

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**PART 2 OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN ACCORDANCE WITH ARTICLE 126 OF THE COMPANIES (JERSEY) LAW 1991. THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF TRADING IN ET-CHINA SHARES ON AIM.**

**If you are in any doubt as to the action you should take, you are recommended to seek your own advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent professional adviser who, in each case, is appropriately authorised to provide such advice under the Financial Services (Jersey) Law 1998 and the Financial Services and Markets Act 2000 and/or other applicable laws.**

If you have sold or otherwise transferred all of your Et-china Shares, please send this document, together with the accompanying Forms of Proxy and the reply-paid envelope for use in Jersey and the United Kingdom only, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or otherwise transferred part of your holding of Et-china Shares, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The distribution of this document in or into jurisdictions other than Jersey and the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Macquarie Capital (Hong Kong) Limited and Macquarie Capital (Europe) Limited (together, "Macquarie") are members of the Macquarie Capital Group Limited group of companies. Macquarie is acting exclusively as financial advisor to Et-china and no-one else in connection with the Proposal and will not be responsible to anyone other than Et-china for providing the protections afforded to clients of Macquarie or for providing advice in relation to the Proposal. Macquarie Capital (Europe) Limited is authorised and regulated by the UK Financial Services Authority. Neither Macquarie Capital (Europe) Limited nor Macquarie Capital (Hong Kong) Limited is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and neither of their obligations represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Capital (Europe) Limited or Macquarie Capital (Hong Kong) Limited.

Credit Suisse, which is authorised and regulated by the Financial Services Authority, is acting for Kuoni and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Kuoni for providing the protections afforded to clients of Credit Suisse or for providing advice in relation to this matter, the content of this document or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this document, any statement contained herein or otherwise.

**If you have any questions relating to this document, any of the Meetings and the completion and return of the Forms of Proxy, please telephone Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. Please note that calls to these numbers may be monitored or recorded.**

This document should be read in conjunction with the accompanying Forms of Proxy.

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**Recommended cash acquisition of**  
**Et-china.com International Holdings Limited**  
**by**  
**Kuoni Travel Holding Ltd**  
**to be effected by means of a**  
**Scheme of Arrangement of the ordinary shares of Et-china**  
**under Article 125 of the Companies (Jersey) Law 1991**

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**You should carefully read the whole of this document and the accompanying Forms of Proxy. Your attention is drawn, however, in particular, to a letter from Matthew C. Ng, Chairman of Et-china, in Part 1 of this document, which contains the unanimous recommendation of the Independent Directors that you vote in favour of the Scheme at the Court Meeting and in favour of the Resolution to be proposed at the EGM. A further letter from Matthew C. Ng, Chairman of Et-china explaining the Scheme appears in Part 2 of this document.**

Notices convening the Court Meeting and the EGM, both of which are to be held at the offices of Denton Wilde Sapte LLP, One Fleet Place, London EC4M 7WS on 15 July 2010, are set out at the end of this document. The Court Meeting will start at 10.30 am. and the EGM will start at 10.45 a.m. (or as soon thereafter as the Court Meeting has been concluded or adjourned).

The action to be taken in respect of the Meetings is set out on page 8 of this document. Whether or not you intend to be present at the Court Meeting and/or the EGM, you are requested to complete and sign both Forms of Proxy accompanying this document, blue for the Court Meeting and white for the EGM, in accordance with the instructions printed on them and return them to either care of Matthew Ng, Level 14 Jianhe Centre, 111 Tiyyuxi Road, Guangzhou, China 510620 or to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible, and in any event so as to be received not later than 48 hours before the time fixed for the holding of the relevant meeting or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the relevant adjourned meeting. Alternatively, Forms of Proxy for the Court Meeting (but not the EGM) may be handed to the Chairman of the Court Meeting at the commencement of that meeting. The return of a completed Form of Proxy will not prevent you from attending the Court Meeting and/or the EGM (as the case may be) and voting in person if you so wish and if you are entitled to do so.

If you hold your Et.china Shares in uncertificated form you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of Court Meeting and Notice of the EGM set out at the end of this document). Proxies submitted via CREST (under CREST participant ID RA10) must be received by Capita Registrars not later than 10.30 a.m. on 13 July 2010 in the case of the Court Meeting and by 10.45 am. on 13 July 2010 in the case of the EGM or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the relevant adjourned meeting.

## IMPORTANT NOTICE AND INFORMATION FOR OVERSEAS PERSONS

This Circular is not intended and does not constitute an offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction in which such offer, invitation or solicitation is unlawful. This Circular and the accompanying documents have been prepared in connection with a proposal in relation to a scheme of arrangement pursuant to and for the purpose of complying with Jersey law and the AIM Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside Jersey. Nothing in this Circular or the accompanying documents should be relied on for any other purpose. The distribution of this Circular in jurisdictions other than Jersey and the United Kingdom may be restricted by law and therefore persons into whose possession this Circular comes should inform themselves about, and observe, such restrictions. In particular, the ability of persons not resident in Jersey or the United Kingdom to vote their Et-china Shares with respect to the Scheme at the Court Meeting and/or with respect to the Resolution to be proposed at the EGM or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting and/or the EGM on their behalf may be affected by the laws of the relevant jurisdiction(s) in which they are resident or of which they are citizens. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction(s). Further details in relation to such overseas shareholders are contained in section 17 of Part 2 of this Circular.

No listing authority or equivalent has reviewed, approved or disapproved of this document or the Proposal, or expressed a view on the accuracy or adequacy of this document.

The Proposal relates to the shares of a Jersey company and is proposed to be effected by means of a scheme of arrangement under Jersey law. The Proposal will not be available to Et-china Shareholders who are resident in, or citizens of, or are organised or incorporated in, the United States. Accordingly, neither this Circular nor any other document in connection with the Proposal shall be released, published or distributed in whole or in part in, into or from the United States or any other jurisdiction where to do so would constitute a violation of the relevant laws in that jurisdiction. Neither this Circular nor any other document in connection with the Proposal shall be forwarded by any nominee, custodian, broker or other intermediary in, into or from the United States.

As Et-china's place of central management and control is outside the UK and Et-china's shares are not traded on a UK regulated market, the Panel has ruled that it does not have jurisdiction over the Proposal and, accordingly, the Takeover Code does not apply to this document, the Proposal or the Scheme.

All Et-china Shareholders or other persons (including nominees, trustees and custodians) who would otherwise intend to, or may have a contractual or legal obligation to, forward this document and the accompanying Forms of Proxy to a jurisdiction outside Jersey or the United Kingdom should inform themselves about, and observe, any applicable requirements and seek appropriate professional advice before taking any action.

No person has been authorised to make any representations on behalf of Et-china or Kuoni (as the case may be) concerning the Proposal which are inconsistent with the statements contained in this Circular and any representations, if made, may not be relied upon as having been so authorised. The summary of the principal provisions of the Scheme contained in this Circular is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part 3 of this Circular. Each Et-china Shareholder is advised to read and consider carefully the text of the Scheme itself. This is because this Circular, and in particular, the letter from Matthew C. Ng (Part 1) and Explanatory Statement (Part 2), have been prepared solely to assist Et-china Shareholders in respect of voting on the Scheme and on the Resolution to be proposed at the EGM in connection with the Scheme.

The statements contained in this Circular are made as at the date of this Circular, unless some other time is specified in relation to them, and provision of this Circular shall not give rise to any implication that there has been no change in the facts set out in this Circular since such date. Nothing contained in this Circular shall be deemed to be a forecast, projection or estimate of the future financial performance of Et-china or Kuoni except where otherwise expressly stated.

