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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser



A notice convening an extraordinary general meeting of China Travel International Investment Hong Kong Limited to be held at Cafe du Parc, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Tuesday, 15 December 2015 at 2:30 p.m. is set out on pages 24 to 25 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.

27 November 2015

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DEFINITIONS

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

“2015 CTSH Master Agreement”	the master agreement dated 6 November 2015 and entered into between the Company and CTS (Holdings) in relation to the lease arrangements with the CTS (Holdings) Group as lessor and provision of ASP related services to the CTS (Holdings) Group and as described in the announcement of the Company dated 6 November 2015
“2015 HMS Master Agreement”	the master agreement entered into between CTS (Holdings) and the Company on 6 November 2015, pursuant to which the Company agrees to provide or procure its subsidiaries to provide hotel management services to the CTS (Holdings) Group and as described in the announcement of the Company dated 6 November 2015
“2015 Services Agreement”	the agreement dated 6 November 2015 entered into between China CTS Asset Management and CTS Scenery Resort in relation to the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries and as described in the announcement of the Company dated 6 November 2015
“Acquisition”	the Company’s acquisition of CTSHK from CTS (Holdings) in 2001
“Agency Agreement”	the agency agreement dated 15 May 2001 entered into between CTSHK and CTS (Holdings) in relation to Travel Permit Administration
“ASP”	Computer application service provider
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and public holidays) on which banks in Hong Kong and the PRC are generally open for business
“Cap(s)”	the maximum aggregate annual consideration for the Travel Permit Administration

DEFINITIONS

“China CTS (HK)”	China National Travel Service (HK) Group Corporation,(中國港中旅集團公司), a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China which owns the entire issued share capital of CTS (Holdings)
“China CTS (HK) Group”	China CTS (HK) and its subsidiaries and associates, but excluding the Group for the purpose of this circular
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“CTSHK”	China Travel Service (Hong Kong) Limited, a wholly-owned subsidiary of the Company
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 58.67% of the issued share capital of the Company and a connected person of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries, which shall exclude the Group for the purpose of this circular
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve, among other things, the Travel Permit Administration (including the Cap)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of the independent non-executive Directors, namely, Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, formed for advising the Independent Shareholders in respect of the renewal of the Travel Permit Administration (including the Cap)
“Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of Travel Permit Administration (including the Cap)

DEFINITIONS

“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other persons who are required to abstain from voting on resolution to approve the Travel Permit Administration (including the Cap) at the EGM pursuant to the Listing Rules
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company
“Latest Practicable Date”	24 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	shareholders of the Company
“Share(s)”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Travel Permit Administration”	the general administration services provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC by CTSHK to CTS (Holdings) pursuant to the Agency Agreement

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

DIRECTORS:

Executive Directors:

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

27 November 2015

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EGM

INTRODUCTION

As set out in the announcement dated 6 November 2015, CTSHK has been providing Travel Permit Administration to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. At the extraordinary general meeting of the Company held on 12 December 2012, the Independent Shareholders of the Company approved the Travel Permit Administration under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value for the Travel Permit Administration for each of the three years ending 31 December 2015. Although the Agency Agreement has not expired and remains in force until 30 June 2047, the Cap for the Travel Permit Administration for each of the three years ending 31 December 2018 is required to be renewed in order to comply with the Listing Rules.

LETTER FROM THE BOARD

THE AGENCY AGREEMENT

Date

15 May 2001

Parties

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

Transaction Nature

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

Principal Terms

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

Pricing Basis

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

The price of Travel Permit Administration rendered by CTSHK is determined on the basis of cost of providing the service plus reasonable profit. The cost of providing the Travel Permit Administration comprises mainly staff costs, application system service fee, courier service fee, rental expense and depreciation expense, etc. The operating profit margin of Travel Permit Administration (based on the service

LETTER FROM THE BOARD

fees paid by CTS (Holdings)) was higher than that of China visa service, which was 40% in 2014 and 43% for the eight months ended 31 August 2015, provided by CTSHK to foreigners and is deemed as reasonable by the Company and CTS (Holdings).

