in accordance with the requirements of the Rules Governing the Listing of Securities on Stock Exchange (“Listing Rules”). No third party shall have the right of reliance on this letter and neither receipt nor possession of this letter by any third party shall create any express or implied third-party beneficiary rights.

This letter identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing this letter, we aim to largely comply with the reporting standards recommended by the International Valuation Standards (“IVS”). The depth of discussion contained in this letter is specific to the needs of the Client and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers.

PURPOSE OF VALUATION

The Client intends to dispose Chadwick Developments Limited (“Chadwick” or “Target Company”) which owns 51% equity interest in Weihe (“Proposed Transaction”). With the Client’s approval and as stipulated by the Engagement Agreements in formulating our opinion on the fair value of the 51% equity interest in Weihe, we relied upon completeness and accuracy of operational, and financial information provided by the Company. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion should be different. With respect to financial forecasts regarding the Subject Company provided to or otherwise reviewed by or discussed with American Appraisal, it has been represented by the Management and was assumed for the purposes of this opinion that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the Management as to the expected future results of operations and financial conditions of the Subject Company to which such analyses or forecasts relate. American Appraisal can give no assurances, however, that such financial analyses and forecasts can be realized or that actual results will not vary materially from those projected.

The intended use of the Valuation is to serve as the basis for compliance of the Listing Rules. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed disposal price of the Subject Company rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

STANDARD AND BASIS OF VALUE

The Valuation was prepared on the basis of fair value. Fair value is defined as the estimated amount at which the company might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the invested capital of the business, that is, the combination of the value of shareholders’ equity, shareholders’ loans and interest-bearing debt.

DESCRIPTION OF THE SUBJECT COMPANY

The Subject Company operates a coal-based power plant located in Shaanxi, the PRC. It was set up and started operation in May 1997 by Chadwick, a wholly owned subsidiary of the Company, and two Chinese companies under a cooperative joint venture agreement (“JV Agreement”) which will expire in May 2017. Chadwick owns 51% equity interest in the Subject Company. Major revenue stream of the Subject Company includes sales of electricity and heat. It owns four 300 MW generators with total installed capacity of 1,200 MW.

According to the JV Agreement, net profits are distributed to shareholders every year based on their attributable interest in the Subject Company. Upon expiry of the joint venture period, the Target Company will transfer its interest in the Subject Company to its joint venture partner at nil consideration. Chadwick, being the foreign investor, was entitled to recover its initial investment of approximately RMB 918 million prior to the expiry of the joint venture period. The initial investment is returned to Chadwick by installments and the annual payment depends on total depreciation and amortisation amount of the Subject Company over the joint venture period. As of the Valuation Date, Chadwick has already received RMB 809 million as return of investment from the Subject Company, it was expected that the Client will get back all its initial investment by 2016.

FINANCIAL REVIEW OF THE SUBJECT COMPANY

We have reviewed the historical financial summary of Weihe for the three financial years ended 31 December 2012, 2013 and 2014 and one month ended 31 January 2015 provided by the Client without further verification and the historical statements along with the key financial ratios are presented below:

<i>(Unit: RMB'000 unless specified otherwise)</i>	FY2012	FY2013	FY2014	2015 Jan
Revenue	2,088,956	2,208,221	2,226,472	222,665
Gross profit	348,524	621,716	625,663	74,094
<i>Gross profit margin</i>	16.7%	28.2%	28.1%	33.3%
Operating expenses ("Opex")	64,663	65,324	56,967	3,416
<i>Opex to revenue ratio</i>	3.1%	3.0%	2.6%	1.5%
Earnings before interest and tax ("EBIT")	283,860	556,392	568,696	70,678
<i>EBIT margin</i>	13.6%	25.2%	25.5%	31.7%
Net income/(loss)	263,995	501,441	510,757	54,490
<i>Net margin</i>	12.6%	22.7%	22.9%	24.5%
Shareholder equity	1,457,663	1,660,845	1,631,683	1,686,174
Retained profits	262,675	498,934	508,202	562,693

Slight increase in revenue in 2013 and 2014 is due to increase in power supply to other province(s). The unit of electricity sold was approximately 5.7 billion KWh in 2012 and increased to 6.1 billion KWh in 2013 and 6.2 billion KWh in 2014. The impact of the increase of electricity unit sold was offset by the average tariff reduction of approximately 3.5% from RMB0.4156 per KWh to RMB0.4016 per KWh during the same period.

The significant improvement in gross profit margins from 16.7% in 2012 to 28.1% in 2014 is mainly attributable to decrease in coal price starting from the second half year of 2012. The fuel cost of thermal coal accounted for approximately 63% of revenue in 2012 and then down to 50% and 48% in 2013 and 2014 respectively.

Operating expenses to revenue ratio remained relatively stable and maintained in the range of 2.6 – 3.1% from 2012 to 2014. Overall speaking, the net profit margins improved from 12.6% in 2012 to 22.9% in 2014.