## **Hong Kong**

### **WARNING**

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

This document does not constitute an offer or invitation to the public in Hong Kong to subscribe for or dispose of the shares. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any invitation or document relating to the shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in circumstances which do not constitute an offer or an invitation to the public for the purposes of the Hong Kong Securities and Futures Ordinance. However, numbered copies of this document may be issued to a limited number of shareholders in Hong Kong in a manner which does not constitute an issue, circulation or distribution of this document, or any offer or invitation in respect of the shares, to the public in Hong Kong. Only the person to whom a numbered copy of this document has been issued may take action in response to this document. No person to whom a numbered copy of this document is issued may issue, circulate or distribute this document in Hong Kong or make or give a copy of this document to any other person.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Circular, oral statements made regarding the Proposal, and other information published by Kuoni and Et-china may contain “forward-looking statements”. These statements are based on the current expectations of the management of Kuoni and Et-china and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained herein include statements about the expected effects of the Proposal on Et-china and Kuoni, the expected timing and scope of the Proposal, enhanced customer support, access to greater resources and other synergies, other strategic options and all other statements in this announcement other than historical facts. Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “believes”, “estimates”, “will” “may” and “should” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions to the Proposal, as well as additional factors, such as changes in economic conditions, changes in the level of capital investment, success of business and operating initiatives and restructuring objectives, customers’ strategies and stability, changes in the regulatory environment, fluctuations in interest and exchange rates, the outcome of litigation, government actions and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Neither Kuoni nor Et-china undertakes any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Et-china Shareholders should not construe the contents of this Circular as legal, tax or financial advice, and should consult with their own appropriately authorised advisers as to the matters described herein.

## **DEFINED TERMS**

Certain terms used in this Circular are defined in Part 8 of this Circular. All times referred to are Jersey times unless otherwise stated.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following indicative timetable sets out the dates for the implementation of the Proposal.

**All times shown in this document are Jersey times unless otherwise stated.**

<u>Event</u>	<u>Time/date</u>
Latest time for lodging blue Forms of Proxy for the Court Meeting	10.30 a.m. on 13 July 2010 <sup>(2)</sup>
Latest time for lodging white Forms of Proxy for the EGM	10.45 a.m. on 13 July 2010 <sup>(3)</sup>
Scheme Voting Record Time	6.00 p.m. on 13 July 2010 <sup>(4)</sup>
Court Meeting of the Shareholders of Et-china	10.30 a.m. on 15 July 2010
EGM of the Shareholders of Et-china	10.45 a.m. on 15 July 2010 or as soon thereafter as the Court Meeting has been concluded or adjourned

**The following times and dates are subject to change:**

Court Hearing of the application for sanction of the Scheme	2:30.p.m. on 22 July 2010 <sup>(1)</sup>
Last day of dealings in, and for registration of transfers of, Et-china Shares	23 July 2010 <sup>(1)</sup>
Scheme Record Time	6.00 p.m. on 23 July 2010 <sup>(1)</sup>
Court hearing of the application for confirmation of the Reduction of Capital	9.00 am on 26 July 2010 <sup>(1)</sup>
Effective Date of the Scheme	27 July 2010 <sup>(1)</sup>
Cancellation of admission to trading on AIM of Et-china Shares	by no later than 8.00 a.m., on 27 July 2010 <sup>(1)</sup>
Latest date for dispatch of cheques and for settlement through CREST	10 August 2010 <sup>(1)</sup>

**The Court Meeting and the EGM will both be held at the offices of Denton Wilde Sapte LLP, One Fleet Place, London EC4M 7WS on 15 July 2010. The Court Meeting will start at 10.30 a.m. and the EGM will start at 10.45 a.m. (or as soon thereafter as the Court Meeting has been concluded or adjourned).**

**The dates given are based on Et-china's current expectations and may be subject to change. If the expected dates of the Court Hearings are changed, Et-china will give adequate notice of the changes by issuing an announcement through a Regulatory Information Service or by displaying a notice on its website [www.et-chinalimited.com](http://www.et-chinalimited.com).**

Notes:

- <sup>(1)</sup> These times and dates are indicative only and will depend, amongst other things, upon when the Conditions are either satisfied or (if capable of waiver) waived and the date on which the Court sanctions the Scheme and confirms the Reduction of Capital.
- <sup>(2)</sup> It is requested that blue Forms of Proxy for the Court Meeting be lodged at least 48 hours prior to the time fixed for the holding of the Court Meeting (or any adjournment thereof). However, blue Forms of Proxy for the Court Meeting not returned by this time may be handed to the Chairman of the Court Meeting at the commencement of that meeting (or any adjournment thereof).

- (3) White Forms of Proxy for the EGM must be lodged at least 48 hours prior to the time fixed for the holding of the EGM (or any adjournment thereof). White Forms of Proxy may not be lodged any later than that time and, accordingly, can not be handed to the Chairman of the EGM at the commencement of that meeting (or any adjournment thereof).
- (4) If either the Court Meeting or the EGM is adjourned, the Scheme Voting Record Time for the relevant adjourned Meeting will be 6.00 p.m. on the day that is two days before the date of the adjourned meeting.

## **ACTION TO BE TAKEN**

The Court Meeting and the EGM will be held at the offices of Denton Wilde Sapte LLP, One Fleet Place, London EC4M 7WS, on 15 July 2010 at 10.30 a.m. and 10.45 a.m., respectively (or, in the case of the EGM, as soon thereafter as the Court Meeting has been concluded or adjourned).

**The Scheme and the Reduction of Capital require approval at these meetings. If such approval is given, any Et-china Shareholders who wish to object to the Scheme are entitled to attend and voice their objections at the Court Hearing scheduled for 2.30 p.m. on 22 July 2010 at the Royal Court, Royal Square, St. Helier, Jersey.**

**Shareholders please check you have received the following with this document:**

- a blue Form of Proxy for use by Et-china Shareholders in respect of the Court Meeting on 15 July 2010;
- a white Form of Proxy for use by Et-china Shareholders in respect of the EGM on 15 July 2010; and
- a reply-paid envelope for use in Jersey and the United Kingdom only.

If you have not received all of the relevant documents, please telephone Capita Registrars on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding bank or public holidays in the UK). Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

### **To vote on the Scheme**

**It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of the opinion of Et-china Shareholders. You are therefore strongly urged to complete, sign and return both Forms of Proxy as soon as possible.**

Therefore, whether or not you plan to attend the Meetings, please:

### **COMPLETE AND SIGN both the enclosed:**

- (a) blue Form of Proxy and return it in accordance with the instructions provided on the form as soon as possible, but in any event so as to be received by no later than 10.30 a.m. on 13 July 2010 in the case of the Court Meeting (or in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting); and
- (b) white Form of Proxy and return it in accordance with the instructions provided on the form as soon as possible but in any event so as to be received by no later than 10.45 a.m. on 13 July 2010 in the case of the EGM (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting).

This will enable your votes to be counted at the Meetings in the event of your absence. If the blue Form of Proxy for use at the Court Meeting is not lodged by 10.30 a.m. on 13 July 2010 (or, in the case of an adjourned meeting, not less than 48 hours prior to the time fixed for the holding of the adjourned meeting), it may be handed to the Chairman at the Court Meeting, or Capita Registrars on his behalf at the commencement of that meeting. However, in the case of the EGM, unless the white Form of Proxy is lodged so as to be received no later than 10.45 a.m. on 13 July 2010 (or, in the case of an adjourned meeting, not less than 48 hours prior to the time fixed for the holding of the adjourned meeting), it will be invalid. A reply-paid envelope for use in Jersey and the United Kingdom only is enclosed for your convenience in returning the two Forms of Proxy.

Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their Scheme Shares. Scheme Shareholders are also entitled to appoint more than one proxy. A space has

been included in the Forms of Proxy for both the Court Meeting and the EGM to allow Scheme Shareholders entitled to attend and vote at the relevant Meeting to specify the number of Scheme Shares in respect of which that proxy is appointed. Shareholders who return a Form of Proxy duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all of their Scheme Shares.