HISTORICAL FIGURES

The actual transaction amount of the continuing connected transactions in connection with Travel Permit Administration for each of the two financial years ended 31 December 2014 and the eight months ended 31 August 2015 were HK\$297,533,000, HK\$292,035,000, and HK\$192,012,000, respectively.

PROPOSED CAPS

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

	Year ending 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Provision of Travel Permit Administration by CTSHK	290,000	290,000	290,000

The above Caps are determined based on the following:

- (i) the actual transaction amounts in 2013 and 2014 and the annualized transaction amount in 2015 based on the transaction amount for the eight months ended 31 August 2015 under the Agency Agreement;
- (ii) certain entry endorsements for travellers are no longer required effective from 1 July 2015 onwards and the transaction amount related to such entry endorsements (the "Entry Endorsements Amount") represented approximately 11% of the total transaction amount related to the provision of Travel Permit Administration for the eight months ended 31 August 2015;
- (iii) the annualised transaction amount in 2015 based on the transaction amount for the eight months ended 31 August 2015 excluding the Entry Endorsements Amount under the Agency Agreement (the "Adjusted 2015 Amount"); and
- (iv) a buffer to allow for any unexpected increase in travel permit application volume.

The above Caps represent an increase of approximately 13% over the Adjusted 2015 Amount.

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

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO AND BENEFITS OF THE TRAVEL PERMIT ADMINISTRATION

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

INFORMATION OF THE PARTIES

CTSHK is principally engaged in the business of travel agency and related operations. The Group's principal business includes operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots, and leisure resorts) and supplementary products and services, which include travel agency and related operations, passenger transportation, golf club and arts performance.

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

INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.34, 14A.51 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the 2015 CTSH Master Agreement, the 2015 HMS Master Agreement, the 2015 Services Agreement and the Agency Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions between the Group and the China CTS (HK) Group, namely:

- (i) the Company will report the transactions under the 2015 CTSH Master Agreement, the 2015 HMS Master Agreement, the 2015 Services Agreement and the Agency Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company shall ensure that such kind of reporting shall be conducted not less than two times in a year; and
- (ii) the Company will review the transactions with the China CTS (HK) Group to identify any continuing connected transaction that may be at risk of exceeding the proposed caps, and any measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected

LETTER FROM THE BOARD

transactions will be conducted in accordance with the terms of the 2015 CTSH Master Agreement, the 2015 HMS Master Agreement, the 2015 Services Agreement and the Agency Agreement. Examples of the aforementioned measures and policies include:

- (a) for the purpose of determining the rental and other charges payable by the Group to CTS (Holdings) Group under the 2015 CTSH Master Agreement, the Group will refer to the prevailing market prices of comparable properties in the vicinity, which will be obtained, prior to entering into each tenancy agreement, from at least one property agent and/or its official website;
- (b) for the purpose of determining the ASP related services fee to be charged by the Group under the 2015 CTSH Master Agreement, the Group will, prior to providing the ASP related services to the CTS (Holdings) Group, review the invoices issued to Independent Third Parties which would state the ASP related services fee charged by the Group in order to ensure that the ASP related services fee to be charged by the Group to the CTS (Holdings) Group is not lower than those charged to Independent Third Parties; and
- (c) in respect of the Agency Agreement, the Group will monitor the payment from CTS (Holdings) on a monthly basis to ensure that the payment amount and the timing of payment are in line with the pricing basis and payment term set out in the agreement. The Group will also monitor the profit margin of the Travel Permit Administration on a monthly basis to ensure that it is in the interests of the Group to continue to engage in Travel Permit Administration.

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

Further, the Group will conduct random internal checks to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective.