The Subject Company is all equity financed and the net asset value as of the Valuation Date was approximately RMB1,686 million to which retained profits of approximately RMB563 million would be available for distribution.

ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective economic conditions of the national economy. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of the national economies of China was essential to develop this outlook. The following economic discussion was extracted from Economist Intelligence Unit:

“China: Country Outlook” 10 December 2014

ECONOMIC GROWTH:

Given that The Economist Intelligence Unit sees the interest rate cut in November as an adjustment in monetary policy, rather than a shift to a looser stance, the economic growth forecasts have been maintained. Real GDP is expected to decelerate to 7% in 2015, from an estimated 7.3% this year. Economic expansion will then slow gradually to 5.5% by 2019. The anticipated economic slowdown represents a structural, rather than cyclical, shift.

INFLATION:

Although disinflationary pressures have mounted, it is expected that annual consumer price inflation would average 2.9% in 2015-19. As in 2014, declining global oil costs will act to restrain price increases over the next five years, alongside other supply-side gains such as improved transport logistics. However, rapid domestic-demand growth and domestic-price reform will generate inflationary pressures, ensuring that consumer prices continue to record increases.

EXCHANGE RATES:

It is expected that the local currency would continue to strengthen slowly against the US dollar in 2015-17, before depreciating in 2018-19 as China’s external position weakens. China’s financial authorities remain committed in the long term to scaling back exchange-rate intervention, as this is tied to policy goals such as rebalancing the economy and internationalising the renminbi.

EXTERNAL SECTOR:

EIU expects China's current-account balance to move from a surplus estimated at the equivalent of 2.4% of GDP in 2014 to a deficit of 1% by 2019. In value terms, merchandise exports will increase by 7.3% a year on average in 2015-19, while imports will grow by 9.9% a year. Many of China's imports consist of components that are assembled locally before being shipped overseas, but a growing proportion of imports is used for domestic consumption.

INDUSTRY OVERVIEW

The following industry discussion was extracted from MarketLine and other sources published by government authorities.

“Electricity Retailing in China” published by MarketLine in February 2015

China's electricity retailing market demonstrated strong growth in terms of volume consumption during the 2010-2014 period, while value growth saw remarkable double digit growth due to rising electricity prices. Forecasts suggest volume consumption growth will decelerate while value growth decelerates correspondingly for the 2014-2019 period.

The Chinese electricity retailing market is expected to generate total revenues of USD580.6 billion in 2014, representing a compound annual growth rate (CAGR) of 14.6% between 2010 and 2014.

Table 1: China electricity retailing market value: USD billion, 2010-2014(e)

Year	\$ billion	CNY billion	€ billion	% Growth
2010	336.9	2,087.3	253.7	
2011	411.9	2,551.7	310.2	22.2
2012	460.5	2,852.9	346.8	11.8
2013	516.8	3,201.6	389.2	12.2
2014(e)	580.6	3,596.8	437.3	12.3
CAGR: 2010-14				14.6%

Source: MARKETLINE

Market consumption volume is forecast to increase with a CAGR of 9.2% between 2010 and 2014, to reach a total of 5,164,197.1 GWh in 2014. The market's volume is expected to rise to 7,150,339.5 GWh by the end of 2019, representing a CAGR of 6.7% for the 2014-2019 period.

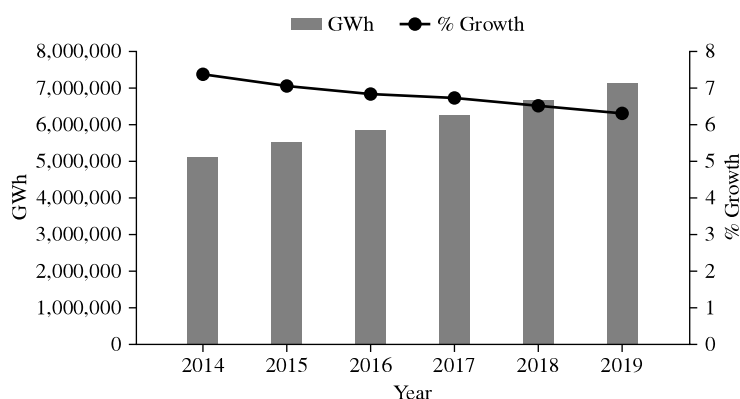
Table 2: China electricity retailing market volume: GWh, 2010-2014(e)

Year	GWh	% Growth
2010	3,634,543.0	
2011	4,207,708.0	15.8
2012	4,497,466.5	6.9
2013	4,806,810.9	6.9
2014(e)	5,164,197.1	7.4
CAGR: 2010-14		9.2%

Source: MARKETLINE

The performance of the market is forecast to decelerate, the compound annual growth rate of the market's volume in the period 2014-19 is predicted to be 6.7%.