Scheme Shareholders who wish to appoint more than one proxy in respect of their shareholding should call Capita Registrars on 0871 664 0321 within the UK or +44 20 8639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday. If you have any other questions relating to this document, any of the Meetings and the completion and return of the Forms of Proxy, please telephone Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

The completion and return of a Form of Proxy will not prevent you from attending and voting at the Court Meeting or the EGM, or any adjournment thereof, in person if you should wish and if you are entitled to do so.

If you hold your Et-china Shares in uncertificated form (i.e. in CREST), you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the EGM set out at the end of this document). Proxies submitted via CREST (under CREST participant ID RA10) must be received by Capita Registrars not later than 10.30 a.m. on 13 July 2010 in the case of the Court Meeting and by 10.45 a.m. on 13 July 2010 in the case of the EGM (or, in the case of an adjourned meeting, no later than 48 hours prior to the time fixed for the holding of the adjourned meeting). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Et-china's agent, Capita Registrars, (Crest participant ID RA10) by no later than the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

## **Helpline**

If you have any questions relating to this document, any of the Meetings and the completion and return of the Forms of Proxy, please telephone Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. Please note that calls to these numbers may be monitored or recorded, and no advice on the merits of the Proposal can be given, nor any legal, financial or tax advice.

## PART 1

### LETTER FROM THE CHAIRMAN OF ET-CHINA.COM INTERNATIONAL HOLDINGS LIMITED

*Et-china.com International Holdings Limited*  
(Incorporated and registered in Jersey with registered number 97573)

*Registered office:*

47 Esplanade,  
St Helier,  
Jersey JE1 OBD

Tel: + 86 20 38795531

Fax: +86 20 38795532

#### ***Et-china Directors***

Matthew C. Ng (*Chief Executive Officer, and Interim Chairman*<sup>1</sup>)\*

Robert Drummond (*Non-Executive Director*)\*

Christopher Peter Rose (*Non-Executive Director*)\*

Xiaoping Yang (*Finance Director*)\*

Maria Ng (*Non-Executive Director*)

*\*Independent Directors*

*1. Matthew C. Ng is currently the Interim Chairman. For the sake of convenience, he is referred to as the Chairman throughout the Circular.*

16 June 2010

*To all Et-china Shareholders and, for information only, to participants in the Et-china Share Scheme, to the holders of the Et-china Convertible Bonds and the Et-china Warrants and to holders of Et-china A Ordinary Shares*

Dear Sir or Madam,

**Recommended proposal for the cash acquisition of Et-china.com International Holdings Limited (“Et-china” or the “Company”) by Kuoni Travel Holding Ltd (“Kuoni”) by means of a Scheme of Arrangement**

#### **1 Introduction**

On 2 June 2010, the board of Kuoni and the Independent Directors of Et-china announced that they had reached agreement on the terms of a recommended proposal whereby Kuoni will acquire, for cash, all the issued and to be issued ordinary shares in Et-china not owned by Kuoni. The Proposal will be implemented by way of a scheme of arrangement under Part 18A of the Jersey Law. The Scheme will require the approval of the Scheme Shareholders and the sanction of the Court. The associated Reduction of Capital will require the approval of the shareholders by special resolution and confirmation of the Court.

I am writing to you on behalf of the Independent Directors. This letter is to explain the background to the Proposal and the reasons why the Independent Directors, who have been advised by Macquarie (in its capacity as financial adviser to Et-china), consider the terms of the Proposal to be fair from a financial point of view to the Et-china Shareholders and are unanimously recommending that: (i) all Scheme Shareholders vote in favour of the Scheme to be proposed at the Court Meeting; and (ii) all Et-china Shareholders vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer), as the Independent Directors have each irrevocably undertaken to do in respect of their own beneficial holdings (and, where applicable, those of their connected persons) totalling 5,465,680 Et-china Shares, representing, in aggregate, approximately 15.6 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 13.1 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china. These undertakings remain binding in the event of a Competing Proposal being made for Et-china. Notices of the Court Meeting and EGM setting out the terms of the resolutions to be proposed at those meetings are set out at the end of this Circular.

## 2 Independent Directors

As Maria Ng is an employee of the Kuoni Group as well as being an Et-china Director, she has absented herself from all deliberations of the board of Et-china in connection with the Proposal. Accordingly, the Proposal has been considered and recommended by the Independent Directors.

The Independent Directors are not employees of Kuoni nor do they have any interest in shares in Kuoni.

## 3 Summary of the Proposal

Under the terms of the Proposal, which is subject to the Conditions and further terms set out in Part 4 of this Circular and the Forms of Proxy, Scheme Shareholders will be entitled to receive:

**for each Et-china Share**

**115 pence in cash**

The Proposal values the entire issued ordinary share capital of Et-china (before the conversion of any of the Et-china Convertible Bonds) at approximately £40 million, the entire issued ordinary share capital of Et-china (after the conversion of all the Et-china Convertible Bonds) at approximately £48 million and the entire issued and to be issued ordinary share capital (after the conversion of the Et-china Convertible Bonds) at approximately £56 million. The Offer Price represents a premium of approximately 219.4 per cent. to the Closing Price of 36.0 pence per Et-china Share on 1 June 2010, being the latest practicable Business Day prior to the date of the Announcement.

In addition to the Et-china Shares, Et-china has in issue 547,501 Et-china A Ordinary Shares. The Et-china A Ordinary Shares were issued pursuant to a number of share sale and subscription agreements dated on or about 6 March 2008 between certain individuals and Et-china as consideration for the acquisition by a member of the Et-china Group of shares in GZL. The consideration payable under these arrangements was cash and Et-china A Ordinary Shares which at a later date would convert into Et-china Shares on the occurrence of certain conditions. The current Et-china A Ordinary Shares in issue will not form part of the Scheme. The Et-china A Ordinary Shares have no rights to dividends, capital or voting.

**The Scheme requires the approval of Scheme Shareholders at the Court Meeting at 10.30 a.m. on 15 July 2010 and the passing of the Resolution at the Extraordinary General Meeting at 10.45 a.m. on 15 July 2010. You are strongly encouraged to vote at both of these meetings in person or by proxy.**

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM, and a payment of 115 pence in cash per Scheme Share will be dispatched to Scheme Shareholders (or, where appropriate, credited to their CREST accounts) within 14 days of the Effective Date.

If the Scheme becomes effective, the Scheme Shares will be cancelled irrespective of whether you attend and vote and, if you have voted, whether you have voted for or against the Scheme at the Meetings. Upon the Scheme becoming effective, the Scheme Shares will be cancelled by the Reduction of Capital, new Et-china Shares will be issued to Kuoni and Et-china will become wholly-owned by Kuoni. You will receive the consideration described above in consideration for the cancellation of the Scheme Shares.

It is intended that, prior to the Scheme becoming effective, Et-china will make an application to the London Stock Exchange to cancel the admission of Et-china Shares to trading on AIM. It is also intended that as soon as possible following the Effective Date, and after the admission to trading of Et-china Shares on AIM has been cancelled, Et-china will be re-registered as a private limited company.

## 4 Irrevocable Undertakings

Kuoni has received irrevocable undertakings from each of the Independent Directors to vote in favour of the Scheme to be proposed at the Court Meeting and to vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer) in respect of their own beneficial shareholdings (and, where applicable, those of their connected persons) totalling 5,465,680 Et-china Shares, representing, in aggregate, approximately 15.6 per cent. (before the conversion

of any of the Et-china Convertible Bonds) and 13.1 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china. These undertakings remain binding in the event of a Competing Proposal being made for Et-china. These undertakings also include a warranty from each of the Independent Directors as to Et-china's fully diluted share capital.