LISTING RULES IMPLICATIONS

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

The Directors who have voted on the Board resolutions in relation to the continuing connected transactions contemplated under the Agency Agreement do not have a material interest in the aforesaid transactions or were required to abstain from voting on the Board resolutions for considering and approving

LETTER FROM THE BOARD

the same. The Chairman of the Board, Ms. Jiang Yan, who is also a director of CTS (Holdings) and China CTS (HK), is regarded as having a material interest in the aforesaid transactions and she has not attended the Board meeting for voting on the relevant Board resolutions.

At the EGM, the Company will seek Independent Shareholders' approval for the renewal of the Travel Permit Administration (including the Cap). In view of the interest of CTS (Holdings) and its associates in the continuing provision of Travel Permit Administration, CTS (Holdings) and its associates (as defined under the Listing Rules), which hold 58.67% of the issued share capital of the Company, will abstain from voting at the EGM in this regard.

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

EGM

A notice convening the EGM is set out on pages 24 to 25 of this circular. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting at the EGM (or adjourned meeting or of the poll, as the case may be) if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on page 11 of this circular. The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that the Travel Permit Administration (including the Caps) are on normal commercial terms, in the ordinary and usual course of business, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Travel Permit Administration and the Caps. Taking into account the letter from the Independent Board Committee and all other facts stated above as a whole, the Directors consider the Travel Permit Administration (including the Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent

LETTER FROM THE BOARD

Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly, the Directors also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Travel Permit Administration and the Caps.

ADDITIONAL INFORMATION

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

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



香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 308)

27 November 2015

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 27 November 2015 to the Shareholders (the “Circular”), of which this letter forms a part. Terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

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

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

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

Yours faithfully

The Independent Board Committee

Dr. Fong Yun Wah

Mr. Wong Man Kong, Peter

Mr. Sze, Robert Tsai To

Mr. Chan Wing Kee

Independent Non-Executive Directors

LETTER FROM 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

27 November 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Travel Permit Administration (including the Caps), details of which are set out in the circular of the Company to the Shareholders dated 27 November 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.

CTSHK, which is a wholly-owned subsidiary of the Company, has been providing the Travel Permit Administration under the Agency Agreement for CTS (Holdings), which is the holding company of the Company, since 2001. The Agency Agreement shall remain in force until 30 June 2047 and, at the extraordinary general meeting of the Company held on 12 December 2012, the Independent Shareholders had approved the Caps for each of the three years ending 31 December 2015. Accordingly, the Company now proposes to renew the Travel Permit Administration and proposes the Caps for each of the three years ending 31 December 2018 (the “Proposed Caps”).

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

LETTER FROM 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 renewal of the Travel Permit Administration (including the Caps). We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we acted as the independent financial adviser for (i) 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; and (ii) the disposal of Chadwick Developments Limited by the Company, the details of which are set out in the circular of the Company dated 17 April 2015. Given (i) our independent role in these two previous engagements; and (ii) our fee for these two previous engagements represented an insignificant percentage of the revenue of our parent group, we consider these two previous engagements would not affect our independence to form our opinion in respect of the renewal of the Travel Permit Administration (including the Caps).

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

I. Background information on the Group

The principal business of the Group includes operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots and leisure resorts) and supplementary products and services, which include travel agency and related operations, passenger transportation, golf club and arts performance. CTSHK is a wholly-owned subsidiary of the Company and is principally engaged in the business of travel agency, travel document and related operations.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The table below is an overview of the revenue of the Group by business segments as extracted from the annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”).

	Revenue			
	for the year ended 31 December			
	2013		2014	
	<i>HK\$ million</i>	<i>% of total</i>	<i>HK\$ million</i>	<i>% of total</i>
	<i>(audited)</i>		<i>(audited)</i>	
Tourist attraction operations	1,448	33%	1,619	36%
Travel agency, travel document and related operations	1,512	35%	1,467	33%
Hotel operations	923	21%	930	21%
Passenger transportation operations	289	7%	291	6%
Others	188	4%	168	4%
	<hr/>		<hr/>	
Total	<u>4,360</u>	<u>100%</u>	<u>4,475</u>	<u>100%</u>

The revenue of the Group was primarily derived from travel-related businesses for each of the years ended 31 December 2013 and 2014.