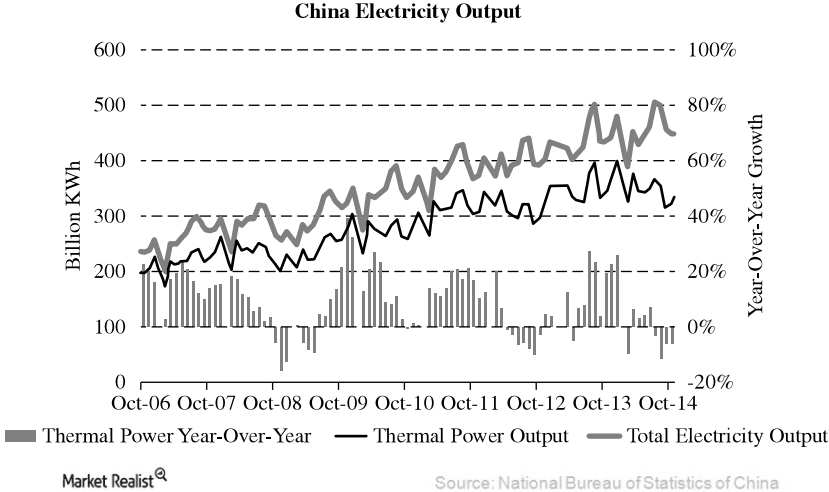
“China’s thermal power industry is capping energy use” published by Katie Dale from Market Realist on 26 December 2014.

Table 3: China electricity retailing market volume forecast: GWh, 2014-2019

The Chinese industrial sector consumes almost 70% overall electricity consumption in the country and high energy intense sectors like steel, chemical, cement, and paper account for 50% of the total industrial electricity consumption.

China’s policy makers are trying to limit the nation’s appetite for energy. As a result of rapid industrialization and economic growth, China has become a voracious consumer of energy, changing global energy markets and the geopolitics of energy security.

Table 4: China electricity output and thermal power output



For the seven-year period to 2020, China plans to cap its energy consumption rate at 28%. The nation is targeting energy use equivalent to an annual 4.8 billion metric tonnes of standard coal by 2020, according to a statement from the State Council.

According to the data from the National Energy Administration, for the first 11 months of 2014, total power consumption was more than 5 trillion kilowatt hours, an increase of 3.7% year-over-year. During the first 11 months, newly installed power generation capacity hit 67 million kilowatts, accounting for 34 million kilowatt hours. Newly installed hydro-power capacity was 18.2 million kilowatts during the period.

According to data from the National Bureau of Statistics, China’s power generation, or output, increased 0.6% in November to 448.7 billion kilowatt hours from the corresponding period a year ago. On a month-over-month basis, power output was up 0.92% led by higher heating demand.

Data from the National Bureau of Statistics showed power output from thermal plants fell 4.2% from a year earlier to 345.5 billion kilowatt hours, while hydroelectric power jumped nearly 35%.

“China’s Electricity Sector at a Glance: 2013” published by Michael Davidson from The Energy Collective on 3 February 2014

Since coal prices were partially liberalized in 2005, electricity generation companies have faced almost the entire risk of price swings in their primary fuel, owing to the centralized tariff-setting procedure that keeps electricity rates low. Coal prices have spiked in recent years contributing to huge losses from thermal generation in the Big Five state-owned generation companies since 2008. 2013 reversed this trend however: owing to falling coal prices and generating companies’ increasing reliance on fixed annual contracts, the Big Five posted profits from all their operations, their highest in twelve years.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history, operations and prospects of the Subject Company, an overview of certain financial data, an analysis of the industry and competitive environment, an analysis of comparable companies/transactions, and a review of transactions, operating statistics and other relevant documents. We made reference to or reviewed the following major documents and data:

- Audited financial statements for the four fiscal years ended 31 December 2014
- Unaudited financial information for one month ended 31 January 2015
- Prospective and historical financial information and the breakdown of major revenue/cost of sales/operating expenses prepared by the Management
- A copy of the JV Agreement dated 25 March 1997
- A copy of power supply contract between State Grid Shaanxi Electric Power Company (“State Grid”) and Weihe for the fiscal year 2014

We assumed that the data we obtained in the course of the Valuation, along with the opinions and representations provided to us by the Company are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the stage of development of the Subject Company
- the historical costs, current financial condition and prospective financial projections of the Subject Company
- the economic outlook for China and specific competitive environments affecting the power generation industry
- the legal and regulatory issues of the power generation industry in general
- the risks of the Subject Company
- the experience of Weihe’s management team

Due to the changing environments in which the Subject Company is operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation:

- no major changes are expected in political, legal and economic conditions in China;

- regulatory environment and market conditions for power generation industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law in China;
- the Subject Company will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- Weihe will retain competent management, key personnel and technical staff to support their ongoing operations.