In addition, Kuoni has received an irrevocable undertaking from one other Et-china Shareholder (Mintpine, an Australian company which holds Et-china shares on trust for certain individuals and other entities), to vote in favour of the Scheme to be proposed at the Court Meeting and to vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer). Mintpine's irrevocable undertaking relates to 10,177,983 Et-china Shares, representing, in aggregate, approximately 29.1 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 24.3 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china (of which 4,638,836 Et-china Shares in aggregate are held by Mintpine on trust for Independent Directors of Et-china (and/or their family trusts), all of which are also covered by the directors' irrevocable undertakings). This undertaking remains binding in the event of a Competing Proposal being made for Et-china.

Accordingly, Kuoni has received, in aggregate, irrevocable undertakings from certain Et-china Shareholders to vote in favour of the Scheme to be proposed at the Court Meeting and to vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer) in respect of 11,004,827 Et-china Shares, representing, in aggregate, approximately 31.5 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 26.3 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china.

Further details of these undertakings are set out in section 4 of Part 6 of this Circular.

## **5 Background to and reasons for the Proposal**

Et-china was listed on AIM in August 2007, and is primarily engaged in the provision of travel related services including air ticketing, train ticketing, hotel reservation, provision of package tour services, conference services and other related services as well as property development in the PRC. Since 2006, Et-china has subscribed for or acquired or contracted to acquire a total of 54.43 per cent. of GZL, one of the largest group leisure travel companies in South China.

Since its listing on AIM, Et-china has consistently applied its strategy set out at that time which has resulted in growth both in its market share and its revenue.

However, since the time of its listing, until 1 June 2010 (being the latest practicable Business Day prior to the Announcement), Et-china's share price has underperformed the FTSE AIM All Share Index and Et-china has received little attention from UK investment analysts, institutional investors or investment publications.

Whilst pursuing its strategy to create a strong business and to develop Et-china into a leading integrated travel operator in South China, Et-china has been approached by several parties from time to time with a view to acquiring some or all of Et-china's businesses, none of which led to a formal offer being made for the Company.

In June 2009, Kuoni acquired 31.8 per cent. of Et-china's issued ordinary share capital, forming a key long-term strategic partnership between Et-china and Kuoni. In February 2010, Kuoni increased its shareholding in Et-china to just under 33.0 per cent. of Et-china's issued ordinary share capital and purchased £500,000 in aggregate principal amount of the Et-china Convertible Bonds. Kuoni has submitted a conversion notice in respect of its Et-china Convertible Bonds. After the expected conversion of Kuoni's Et-china Convertible Bonds, it will have an interest in 12,165,110 Et-china Shares representing 29.1 per cent. of the entire issued ordinary share capital of Et-china (after the expected conversion of all the Et-china Convertible Bonds). The boards of Et-china and Kuoni have now reached agreement on the terms of a recommended cash proposal

for all the issued and to be issued ordinary shares in Et-china not owned by Kuoni. The Proposal provides Et-china Shareholders with the opportunity to realise significant value in cash, substantially above the recent trading price, giving certainty to Et-china Shareholders.

The Independent Et-china Directors believe the terms of the Proposal fairly reflect the current strengths and future prospects of the business and that under Kuoni's ownership, Et-china would be better assisted with funding and strategic direction than as a standalone business and that ownership by Kuoni should offer the benefits of being part of an established global operator.

## **6 Directors, Management, Employees and Location of Head Office**

Kuoni has given assurances to the Independent Directors that, following the Scheme becoming effective, the existing contractual employment rights of all employees of the Et-china Group will be fully safeguarded. Kuoni has also confirmed that Et-china's management will continue to be based in Guangzhou with its registered office to remain in Jersey.

On the Scheme becoming effective, it is intended that Matthew Ng will receive an incentive package, made up of a base salary of £140,000 per annum, benefits of £40,000 per annum and an annual bonus of £100,000. The bonus is divided into a short term cash portion and long term performance share bonus, all of which are in line with Kuoni's current compensation policy. In addition, Matthew Ng will be entitled to a long term one-off cash payment of between US\$2 million and US\$4 million at the end of the period of three years from the Scheme becoming effective subject to achieving pre-determined business plan targets. A report commissioned by the Independent Directors of Et-china excluding Matthew Ng has been provided by an independent remuneration expert which concluded that the total remuneration package for Matthew Ng is within market ranges.

Et-china's remuneration committee has agreed that Matthew Ng may, conditional on the Scheme, take his current accrued bonus by way of issue of Et-china Shares at an allotment price of 127 pence per share (being the Admission Price). Matthew Ng has therefore been allotted 1,118,014 Et-china Shares conditional on the Scheme being sanctioned by the Court at the Scheme Court Hearing.

It is intended that the current two Executive Directors will remain at the Company and Matthew Ng will be appointed as Managing Director of Et-china and Xiaoping Yang will be appointed as the Finance Director of Et-china. The current Non-Executive Directors Christopher Rose and Robert Drummond have tendered their resignations conditional on the Scheme becoming effective and their appointments will terminate in accordance with their agreements on the Scheme becoming effective. It is intended that Maria Ng will remain a non-executive director of the Company.

## **7 Information on Kuoni**

Kuoni is one of the world's leading globally-active leisure travel organisations. The group is headquartered in Zurich, Switzerland and has branch operations in over 40 countries in Europe, Asia, Africa, Australia and North America with a worldwide workforce in excess of 9,070 employees. Kuoni Group is listed on the Swiss Stock Exchange with a market capitalisation as at 15 June 2010 of approximately CHF 927 million.

Leisure travel accounted for approximately 78 per cent. of the group's total turnover while its destination management activities generated approximately 22 per cent..

For the year ended 31 December 2009, Kuoni Group reported revenues of CHF 3,894 million (2008: CHF 4,855 million) and net profit of CHF 2 million (2008: CHF 151 million). As at 31 December 2009, Kuoni Group had net assets of CHF 592 million (2008: CHF 606 million).

Kuoni has an interest in 11,540,110 Et-china Shares, representing just under 33.0 per cent. of the entire issued ordinary share capital of Et-china (before the conversion of any of the Et-china Convertible Bonds).

Kuoni holds £500,000 in aggregate principal amount of the Et-china Convertible Bonds. Kuoni has submitted a conversion notice in respect of its Et-china Convertible Bonds. After the expected

conversion of Kuoni's Et-china Convertible Bonds, it will have an interest in 12,165,110 Et-china Shares representing 29.1 per cent. of the entire issued ordinary share capital of Et-china (after the expected conversion of all the Et-china Convertible Bonds).

Based on the terms of the Proposal, Kuoni Group's total investment in Et-china would be approximately £49 million in aggregate (including prior investments in Et-china).

Further information on the Kuoni Group is available on its web site at [www.kuoni-group.com](http://www.kuoni-group.com).

## **8 Implementation Agreement**

Kuoni and Et-china entered into an Implementation Agreement on 2 June 2010 which provides, inter alia, for the implementation of the Scheme and related matters in accordance with an agreed indicative timetable. It contains certain assurances and confirmations between the parties, including provisions to implement the Scheme and to achieve satisfaction of the Conditions on a timely basis and undertakings regarding the conduct of the Et-china Group prior to the Acquisition Effective Date.

An overview of certain material provisions of the Implementation Agreement is set out in section 6 of Part 6 of this Circular.

The Independent Directors consider, having consulted with Seymour Pierce, Et-china's nominated adviser, that the terms of the Implementation Agreement are fair and reasonable in so far as its shareholders are concerned.

## **9 Escrow Agreement**

Matthew Ng, together with Jianxu Lu, Shaodong Zhu and Weixin Zhang (being executives of GZL) have entered into an escrow agreement with Kuoni pursuant to which a total amount of US\$1 million in aggregate of the consideration which they would otherwise receive under the Scheme (in the case of Matthew Ng) or pursuant to the proposal which is expected to be made to the Et-china Optionholders for their options granted under the Et-china Share Scheme (in the case of Jianxu Lu, Shaodong Zhu and Weixin Zhang) will be placed into escrow until 30 September 2011 to be payable to Kuoni if within that period certain business issues arise.