II. Background information on CTS (Holdings)

CTS (Holdings) is the holding company of the Company. CTS (Holdings) is a 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, industrial investment in steel production, real estate development, logistics and trading.

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

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

With reference to the 2014 Annual Report, we understand that the revenue of the Group derived from the Travel Permit Administration amounted to approximately HK\$298 million and approximately HK\$292 million, representing approximately 7% of the total revenue of the Group, for each of the years ended 31 December 2013 and 2014, respectively.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

At the extraordinary general meeting of the Company held on 12 December 2012, the Independent Shareholders had approved the Caps for each of the three years ending 31 December 2015. Accordingly, the Company now proposes to renew the Travel Permit Administration (including the Caps).

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

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

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

The Independent Shareholders should note that the business in connection with the provision of the Travel Permit Administration is unique given (i) pursuant to the Agency Agreement, CTSHK is the exclusive agent to provide the Travel Permit Administration for CTS (Holdings); and (ii) as stated in the letter from the Board in the Circular, CTSHK is the only commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out the Travel Permit Administration on behalf of CTS (Holdings). Nonetheless, for the assessment of the fairness and reasonableness of the terms of the Travel Permit Administration, we are advised by the management of the Group, and we have reviewed the relevant operating profit margins and major cost components, that, for each of the years ended 31 December 2013 and 2014, (i) the Group provided China visa service to foreigners (the “**China Visa Service**”), which did not involve the appointment by CTS (Holdings) nor other connected persons of the Company, whereas the provision of the Travel Permit Administration involved the appointment by CTS (Holdings), which is a connected person of the Company; (ii) given the uniqueness of the provision of the Travel Permit Administration as mentioned above, the operation of the Travel Permit Administration and the China Visa Service were separate and their relevant costs of service (being the difference between the relevant revenue and operating profit recorded in the accounts of the Group) were separable and, based on our review of the breakdown of their costs of service, their major cost component were not identical (besides common cost components such as staff costs, depreciation expense and rental expenses, Travel Permit Administration incurs application system service fee and courier service expense, whereas China Visa Service incurs visa cost paid to governmental body), but their businesses were comparable given they both involve the provision of administration for travel documents; (iii) the China Visa Service is the business most comparable with the provision of the Travel Permit Administration amongst the businesses of the Group; and (iv) the operating profit margin (excluding extraordinary items) for the provision of the Travel Permit Administration (the

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“Travel Permit Margin”) was higher than that for the provision of the China Visa Service. In addition, we have reviewed relevant figures and noted that, for each of the years ended 31 December 2013 and 2014, the Travel Permit Margin was higher than the overall operating profit margin of the Group.

In respect of the internal control measures of the Group for the provision of the Travel Permit Administration for each of the three years ending 31 December 2018, we are advised by the management of the Group that (i) the Group collects gross fees from its clients and transfers the full amount of such fees to CTS (Holdings) on a daily basis, where the Group will, on a monthly basis and with reference to the gross fees transferred to CTS (Holdings), calculate and ensure that CTS (Holdings) pays 45% of the gross fee revenue to CTSHK for the provision of the Travel Permit Administration for the subject month, where the Group will issue invoices and monitor payment settlement; (ii) the Group will, on a monthly basis, monitor and compare the profit margin from the provision of the Travel Permit Administration with that of its other businesses to ensure that it is in the interests of the Group to continue to engage in the Travel Permit Administration; and (iii) the independent non-executive Directors and the auditors will, in accordance with Chapter 14A of the Listing Rules, continue to review, on an annual basis, the terms of the Travel Permit Administration. We have reviewed recent sample documents of the Group, including but not limited to invoices and bank transfer documents, and we note that, for each of the recent months, CTS (Holdings) had paid 45% of the gross fee revenue to CTSHK for the provision of the Travel Permit Administration. We have also reviewed the recent annual reports of the Company and we understand the Company complied with the annual review requirements in accordance with Chapter 14A of the Listing Rules for each of the years ended 31 December 2013 and 2014.