VALUATION METHODOLOGY OVERVIEW

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to value. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of the Subject Company, as it does not capture future earning potential of the business. Thus it is not utilized in the Valuation. On the other hand, the market approach is also inappropriate as the limited duration of the JV Agreement contradicts with the going concern of comparable companies. In forming our opinion we rely upon the income approach to prepare a business enterprise value analysis of the Subject Company.

INCOME APPROACH

Discounted Cash Flow method of the income approach was used to value the Subject Company. This method explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. In using Discounted Cash Flow method, we relied on Financial Projections for the period February 2015 to April 2017 (“Projection Period”) prepared by the Management. The cashflow projection was made up to April 2017, i.e. until the JV Agreement expires.

Revenue

Revenue mainly represents sales of electricity to the State Grid. The total revenue was expected to reduce slightly by 2% and 1% in 2015 and 2016 respectively which is mainly due to electricity tariff cut of RMB0.009/KWh starting from 1 September 2014 and a slight drop in electricity supply in 2016. Electricity tariff is assumed to remain stable during the Projection Period.

Gross profit

Cost of revenue refers to coal consumption, staff costs, depreciation, repair and maintenance costs and other miscellaneous costs. Coal consumption contributed over 60% of the total cost of revenue during the past three financial years. Management expected the gross profit margins will improve from 28% in 2014 to 29% in 2015 due to lower average coal cost. It was then expected to drop to 26% in 2016 due to anticipated recovery of coal price and increase in depreciation for technology improvements. The average fuel cost of thermal cost net of VAT was assumed at RMB309 per tonne in 2015 and RMB314 per tonne in 2016.

Operating expenses

Operating expenses mainly include staff costs and amortization of land use right. Operating expenses to revenue ratio was expected to remain stable at 3% throughout the Projection Period.

Income tax

Standard income tax rate of 25% was applied during the Projection Period.

Cash flows to Chadwick**(i) Refund of initial investment**

Annual recovery of the initial investment is calculated based on total depreciation and amortisation amount of the Subject Company for the last financial year less 10% renovation fund and then multiplied by its equity interest ownership (51%). As of 31 January 2015, Chadwick has already received RMB809 million from the Subject Company, it was expected that the Client would get back all its investment by 2016.

(ii) Dividend

Net profits of Weihe after 0.5% appropriation to statutory reserve and 5% withholding tax is distributed to Chadwick every year based on its attributable equity interest.

Discount rate (“WACC”)

The discount rate for the valuation was developed through the application of the Capital Asset Pricing Model (“CAPM”), which is the most commonly adopted method of estimating the cost of equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (“Beta”) of times equity market premium in general. In estimating the Beta, we have observed the share price movement relative to overall equity market index of five listed comparable companies which principally engaged in the coal-fire power generation industry set out below. Companies in the power generation industry are regarded generally to be subjected to the same systematic risks as the Subject Company.

Bloomberg**Comparable Companies****Code**

China Resources Power Holdings Co. Ltd.	836 HK
Huaneng Power International Inc.	902 HK
Datang International Power Generation Co. Ltd.	991 HK
Huadian Power International Corp Ltd.	1071 HK
China Power International Development Ltd.	2380 HK

The cost of debt was ignored based on all equity financing nature of the Subject Company. The computation of the estimated discount rate is shown as follows:

$$K_e = R_f + \beta \text{ (ERP)}$$

Where

K_e = Required return on equity

R_f = Risk-free rate of return = 3.28% The R_f is based on the yield of China 3-years RMB nominated government bonds as of the Valuation Date.

β = Beta = 0.61 Beta is a measure of the relationship between industry risk and the aggregate market. It is based on the betas of the selected comparable companies.

ERP = Equity risk premium = 7.02% The ERP is the expected return of the market (R_m) in excess of the risk-free rate (R_f), or, is based on US equity risk premium (extracted from Morningstar Inc. SBBI Yearbook 2014) plus the market systematic risk in Hong Kong.

As such, our analysis concludes that a discount rate of 8% is considered appropriate for valuing the Company.

Value indicated by the income approach

The above key inputs and assumptions result in the indicated present value of RMB382 million (rounded to nearest million) for the future cash flows attributable to 51% equity interest in Subject Company over the remaining joint venture period until April 2017.

ADDITIONAL VALUATION CONSIDERATION

Discount for Lack of Marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In this Valuation, option-pricing method was used to estimate the DLOM. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Generally speaking, the farther the Valuation Date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. By using the option-pricing method, the DLOM of 10.0% was applied in this Valuation assuming the liquidation event in one year.

Return of Investment and Dividend Receivable

As of Valuation Date, accrued and unpaid dividend and return of investment to be received by Chadwick for the period between January 2014 to January 2015 is approximately RMB329 million.