## **10 Taxation**

Your attention is drawn to Part 7 of this document. If you are in any doubt as to your tax position you should consult your independent professional adviser.

## **11 Meetings and Action to be taken to support the Scheme**

Your attention is drawn to Parts 9 and 10 of this Circular, which contain notices of the Meetings to be held and the action to be taken in respect of the Scheme.

The Meetings require the approval of: in the case of the Court Meeting, a majority in number, representing at least three-fourths of the voting rights, of Et-china Shareholders present and voting in person or by proxy; and in the case of the Resolution a two-thirds majority of votes cast by Et-china Shareholders; present and voting in person or by proxy at the relevant Meeting.

## **12 Overseas Shareholders**

Persons not resident in Jersey or the United Kingdom should refer to section 17 of the Explanatory Statement set out in Part 2 of this Circular.

## **13 Further Information**

Your attention is drawn to the Explanatory Statement set out in Part 2 of this Circular, which gives you further information regarding the Proposal and the Scheme.

You should read the whole of this Circular and not just rely on the summary information contained in this letter or the Explanatory Statement.

## 14 Helpline

If you have any questions relating to this document, any of the Meetings and the completion and return of the Forms of Proxy, please telephone Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. Please note that calls to these numbers may be monitored or recorded.

## 15 Recommendation

**The Independent Directors of Et-china, who have been advised by Macquarie (in its capacity as financial adviser to Et-china), consider the terms of the Proposal to be fair from a financial point of view to the Et-china Shareholders. In providing its advice to the Independent Directors, Macquarie has taken into account the commercial assessments of the Independent Directors. In addition, the Independent Directors of Et-china consider the terms of the Proposal to be in the best interests of Et-china Shareholders as a whole. Accordingly, the Independent Directors of Et-china unanimously recommend that: (i) all Scheme Shareholders vote in favour of the Scheme to be proposed at the Court Meeting; and (ii) all Et-china Shareholders vote in favour of the Resolution to be proposed at the EGM, as the Independent Directors have each irrevocably undertaken to do in respect of their own beneficial shareholdings (and, where applicable, those of their connected persons) totalling 5,465,680 Et-china Shares, representing, in aggregate, approximately 15.6 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 13.1 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china.**

Yours faithfully

Matthew C. Ng  
*Chairman*

*Et-china.com International Holdings Limited*

**PART 2**  
**EXPLANATORY STATEMENT**

*(in compliance with Article 126 of the Companies (Jersey) Law 1991)*

***Et-china.com International Holdings Limited***

**(Incorporated and registered in Jersey with registered number 97573)**

*Registered office:*

47 Esplanade,  
St Helier,  
Jersey JE1 OBD

Tel: + 86 20 38795531

Fax: +86 20 38795532

16 June 2010

*To all Et-china Shareholders and, for information only, to participants in the Et-china Share Scheme, to the holders of the Et-china Convertible Bonds and the Et-china Warrants and to holders of Et-china A Ordinary Shares*

Dear Shareholder,

**Recommended Proposal for the cash acquisition of Et-china.com International Holdings Limited by Kuoni Travel Holding Ltd by means of a Scheme of Arrangement**

## **1 Introduction**

On 2 June 2010, the board of Kuoni and the Independent Directors of Et-china announced that they had reached agreement on the terms of a recommended proposal whereby Kuoni will acquire, for cash, all the issued and to be issued ordinary shares in Et-china not owned by Kuoni. The Proposal will be implemented by way of a scheme of arrangement under Part 18A of the Jersey Law. The Scheme will require the approval of the Scheme Shareholders and the sanction of the Court. The associated Reduction of Capital will require the approval of the shareholders by special resolution and confirmation of the Court.

As Maria Ng is an employee of the Kuoni Group as well as being an Et-china Director, she has absented herself from all deliberations of the board of Et-china in connection with the Proposal. Accordingly, the Proposal has been considered and recommended by the Independent Directors.

The Independent Directors are not employees of Kuoni nor do they have any interest in shares in Kuoni.

This letter sets out and explains the terms of the Scheme. The Scheme is set out in full in Part 3 of this Circular. Your attention is also drawn to the Conditions and Further Terms of the Proposal, set out in Part 4 of this Circular. The Proposal is conditional on the Conditions being satisfied or waived.

## **2 Recommendation**

Your attention is drawn to the letter from Matthew C. Ng, Interim Chairman of Et-china, set out in Part 1 of this Circular, which forms part of this Explanatory Statement. That letter contains the background to and reasons for the Proposal and the Independent Directors' recommendation and explains why the Independent Directors, who have been advised by Macquarie (in its capacity as financial adviser to Et-china), consider the terms of the Proposal to be fair from a financial point of view to the Et-china Shareholders. In providing its advice to the Independent Directors, Macquarie has taken into account the commercial assessments of the Independent Directors. In addition, the Independent Directors of Et-china consider the terms of the Proposal to be in the best interests of Et-china Shareholders as a whole. **Accordingly, the Independent Directors of Et-china unanimously recommend that: (i) all Scheme Shareholders vote in favour of the Scheme to be proposed at the Court Meeting; and (ii) all Et-china Shareholders vote in favour of the Resolution to be proposed at the EGM, as the Independent Directors have each irrevocably**

**undertaken to do in respect of their own beneficial shareholdings (and, where applicable, those of their connected persons) totalling 5,465,680 Et-china Shares, representing, in aggregate, approximately 15.6 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 13.1 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china.**

### **3 The Proposal**

Under the terms of the Proposal, which is subject to the conditions and further terms set out in Part 4 of this Circular and the Forms of Proxy, Et-china Shareholders holding Scheme Shares at the Scheme Record Time will receive:

**for each Scheme Share**

**115 pence in cash**

The Proposal values the entire issued ordinary share capital of Et-china (before the conversion of any of the Et-china Convertible Bonds) at approximately £40 million, the entire issued share capital of Et-china (after the conversion of all the Et-china Convertible Bonds) at approximately £48 million and the entire issued and to be issued ordinary share capital (after the conversion of the Et-china Convertible Bonds) at approximately £56 million. The Offer Price represents a premium of approximately 219.4 per cent. to the Closing Price of 36.0 pence per Et-china Share on 1 June 2010, being the latest practicable Business Day prior to the date of the Announcement.

In addition to the Et-china Shares, Et-china has in issue 547,501 Et-china A Ordinary Shares. The Et-china A Ordinary Shares were issued pursuant to a number of share sale and subscription agreements dated on or about 6 March 2008 between certain individuals and Et-china for the acquisition of shares in GZL. The consideration payable under these arrangements was cash and Et-china A Ordinary Shares which at a later date would convert into Et-china Shares on the occurrence of certain conditions. The current Et-china A Ordinary Shares in issue will not form part of the Scheme. The Et-china A Ordinary Shares have no rights to dividends, capital or voting.

**The Scheme requires the approval of Scheme Shareholders at the Court Meeting at 10.30 a.m. on 15 July 2010 and the passing of the Resolution at the Extraordinary General Meeting at 10.45 a.m. on 15 July 2010. You are strongly encouraged to vote at both of these meetings in person or by proxy.**

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM, and a payment of 115 pence in cash per Scheme Share will be dispatched to Scheme Shareholders (or, where appropriate, credited to their CREST accounts) within 14 days of the Effective Date.

If the Scheme becomes effective, the Scheme Shares will be cancelled irrespective of whether you attend and vote and, if you have voted, whether you have voted for or against the Scheme at the Meetings. Upon the Scheme becoming effective, the Scheme Shares will be cancelled by the Reduction of Capital, new Et-china Shares will be issued to Kuoni and Et-china will become wholly owned by Kuoni. You will receive the consideration described above in consideration for the cancellation of the Scheme Shares.