After taking into account, in particular, (i) the provision of the Travel Permit Administration is revenue in nature; (ii) the Travel Permit Margin is higher than that of the China Visa Service and the overall operating profit margin of the Group; and (iii) the internal control measures as mentioned above, we are of the view that the internal control measures in respect of the Travel Permit Administration are sufficient and the terms of the Travel Permit Administration are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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

The following table sets out the actual transaction amounts related to the provision of the Travel Permit Administration by CTSHK for each of the years ended 31 December 2013 and 2014 and the eight months ended 31 August 2015 as well as the Proposed Caps for each of the three years ending 31 December 2018.

	Actual transaction amounts			Proposed Caps ⁽²⁾		
	For the year ended		For the eight	For the year ending		
	31 December		months	31 December		
	2013	2014	ended	2016	2017	2018
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>31 August</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
<i>(audited)</i>	<i>(audited)</i>	<i>2015</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
		<i>(unaudited)</i>				
Provision of the Travel Permit Administration by CTSHK ⁽¹⁾	298	292	192	290	290	290

Notes:

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

We note that the actual transaction amounts related to the provision of the Travel Permit Administration by CTSHK maintained at the level between HK\$290 million and HK\$300 million for each of the years ended 31 December 2013 and 2014.

In respect of the basis of determining the Proposed Caps, we understand that each of the Proposed Caps of HK\$290 million is approximately the annualised value of the actual transaction amount for the eight months ended 31 August 2015. We also note that the Proposed Caps are not materially different from the actual transaction amounts for each of the years ended 31 December 2013 and 2014.

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We have reviewed statistics published on the website of the China National Tourism Administration (中華人民共和國國家旅遊局) (the “CNTA”).

	Number of international arrivals to the PRC					
	2009	2010	2011	2012	2013	2014
	('000)	('000)	('000)	('000)	('000)	('000)
Chinese compatriots from:						
– Hong Kong	77,336	79,322	79,358	78,713	76,885	76,132
– Macao	22,718	23,173	23,691	21,161	20,740	20,640
– Taiwan	4,484	5,141	5,263	5,340	5,163	5,366
Foreigners	21,938	26,127	27,112	27,192	26,290	26,361
Total	126,476	133,762	135,424	132,405	129,078	128,498

Source: the website of the CNTA

Based on the above table, we note that (i) the total number of international arrivals to the PRC; and (ii) the arrival number of Chinese compatriots from Hong Kong to the PRC were overall stable for the past several years.

With reference to the letter from the Board in the Circular, (i) certain entry endorsements for travelers are no longer required effective from 1 July 2015 onwards; (ii) the transaction amount related to such entry endorsements (the “**Entry Endorsements Amount**”) represented approximately 11% of the total transaction amount related to the provision of the Travel Permit Administration for the eight months ended 31 August 2015, being the base period for the calculation of the Proposed Caps; and (iii) the amount of the Proposed Caps represents a buffer of approximately 13% above the annualised value of the transaction amount related to the provision of the Travel Permit Administration but excluding the Entry Endorsements Amount for the eight months ended 31 August 2015 (the “**Buffer**”). Nonetheless, we have also reviewed the Tourism Quality Development Outline (2013-2020) (旅遊質量發展綱要(2013-2020年)) published by the CNTA in 2013, where we understand that the number of visitors to the PRC may increase in the upcoming years because, for the period from 2013 to 2020, the PRC government aims to (i) develop the “Beautiful China” (“美麗中國”) international brand image, including the enhancement of tourism routes, such as the Three Gorges (長江三峽), the Silk Road (絲綢之路), the Shangri-la (香格里拉) and the Qingzang Railway (青藏鐵路); and (ii) improve the travel facilities in the PRC, including the enhancement in transportation and travel enquiry systems to satisfy the needs of travelers. We understand that the development of the tourism industry of the PRC is a long term plan and, based on the website of the CNTA, the number of international arrivals to the PRC for first three quarters of 2015 recorded a year on year growth of approximately 4%. Having considered (i) the recent growth of the number of international arrivals to the PRC for first three quarters of 2015; (ii) the continuous development of the tourism industry, including but not limited to the travel facilities, of the PRC; and (iii) the possible unforeseen fluctuation to the demand of the Travel Permit Administration in the future, where the Proposed Caps provide the flexibility, but not an obligation, for the Group to perform the Travel Permit Administration, we consider the level of the Buffer to be acceptable.