The indicated value of 51% equity interest in Weihe equals to the total sum of present value of future cashflows from February 2015 to April 2017 on non-marketable basis and unpaid dividends and return of investment from January 2014 to January 2015, which is RMB673 million.

SENSITIVITY ANALYSIS

As part of our valuation a sensitivity analysis of value indication arrived at using the income approach was performed. We have tested sensitivity of the indicated 51% equity interest value of the Subject Company to changes of the following parameters (each of the parameters is tested independently):

- WACC – a range of 6.5%-11.5% was tested for sensitivity as it represents a likely range of WACC as observed from reputable analysts' reports on comparable companies mentioned above. Results are presented in Table A.
- 2015 Estimated Coal Price – with reference to the historical unit coal price change in 2013 and 2014 which is -19% and -7% respectively, the range selected is 20% lower and higher than the estimated coal price of RMB309/tonne ("Base Case") adopted for year 2015 in the Financial Projection. Results are presented in Table B.

A sensitivity analysis on the fair value of the 51% equity interest in the Subject Company was presented in the tables below:

Table A

WACC	51% equity interest value of the Subject Company (RMB million)
6.5%	682
7.0%	679
8.0%	673
9.0%	668
10.0%	663
11.0%	658
11.5%	653

Table B

	2015 Estimated Unit Coal Price (RMB/tonne)	51% equity interest value of the Subject Company (RMB million)
-20%	247	800
-15%	262	769
-10%	278	737
-5%	293	705
Base Case	309	673
+5%	324	642
+10%	340	610
+15%	355	578
+20%	371	546

The value is relatively more sensitive to change in unit coal price assumption than to discount rate.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of the 51% equity interest in Shaanxi Weihe Power Co., Ltd. as of the Valuation Date is reasonably represented by the amount of RENMINBI SIX HUNDRED AND SEVENTY THREE MILLION (RMB673,000,000) ONLY.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company, the Subject Company, the Target Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Senior Vice President and Director

Note: Mr. Lee has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst.

This valuation was prepared under the supervision of Mr. Lee as project-in-charge with significant professional assistance from Ms. Priscilla Cheng and Ms. Stella Chin.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF INDICATED VALUE OF 51% EQUITY INTEREST IN SHAANXI WEIHE POWER CO., LTD. ATTRIBUTABLE TO CHADWICK DEVELOPMENTS LIMITED

TO THE BOARD OF DIRECTORS OF CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “Valuation”) dated 17 April 2015 prepared by American Appraisal China Limited in respect of the appraisal of the fair value of the 51% equity interest in Shaanxi Weihe Power Co., Ltd. (the “Subject Company”) attributable to Chadwick Developments Limited (the “Target Company”) is based. The Valuation is set out in Appendix II(A) of the circular of China Travel International Investment Hong Kong Limited (the “Company”) dated 17 April 2015 (the “Circular”) in connection with the Company’s disposal of the Target Company, which owns 51% equity interest in the Subject Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages 34 to 39 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant’s Responsibility

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Subject Company.

.....
 : PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
 : T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages 34 to 39 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages 34 to 39 of the Circular.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 April 2015



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)

17 April 2015

The Stock Exchange of Hong Kong Limited

11th Floor
One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sir/Madam,

**VALUATION OF INDICATED VALUE OF 51% EQUITY INTEREST IN
SHAANXI WEIHE POWER CO, LTD. (“WEIHE POWER”) ATTRIBUTABLE
TO CHADWICK DEVELOPMENTS LIMITED**

We refer to the valuation report dated 17 April 2015 prepared by American Appraisal China Limited, an independent valuation firm (the “Valuer”) in relation to the valuation of the Weihe Power as at 31 January 2015 (“Valuation”), which is set out in Appendix II(A) to this circular. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “Forecast”). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the circular of the Company dated 17 April 2015.

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the bases and assumptions based upon which the discounted cash flow in the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible for. We have also reviewed the calculations for the discounted cash flow in the valuation report issued by the Valuer. We have also considered the letter from PricewaterhouseCoopers dated 17 April 2015 as set out to Appendix II(B) regarding the calculations for which the discounted cash flow in the Valuation upon which the Forecast has been made. We hereby confirm that the Forecast has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board of
China Travel International Investment Hong Kong Limited
Xu Muhan
Executive Director and General Manager

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interest in shares		Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at the Latest Practicable Date
	Corporate Interest	Family interest			
Ms. Jiang Yan	-	-	1,770,000	1,770,000	0.03%
Mr. Lo Sui On	-	-	1,770,000	1,770,000	0.03%
Mr. Zhang Fengchun	-	-	1,770,000	1,770,000	0.03%
Mr. Xu Muhan	-	2,000 (Note 1)	1,850,000	1,852,000	0.03%
Mr. Fu Zhuoyang	-	-	1,770,000	1,770,000	0.03%
Dr. Fong Yun Wah	50,000 (Note 2)	-	-	50,000	0.00%

Note 1: Mr. Xu Muhan is deemed to be interested in these shares of the Company held by his spouse.