It is intended that, prior to the Scheme becoming effective, Et-china will make an application to the London Stock Exchange to cancel the admission of Et-china Shares to trading on AIM so that the Et-china Shares will cease to be admitted to trading on AIM on the Effective Date. It is also intended that as soon as possible following the Effective Date, and after the admission to trading of Et-china Shares on AIM has been cancelled, Et-china will be re-registered as a private limited company.

### **4 Irrevocable undertakings**

Kuoni has received irrevocable undertakings from each of the Independent Directors to vote in favour of the Scheme to be proposed at the Court Meeting and to vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer) in respect of their own beneficial

shareholdings (and, where applicable, those of their connected persons) totalling 5,465,680 Et-china Shares, representing, in aggregate, approximately 15.6 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 13.1 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china. These undertakings remain binding in the event of a Competing Proposal being made for Et-china. These undertakings also include a warranty from each of the Independent Directors as to Et-china's fully diluted share capital.

In addition, Kuoni has received an irrevocable undertaking from one other Et-china Shareholder (Mintpine, an Australian company which holds Et-china Shares on trust for certain individuals and other entities), to vote in favour of the Scheme to be proposed at the Court Meeting and to vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer). Mintpine's irrevocable undertaking relates to 10,177,983 Et-china Shares, representing, in aggregate, approximately 29.1 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 24.3 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china (of which 4,638,836 Et-china Shares in aggregate are held by Mintpine on trust for Independent Directors of Et-china (and/or their family trusts), all of which are also covered by the directors' irrevocable undertakings). This undertaking remains binding in the event of a Competing Proposal being made for Et-china.

Accordingly, Kuoni has received, in aggregate, irrevocable undertakings from certain Et-china Shareholders to vote in favour of the Scheme to be proposed at the Court Meeting and to vote in favour of the Resolution to be proposed at the EGM (or, in the event that the Proposal is implemented by way of a Takeover Offer, to accept or procure acceptance of such offer) in respect of 11,004,827 Et-china Shares, representing, in aggregate, approximately 31.5 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 26.3 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china.

Further details of these undertakings are set out in section 4 of Part 6 of this Circular.

## **5 Information on Kuoni Group**

Kuoni is one of the world's leading globally-active leisure travel organisations. The group is headquartered in Zurich, Switzerland and has branch operations in over 40 countries in Europe, Asia, Africa, Australia and North America with a worldwide workforce in excess of 9,070 employees. Kuoni Group is listed on the Swiss Stock Exchange with a market capitalisation as at 15 June 2010 of approximately CHF 927 million.

Leisure travel accounted for approximately 78 per cent. of the group's total turnover while its destination management activities generated approximately 22 per cent..

For the year ended 31 December 2009, Kuoni Group reported revenues of CHF 3,894 million (2008: CHF 4,855 million) and net profit of CHF 2 million (2008: CHF 151 million). As at 31 December 2009, Kuoni Group had net assets of CHF 592 million (2008: CHF 606 million).

Kuoni has an interest in 11,540,110 Et-china Shares, representing just under 33.0 per cent. of the entire issued ordinary share capital of Et-china (before the conversion of any of the Et-china Convertible Bonds).

Kuoni holds £500,000 in aggregate principal amount of the Et-china Convertible Bonds. Kuoni has submitted a conversion notice in respect of its Et-china Convertible Bonds. After the expected conversion of Kuoni's Et-china Convertible Bonds, it will have an interest in 12,165,110 Et-china Shares representing 29.1 per cent. of the entire issued ordinary share capital of Et-china (after the expected conversion of all the Et-china Convertible Bonds).

Based on the terms of the Proposal, Kuoni Group's total investment in Et-china would be approximately £49 million in aggregate (including prior investments in Et-china).

Further information on the Kuoni Group is available on its web site at [www.kuoni-group.com](http://www.kuoni-group.com).

## **6 Information on Et-china**

Et-china is primarily engaged in the provision of travel related services including air-ticketing, train ticketing, hotel reservation, provision of package tour services, conference services and other related services as well as property development in the PRC. In addition, Et-china, through a joint-venture with China Southern Airlines, provides the e-ticketing service and back office support for China Southern Airlines.

Et-china principally operates under two brands, being Et-china and GZL. Et-china is focused on corporate travel accounts and on the emerging frequent independent travellers ("FIT") market whilst GZL primarily focuses on the packaged group tours market. Through these two brands, the Group is now considered one of the market leaders for the provision of travel services in South China. The Group operates through more than 160 retail outlets, a call centre and an internet booking website.

Et-china was founded in 2000 and began operating from its Guangzhou base as an online travel company in January 2000 after securing a strategic partnership with China Southern Airlines, now the largest airline in China. Due to the immaturity of online travel at that stage, Et-china initially focused on the managed corporate travel segment and secured a number of major corporate accounts from leading multinational companies.

In October 2002, Et-china established e-JV, a joint venture with China Southern Airlines to be the exclusive provider of sales and services for all China Southern Airlines e-ticketing. This contract was initially for five years to October 2007 but in June 2007 was extended for an additional ten years to April 2018.

From March 2006 to mid 2008, Et-china Group subscribed for or acquired or contracted to acquire a total 54.43 per cent. of GZL. GZL was reincorporated from Guangzhou Travel Company which was established in 1980 by the Government of Guangzhou and has become one of the largest travel companies in South China for both outbound and domestic travel. It specialises in leisure tour services and is one of the largest leisure tour operators in China.

As part of its intention to strengthen its online platform, Et-china acquired Yoe.com, a Beijing-based online travel company specialising in the sale of air tickets, in March 2009.

For the year ended 31 December 2009, Et-china reported revenue of approximately RMB 1,909 million (2008: approximately RMB 1,741 million) and loss after income tax of approximately RMB 31 million (2008: approximately RMB 84 million). As at 31 December 2009, Et-china had net assets of approximately RMB 129 million (2008: approximately RMB 164 million).

Further financial information about Et-china is incorporated by reference into this Circular (see part 5 of this Circular).

## **7 Structure of the Proposal**

### **(a) Introduction**

The Proposal is being effected by means of a court-sanctioned scheme of arrangement between Et-china and the Scheme Shareholders under Part 18A of the Jersey Law. The Proposal will be implemented pursuant to the Scheme, the provisions of which are set out in full in Part 3 of this Circular.

The objective of the Proposal is for Kuoni to become the owner of the whole of the issued and to be issued ordinary share capital of Et-china. This is to be achieved, on the Scheme becoming effective, by the cancellation of the Scheme Shares by the Reduction of Capital and the issue of new Et-china Shares to Kuoni so that Et-china will become wholly owned by Kuoni. In consideration for the cancellation of the Scheme Shares, each Scheme Shareholder will receive 115 pence in cash from Kuoni for each Scheme Share that they hold.

To become effective, the Scheme requires, amongst other things, the approval of a majority in number of the Scheme Shareholders (which excludes Kuoni) present and voting in person or by proxy at the Court Meeting, representing not less than three-fourths of the voting rights of the

Scheme Shares held by such Scheme Shareholders (that is excluding the Excluded Shares), together with the sanction of the Court and the passing of the Resolution necessary to implement the Scheme at the EGM (including a special resolution approving the Reduction of Capital).

Kuoni will not be entitled to vote at the Court Meeting. Kuoni will undertake to the Court to be bound by the Scheme. Following the Meetings, the Scheme must be sanctioned by the Court and the Reduction of Capital confirmed by the Court, and the Scheme will only become effective on delivery to the Registrar of Companies of the Scheme Court Order and the Reduction Court Order, and, in the case of the Reduction Court Order (and the minute attached to that order), being registered by the Registrar of Companies together with the minute of the Reduction of Capital attached thereto. Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

#### **(b) *The Meetings***

Before the Court's approval can be sought, the Scheme will require approval at the Court Meeting and the passing of the Resolution at the EGM. Notices of the Court Meeting and the EGM setting out the terms of the resolutions to be proposed at these meetings are set out in Parts 9 and 10 of this Circular respectively. All Et-china Shareholders whose names appear on the register of members of Et-china at the Scheme Voting Record Time or, if either of the Meetings is adjourned, on the register of members at 6 p.m. on the second day before the day set for such adjourned Meeting, shall be entitled to attend and vote at the relevant Meeting in respect of the number of Et-china Shares registered in their name at the relevant time save that only Scheme Shareholders shall be entitled to attend and vote at the Court Meeting.