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Taking into account, in particular, (i) the Proposed Caps approximately equal the annualised value of the actual transaction amount achieved for the recent eight-month period; (ii) the Proposed Caps are comparable with the actual transaction amounts for each of the years ended 31 December 2013 and 2014; (iii) although the amendment in connection with the Entry Endorsements Amount may reduce the total transaction amount related to the provision of the Travel Permit Administration, the PRC government intends to continue to enhance the travel industry of the PRC, where the number of visitors to the PRC and the need of the Travel Permit Administration may increase in the upcoming years; and (iv) the Proposed Caps provide the flexibility, but not an obligation, for the Group to perform the Travel Permit Administration, which is revenue in nature, we are of the view that the Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

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

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

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. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Interests in shares			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at the Latest Practicable Date
	Corporate interest	Personal interest	Family interest			
Ms. Jiang Yan	-	-	-	1,770,000	1,770,000	0.03%
Mr. Lo Sui On	-	600,000	-	770,000	1,370,000	0.02%
Mr. Zhang Fengchun	-	880,000	-	890,000	1,770,000	0.03%
Mr. Xu Muhan	-	-	2,000	1,850,000	1,852,000	0.03%
			(Note 1)			
Mr. Fu Zhuoyang	-	-	-	1,770,000	1,770,000	0.03%
Dr. Fong Yun Wah	50,000	-	-	-	50,000	0.00%
	(Note 2)					

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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

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

Long position in the Shares

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the latest practicable date
China CTS (HK)	Interest of controlled corporation (Note)	3,254,770,728	58.67%
CTS (Holdings)	Interest of controlled corporation and beneficial owner	3,254,770,728	58.67%

Note: 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 duplicate the interests of CTS (Holdings).

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

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 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. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited consolidated accounts of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

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

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

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

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

As at the Latest Practicable Date, First Shanghai Capital Limited was not interested, directly or indirectly, in any assets which had since 31 December 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.

7. SERVICE CONTRACTS

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

8. LANGUAGE

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(incorporated in Hong Kong with limited liability)

(Stock Code: 308)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of China Travel International Investment Hong Kong Limited (the “Company”) will be held at Cafe du Parc, 2nd Floor, Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Tuesday, 15 December 2015 at 2:30 p.m. to consider as special business and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution:

“THAT

the performance and implementation of the general administration service (the “Travel Permit Administration”) provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC pursuant to the agency agreement dated 15 May 2001 entered into between China Travel Service (Hong Kong) Limited and China Travel Service (Holdings) Hong Kong Limited and the respective annual cap amounts as set out in the Company’s circular dated 27 November 2015 (the “Circular”) (a copy of the Circular has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification) be and are hereby confirmed, approved and ratified; and the directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions as they may consider necessary or desirable for the purpose of or in connection with the Travel Permit Administration.”

By Order of the Board

China Travel International Investment Hong Kong Limited

Jiang Yan

Chairman

Hong Kong, 27 November 2015

Notes:

- (1) A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint more than one proxy to attend and, vote instead of him. A proxy need not be a member of the Company. A proxy form for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the Meeting, his form of proxy will be deemed to have been revoked.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power of attorney or authority, must be deposited at the Company’s share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time of the Meeting or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) In the case of joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (5) The votes to be taken at the Meeting shall be by way of poll.