Note 2: These shares are beneficially owned by certain corporations the voting power at general meetings of which Dr. Fong Yun Wah controlled one-third or more. Dr. Fong Yun Wah is taken to be interested in such shares pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the latest practicable date
China National Travel Service (HK) Group Corporation ("China CTS (HK)")	Interest of controlled corporation (<i>Note 1</i>)	3,231,822,728	57.51%
CTS (Holdings)	Interest of controlled corporation and beneficial owner	3,231,822,728	57.51%

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

Note 2: Ms. Jiang Yan, the Chairman and Executive Director of the Company, is also a director of China CTS (HK) and CTS (Holdings).

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO. Save as disclosed above, as at the Latest Practicable Date, none of the Directors, and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV 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 2014 (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. QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
First Shanghai Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
American Appraisal China Limited	Professional valuer
PricewaterhouseCoopers	Certified public accountants

Each of First Shanghai capital Limited, American Appraisal China Limited and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their letter, report and/or reference (as the case may be) references to its names in the form and context in which they appear.

As at the Latest Practicable Date, each of First Shanghai capital Limited, American Appraisal China Limited and PricewaterhouseCoopers 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, each of First Shanghai Capital Limited, American Appraisal China Limited and PricewaterhouseCoopers was not interested, directly or indirectly, in any assets which had since 31 December 2014 (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.

6. 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).

7. MATERIAL CONTRACT

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are material:

- (i) the Disposal Agreement.
- (ii) the Equity Transfer Agreement dated 12 December 2014 entered into between Allied Well Holdings Ltd. (“Allied Well”), a wholly-owned subsidiary of the Company, Assets Dynasty Limited (“Assets Dynasty”) and Ruskin Overseas Limited (“Ruskin Overseas”), a wholly-owned subsidiary of Allied Well before completion of the Equity Transfer Agreement, in respect of the disposal of 100% equity interest in Ruskin Overseas. For details, please refer to the announcement of the Company dated 12 December 2014.
- (iii) the Loan Transfer Agreement dated 12 December 2014 entered into between the Company, Assets Dynasty and Ruskin Overseas in respect of the transfer of Shareholder’s Loan of Ruskin Overseas from the Company to Assets Dynasty. For details, please refer to the announcement of the Company dated 12 December 2014.
- (iv) the Supplemental Agreement dated 12 December 2014 entered into between Allied Well, the Company, as the guarantor, and Assets Dynasty to supplement and perfect the relevant undertakings under the Equity Transfer Agreement. For details, please refer to the announcement of the Company dated 12 December 2014.
- (v) the disposal agreement dated 27 March 2014 entered into between China Travel Online Limited (“CTS Online”), a wholly-owned subsidiary of the Company, and Dean Success Limited (“Dean Success”), a wholly-owned subsidiary of CTS (Holdings), in relation to the disposal of entire issued share capital of Mangocity.com (Investment) Limited, a wholly-owned subsidiary of CTS Online before completion pursuant to the disposal agreement, and (ii) the entire shareholder’s loan and other indebtedness owed by Mangocity.com (Investment) Limited to CT Online, by CT Online to Dean Success. For details, please refer to the announcement of the Company dated 27 March 2014.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at 12/F, CTS House, 78-83 Connaught Road central, Hong Kong.

- (b) The share registrar of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Lai Siu Chung, who is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) This circular has been printed in English and Chinese, in the event of inconsistency, the English version shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents 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 AGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Group for the two years ended 31 December 2014 and 31 December 2013;
- (c) the written consents referred to in the paragraph headed "5. Qualification and Consent of Experts" of this appendix;
- (d) the material contracts referred to in the paragraph headed "7. Material Contracts" of this appendix;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 14 and 15 of this circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 24 of this circular;
- (g) letter from Company and confirmation from PricewaterhouseCoopers Limited pursuant to Rule 14.62 of the Listing Rules regarding the valuation of Weihe Power; and
- (h) this Circular.

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

MR. Lo Sui On *Vice Chairman and Executive director*

Aged 64, appointed in 2000, is a Director of a number of subsidiaries of the Company. Mr. Lo has over 40 years of operation and management experience in the tourism industry. Mr. Lo is a Deputy of the Twelfth 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 2014, 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 has 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. Save as disclosed above, 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.

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

Aged 66, appointed in 1998, is the Chairman of Audit Committee and Remuneration Committee of the Company as well as a member of Nomination Committee and Strategy and Development Committee of the Company. Mr. Wong has over 40 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 Limited, New Times Energy Corporation Ltd. and MGM China Holdings Limited. Mr. Wong serves as a deputy of the Twelfth National People's Congress of the PRC. He graduated from the University of California at Berkeley in the 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 2014, 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 does not have any interest in the 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.