#### **Court Meeting**

The Court Meeting, which has been convened for 10.30 a.m. on 15 July 2010, is being held at the direction of the Court to seek the approval of Scheme Shareholders to the Scheme.

At the Court Meeting, voting will be by way of a poll and each member present, either in person or by proxy, will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of Scheme Shareholders present and voting, either in person or by proxy, representing not less than three-fourths of the voting rights of the Scheme Shares held by such Scheme Shareholders.

#### **The Extraordinary General Meeting**

The EGM has been convened for 10.45 a.m. on 15 July 2010, or as soon as the Court Meeting has been concluded or adjourned, to consider and, if thought fit, pass a special resolution (requiring a vote in favour of not less than two-thirds of the votes cast by the Et-china Shareholders present and voting by person or proxy):

- (i) giving authority to the Independent Directors to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect;
- (ii) approving the cancellation and extinguishing of the Scheme Shares in accordance with the Scheme by way of the Reduction of Capital;
- (iii) approving the capitalisation of the reserve arising on the cancellation of the Scheme Shares;
- (iv) giving authority to the Independent Directors to allot new Et-china Shares to Kuoni in accordance with the Scheme; and
- (v) approving the amendment of the Articles in the manner described below.

#### **Amendment to the Articles**

The Resolution contains provisions to amend the Articles to ensure that any Et-china Shares issued between the adoption of the amended Articles and the Scheme Record Time will be subject to the terms of the Scheme and any person (other than Kuoni or any nominee of Kuoni) to whom Et-china Shares are issued after the Scheme Record Time will be obliged to transfer all Et-china Shares issued to them to Kuoni (and Kuoni will be obliged to purchase the Et-china

Shares on the terms of the Scheme). The provisions will avoid any person (other than Kuoni or any nominee of Kuoni) holding Et-china Shares after dealings in Et-china Shares have ceased on the AIM market.

**Forms of Proxy should be returned to either care of Matthew Ng, Level 14 Jianhe Centre, 111 Tiyuxi Road, Guangzhou, China 510620 or to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to be received at least 48 hours before the time appointed for the relevant Meeting. If the blue Form of Proxy for use at the Court Meeting is not returned by such time, it may be handed to the Chairman at the start of that Meeting. However, in the case of the EGM, unless the white Form of Proxy is returned by such time, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at either the Court Meeting or the EGM or any adjournment of that meeting, if you so wish and are so entitled.**

**It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion.**

**If you have any questions in relation to this Circular or the completion and return of Forms of Proxy, please call Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras.**

**(c) *Conditions to the Proposal***

The Conditions to the Proposal are set out in full in Part 4 of this Circular. In summary, the implementation of the Scheme is conditional, amongst other things, upon:

- (i) approval of the Scheme by a majority in number, representing at least three-fourths of the voting rights of Scheme Shareholders (or the relevant class or classes thereof) present, entitled to vote and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court (or at any adjournment of meeting);
- (ii) the Resolution being duly passed by the requisite majority of Et-china Shareholders at the EGM (or at any adjournment of that meeting);
- (iii) the sanction of the Scheme by the Court (with or without modification, but subject to any modification being on terms acceptable to Kuoni and Et-china) and the delivery of the Scheme Court Order to the Registrar of Companies;
- (iv) the confirmation of the Reduction of Capital by the Court (with or without modification, but subject to any modifications being on terms acceptable to Kuoni and Et-china) and the Reduction Court Order and minute of such reduction attached thereto being filed with, and registered by, the Registrar of Companies; and
- (v) the Conditions which are not otherwise identified above being satisfied or (where applicable) waived by Kuoni, which it is intended will occur before the date of the Scheme Court Hearing.

**(d) *The Court Hearings***

As referred to above, under Jersey Law, the Scheme requires the sanction of the Court. The Scheme Court Hearing will be held once the necessary approvals from Shareholders have been obtained and the other Conditions have been satisfied or (where applicable) waived. **Et-china Shareholders wishing to object to the Scheme may attend and voice their objections at the Scheme Court Hearing scheduled for 2.30 p.m. on 22 July 2010 at the Royal Court, Royal Square, St. Helier, Jersey JE1 1BA.**

Following the Scheme Court Hearing, the Reduction Court Hearing will occur to confirm the Reduction of Capital. Kuoni has confirmed that it will be represented by an advocate at each Court Hearing so as to consent to the Scheme and to undertake to the Court to be bound by it.

The Scheme will become effective in accordance with its terms on delivery of the Scheme Court Order, the Reduction Court Order and the minute of the Reduction of Capital attached thereto to the Registrar of Companies, and, in relation to the Reduction of Capital, the Reduction Court Order and attached minute being registered by him.

If the Scheme does not become effective by the Long-Stop Date, or such later date as Et-china and Kuoni may agree and the Court may allow, the Scheme will never become effective and the Proposal will not proceed.

Once effective, the Scheme will be binding on all Scheme Shareholders, including those Scheme Shareholders who did not vote, or who voted against it, at the Court Meeting.

**(e) *Modifications to the Scheme***

The Scheme contains a provision for Et-china and Kuoni jointly to consent on behalf of all persons affected by any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court in respect of the Scheme. The Court would be unlikely to approve any modification of, or addition to, or impose a condition to the Scheme which might be material to the interests of the Scheme Shareholders unless the Scheme Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide in its discretion whether or not a further meeting of Scheme Shareholders should be held in these circumstances. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Independent Directors, is of such nature or importance that it requires the consent of the Scheme Shareholders at a further meeting, the Independent Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

**(f) *Alternative means of implementing the Proposal***

Kuoni has reserved the right to implement the Proposal by way of a Takeover Offer, in which case additional documents will be despatched to Et-china Shareholders. In such event, the Proposal will be implemented on the same terms (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. of the shares to which the acquisition relates or such lesser percentage, being more than 50 per cent. (when taken together with the Kuoni Interests), as Kuoni may decide).

Further if sufficient acceptances of such offer are received and/or sufficient Et-china Shares are otherwise acquired, it is the intention of Kuoni to compulsorily acquire any outstanding Et-china Shares to which such offer relates under the relevant provisions of the Jersey Law.

## **8 Directors, Management, Employees and Location of Head Office**

Kuoni has given assurances to the Independent Directors that, following the Scheme becoming effective, the existing contractual employment rights of all employees of the Et-china Group will be fully safeguarded. Kuoni has also confirmed that Et-china's management will continue to be based in Guangzhou with its registered office to remain in Jersey.

On the Scheme becoming effective, it is intended that Matthew Ng will receive an incentive package, made up of a base salary of £140,000 per annum, benefits of £40,000 per annum and an annual bonus of £100,000. The bonus is divided into a short term cash portion and long term performance share bonus, all of which are in line with Kuoni's current compensation policy. In addition, Matthew Ng will be entitled to a long term one-off cash payment of between US\$2 million and US\$4 million at the end of the period of three years from the Scheme becoming effective subject to achieving pre-determined business plan targets. A report commissioned by the Independent Directors of Et-china excluding Matthew Ng has been provided by an independent remuneration expert which concluded that the total remuneration package for Matthew Ng is within market ranges.

Et-china's remuneration committee has agreed that Matthew Ng may, conditional on the Scheme, take his current accrued bonus by way of issue of Et-china Shares at an allotment price of 127 pence per share (being the Admission Price). Matthew Ng has therefore been allotted 1,118,014 Et-china Shares conditional on the Scheme being sanctioned by the Court at the Scheme Court Hearing.