MR. CHAN WING KEE *GBS, OBE, J.P. Independent Non-Executive Director*

Aged 68, appointed in 2007, is a member of Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee of the Company, Managing Director of Yangtzekiang Garment Limited, Director of YGM Trading Limited, Director of Hong Kong Knitters Limited, as well as the Independent Non-Executive Director of China Construction Bank (Asia) Corporation Limited.

Mr. Chan is a Standing Committee Member of the 12th of The Chinese People's Political Consultative Conference and Member of the Selection Committee of Hong Kong S.A.R. He was also a Deputy of the 8th and 9th National People's Congress of China, Standing Committee Member of the 10th and 11th of The Chinese People's Political Consultative Conference, member of Hong Kong Affairs Adviser, Committee member of the Preparatory Committee of Hong Kong S.A.R., a member of Basic Law Consultative Committee both in Hong Kong and Macau, Ex-Member of the Judicial Officers Recommendation Commission of Hong Kong, Ex-Member of Commission on Strategic Development of Hong Kong S.A.R. and Ex-Chairman of Small and Medium Enterprises Committee of Hong Kong S.A.R.

Mr. Chan is the Permanent Honorary President of Chinese Manufacturers' Association of Hong Kong, Permanent Honorary Chairman of Friends of Hong Kong Association, President of Federation of Hong Kong Guangdong Community Organizations, Permanent Honorary President & Chairman of Hong Kong Federation of Overseas Chinese Associations, Honorary Chairman of Textile Council of Hong Kong, Honorary President of Federation of Hong Kong Garment Manufacturers, Honorary Chairman of Hong Kong Shippers' Council, Life Honorary President of Hong Kong Chamber of Commerce in China/Guangdong, Honorary Chairman of The Hong Kong Exporters' Association, Honorary President of The Unified Association of Kowloon West, Council Chairman of Cheng Si-yuan (China-International) Hepatitis Research Foundation, Chairman of HKTDC Mainland Business Advisory Committee, Ex-Member of Hong Kong/Japan Business Co-operation Committee, Ex-Council Member of Hong Kong Trade Development Council, Ex-Member of Textile Advisory Board and Ex-Member of Economic Council of Macau.

There is no service contract between the Company and Mr. Chan. 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 2014, Mr. Chan received a director's fee of HK\$350,000.

Mr. Chan 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. Chan does not have any interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Chan 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. Chan 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 buy-backs of Shares and, together with the letter from the board contained in this circular, also constitutes the memorandum of the terms of the buy-backs required under section 239 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

GENERAL MANDATE FOR BUY BACK OF SHARES

(a) Share Capital

As at the Latest Practicable Date, the number of issued shares of the Company was 5,619,979,525 Shares. Subject to the passing of the resolution granting the proposed Buy-back Mandate and on the basis that no further Shares will be issued or repurchased before the AGM, the Company will be allowed under the Buy-back Mandate to buy back a maximum of 561,997,952 Shares (representing 10% of the said total number of issued Shares).

(b) Reasons for buy-backs

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 buy back securities in the market. Such buy-backs 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 buy-backs will benefit the Company and its shareholders.

(c) Funding of buy-backs

Buy-backs of Shares must be funded out of funds legally available for the purpose in accordance with the Articles 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 buy-backs, and it is envisaged that the funds required for any buy-backs 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 2014) in the event that the Buy-back Mandate is exercised in full. However, the Directors do not propose to exercise the Buy-back 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 close associates (as defined in the Listing Rules), has any present intention to sell Shares to the Company if the Buy-back Mandate is approved by the Shareholders.

No core 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 buy-backs 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 buy-backs pursuant to the Buy-back Mandate in accordance with the Listing Rules, 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>
2014		
April	1.66	1.51
May	1.64	1.51
June	1.57	1.50
July	1.89	1.52
August	2.56	1.81
September	2.54	2.17
October	2.43	2.09
November	2.97	2.37
December	2.70	2.46
2015		
January	2.86	2.51
February	2.64	2.37
March	2.64	2.20
April (up to the Latest Practicable Date)	3.58	2.50

(g) Buy-back of Shares

During the six months immediately preceding the Latest Practicable Date, an aggregate of 21,300,000 Shares were repurchased by the Company on the Stock Exchange, details of which are set out as below:

Date	Number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total amount paid (HK\$)
09/12/14	400,000	2.53	2.51	1,007,760
17/12/14	500,000	2.54	2.52	1,266,500
18/12/14	1,600,000	2.52	2.50	4,022,580
19/12/14	2,850,000	2.50	2.47	7,066,500
23/12/14	2,656,000	2.54	2.50	6,698,440
24/12/14	2,302,000	2.52	2.50	5,777,940
30/12/14	2,222,000	2.58	2.57	5,712,540
02/01/15	1,502,000	2.70	2.67	4,041,340
05/01/15	3,260,000	2.68	2.66	8,682,440
12/01/15	1,316,000	2.74	2.70	3,580,360
22/01/15	100,000	2.59	2.59	259,000
28/01/15	150,000	2.54	2.54	381,000
11/02/15	1,076,000	2.45	2.42	2,626,980
31/03/15	1,214,000	2.52	2.52	3,059,280
01/04/15	152,000	2.50	2.50	380,000
	<u>21,300,000</u>			<u>54,562,660</u>

(h) General

Upon the exercise of the power to buy back Shares pursuant to the Buy-back 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 Buy-backs (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 57.51% of the issued share capital of the Company. If the Buy-back Mandate is exercised in full, the beneficial interests of CTS (Holdings) in the Company may be increased to approximately 63.9% of the issued share capital of the Company. The Directors consider that such buy-backs made under the Buy-back 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 buy back Shares to such an extent as would result in the number of Shares in public hands falling below 25%.

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 Wednesday, 20 May 2015 at 2:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors of the Company (the “Directors”) and of the Auditor for the year ended 31 December 2014.
2. To declare a final dividend of HK5 cents per issued share and a special final dividend of HK2 cents per issued share of the Company for the year ended 31 December 2014.
3. To re-elect retiring Directors and authorize the board of directors of the Company (the “Board”) to fix the fees of the Directors.
4. To re-appoint PricewaterhouseCoopers as Auditor and to authorise the Board to fix the Auditor’s 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) the agreement dated 24 March 2015 entered into among the Company and Add-Well Investments Limited as the vendors and China Travel Service (Holdings) Hong Kong Limited (or its nominee) as the purchaser (the “Purchaser”) (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) (the “Disposal Agreement”), pursuant to which the Company and Add-Well Investments Limited have agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Chadwick Developments Limited at a consideration of RMB510 million and all transactions, matters and amendments contemplated under the Disposal Agreement, and the execution, performance and implementation of the Disposal Agreement and all ancillary matters contemplated under the Disposal Agreement be and are hereby generally and unconditionally approved, confirmed and ratified; and
 - (B) any one director of the Company or any two directors of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such things and exercise all powers which he/she/they consider(s) necessary, desirable or expedient in connection with the Disposal Agreement and otherwise in connection with the implementation of the transactions contemplated

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therein including without limitation the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements provided that such further documents or agreements will be of administrative nature and ancillary to the implementation of the transactions contemplated under the Disposal Agreement.”

6. **“THAT:**

- (A) subject to paragraph (B) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares in the capital of the Company (“Shares”) be and is hereby generally and unconditionally approved;
- (B) the aggregate number of 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 Buy-backs (the “Buy-back Code”) pursuant to the approval in paragraph (A) of this Resolution shall not exceed 10% of the aggregate number of Shares in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (C) 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;
 - (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.”

7. **“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, warrants and other securities to subscribe for or convertible into Shares, 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;

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(C) the aggregate number of Shares 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 number of Shares 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;
- (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).”

8. **“THAT** subject to the passing of Ordinary Resolutions nos. 6 and 7 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. 7 set out in the notice convening this meeting be and is hereby extended by the addition thereto of a number representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to the Ordinary Resolution no. 6 set out in the

NOTICE OF ANNUAL GENERAL MEETING

notice convening this meeting, provided that such extended number shall not exceed 10% of the aggregate number of Shares in issue as at the date of passing the Ordinary Resolution no. 6.”

By order of the Board
Jiang Yan
Chairman

Hong Kong, 17 April 2015

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 2014 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, Level 22, Hopewell Centre, 183 Queen’s Road East, 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 Monday, 18 May 2015 to Wednesday, 20 May 2015 (both dates inclusive), for the purposes of ascertaining Shareholders’ entitlement to attend and vote at the meeting. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 15 May 2015. For the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend and special final dividend, the Registrar of Members of the Company will be closed from Thursday, 28 May 2015 to Monday, 1 June 2015 (both dates inclusive). In order to qualify for the proposed final dividend and special final dividend, 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, 27 May 2015.
- (6) In relation to agenda item 3 in this notice regarding election of retiring directors of the Company, Mr. Lo Sui On, Mr. Wong Man Kong, Peter and Mr. Chan Wing Kee 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 17 April 2015 (the “Circular”) despatched together with the 2014 Annual Report.
- (7) In relation to agenda item 5 of this notice, the directors of the Company propose to seek shareholders’ approval of the disposal agreement, as described in the Circular.

NOTICE OF ANNUAL GENERAL MEETING

- (8) In relation to agenda items 6, 7 and 8 of this notice, the directors of the Company propose to seek shareholders' approval of the general mandates to buy back shares and to issue shares, as described in the Circular.
- (9) 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 Directors of the Company comprises five Executive Directors, being Ms. Jiang Yan, Mr. Lo Sui On, 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.