It is intended that the current two Executive Directors will remain at the Company and Matthew Ng will be appointed as Managing Director of Et-china and Xiaoping Yang will be appointed as the Finance Director of Et-china. The current Non-Executive Directors Christopher Rose and Robert Drummond have tendered their resignations conditional on the Scheme becoming effective and their appointments will terminate in accordance with their agreements on the Scheme becoming effective. It is intended that Maria Ng will remain a non-executive director of the Company.

## **9 Et-china Directors and the effect of the Scheme on their interests**

Details of the interests of the Et-china Directors in the share capital of Et-china are set out in section 3 of Part 6 of this Circular. All Scheme Shares held by the Et-china Directors at the Scheme Record Time will be subject to the Scheme.

The effect of the Scheme on the interests of the Et-china Directors does not differ from its effect on the like interest of any other person and its effect on the options held by the Et-china Directors under the Et-china Share Scheme does not differ from its effect on the options held by other participants in the Et-china Share Scheme.

Particulars of the service contracts (including termination provisions) and letters of appointment of the Et-china Directors and shares conditionally allotted to Matthew Ng in lieu of bonus are set out in Part 6 of this Circular. Particulars of the management incentive arrangements proposed to be put in place in respect of Matthew Ng upon the Scheme becoming effective are set out in section 6 of Part 1 and section 8 of this Part 2 of this Circular and particulars of the Escrow Agreement are set out in section 8 of Part 6 of this Circular. Details of the irrevocable undertakings entered into by the relevant Et-china Directors are set out in section 4 of Part 1, section 4 of Part 2 and section 4 of Part 6 of this Circular.

## **10 Et-china Share Scheme**

Et-china Optionholders will be contacted regarding the effect of the Proposal on their rights under this scheme and appropriate proposals will be made to them in due course.

## **11 Et-china Convertible Bonds**

In accordance with the terms of the Et-china Convertible Bonds, holders of the Et-china Convertible Bonds were contacted as soon as practicable following the date of the Announcement regarding the effect of the Proposal on their rights under the bonds.

Et-china has received conversion notices or been informed by the relevant holders that they have submitted or will be sending such notices in respect of all the Et-china Convertible Bonds. In accordance with the terms of Et-china Convertible Bonds, Et-china is obliged to issue Ordinary Shares to the holders of the Et-china Convertible Bonds and apply for their admission to trading on AIM as soon as practicable following the receipt of the relevant conversion notice.

The total number of Ordinary Shares to be issued on conversion of the Et-china Convertible Bonds will be 6,875,000 and the total number of Ordinary Shares following the conversion of the Et-china Convertible Bonds will be 41,845,033. Following the conversion of the Et-china Convertible Bonds, Kuoni will hold 12,165,110 Ordinary Shares, representing 29.1 per cent. of the then entire issued share capital of Et-china. All Ordinary Shares resulting from the conversion of the Et-china Convertible Bonds are expected to be issued and admitted to trading on AIM prior to the Scheme Voting Record Time.

## **12 Et-china Warrants**

No proposals will be made to the Et-china Warrant Holders as all the Et-china Warrants are exercisable at an exercise price that is higher than the Offer Price.

## **13 Funding of the Proposal**

The cash consideration payable by Kuoni to Scheme Shareholders under the terms of the Proposal will be funded using Kuoni's existing cash resources.

## **14 Implementation Agreement**

Kuoni and Et-china have entered into an Implementation Agreement on 2 June 2010 which provides, inter alia, for the implementation of the Scheme and related matters in accordance with an agreed indicative timetable. It contains certain assurances and confirmations between the parties, including provisions to implement the Scheme and to achieve satisfaction of the Conditions on a timely basis and undertakings regarding the conduct of the Et-china Group prior to the Acquisition Effective Date.

An overview of certain material provisions of the Implementation Agreement is set out in section 6 Part 6 of this Circular.

The Independent Directors consider, having consulted with Seymour Pierce, Et-china's nominated adviser, that the terms of the Implementation Agreement are fair and reasonable in so far as its shareholders are concerned.

## **15 Escrow Agreement**

Matthew Ng, together with Jianxu Lu, Shaodong Zhu and Weixin Zhang (being executives of GZL) have entered into an escrow agreement with Kuoni pursuant to which a total amount of US\$1 million in aggregate of the consideration which they would otherwise receive under the Scheme (in the case of Matthew Ng) or pursuant to the proposal which is expected to be made to the Et-china Optionholders for their options granted under the Et-china Share Scheme (in the case of Jianxu Lu, Shaodong Zhu and Weixin Zhang) will be placed into escrow until 30 September 2011 to be payable to Kuoni if within that period certain business issues arise.

## **16 Cancellation of admission to trading of Et-china Shares on AIM and re-registration of the Company**

It is intended that, prior to the Scheme becoming effective, Et-china will make an application to the London Stock Exchange to cancel the admission of Et-china Shares to trading on AIM. It is also intended that as soon as possible following the Acquisition Effective Date, and after the admission to trading of Et-china Shares on AIM has been cancelled, Et-china will be re-registered as a private limited company.

## **17 Overseas Shareholders**

The implications of the Scheme and the Proposal for persons not resident in Jersey or the United Kingdom may be affected by the laws of jurisdictions outside Jersey and the United Kingdom. Persons who are not so resident should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of such persons to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or duties or payments due in such jurisdiction.

This Circular has been prepared for the purposes of complying with Jersey law and the AIM Rules and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws of any other jurisdiction. This document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this Circular in jurisdictions other than Jersey and the United Kingdom may be restricted by law and therefore persons into whose possession this Circular comes should inform themselves about, and observe, such restrictions. In particular, the ability of persons who are not resident in Jersey or the UK to vote their Et-china Shares with respect to the Scheme at the Court Meeting and/or with respect to the Resolution to be proposed at the EGM or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting and/or the EGM on their behalf may be affected by the laws of the relevant jurisdiction(s) in which they are resident or of which they are citizens. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction(s).

The Proposal will not be sent to Et-china Shareholders who are resident in, or citizens of, or are organised or incorporated in, the United States. Accordingly, neither this Circular nor any other document in connection with the Proposal shall be released, published or distributed in whole or in part in, into or from the United States or any other jurisdiction where to do so would constitute a violation of the relevant laws in that jurisdiction. Neither this Circular nor any other document in connection with the Proposal shall be forwarded by any nominee, custodian, broker or other intermediary in, into or from the United States.

## **WARNING**

### **Hong Kong**

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

This document does not constitute an offer or invitation to the public in Hong Kong to subscribe for or dispose of the shares. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any invitation or document relating to the shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in circumstances which do not constitute an offer or an invitation to the public for the purposes of the Hong Kong Securities and Futures Ordinance. However, numbered copies of this document may be issued to a limited number of shareholders in Hong Kong in a manner which does not constitute an issue, circulation or distribution of this document, or any offer or invitation in respect of the shares, to the public in Hong Kong. Only the person to whom a numbered copy of this document has been issued may take action in response to this document. No person to whom a numbered copy of this document is issued may issue, circulate or distribute this document in Hong Kong or make or give a copy of this document to any other person.

### **18 Taxation**

A summary of the relevant Jersey and UK taxation treatment of the Proposal, which is intended as a general guide only, is set out in Part 7 of this Circular.

**Scheme Shareholders who are in any doubt as to their taxation position are strongly advised to contact an appropriate independent professional advisor immediately to discuss the taxation consequences of accepting the Proposal.**

### **19 Stamp duty and stamp duty reserve tax (“SDRT”)**

No stamp duty or SDRT will generally be payable in Jersey or the UK by Scheme Shareholders as a result of the Scheme.

### **20 Settlement**

Subject to the Scheme becoming effective (and except as provided in section 17 above in relation to persons not resident in Jersey or the UK), settlement of the cash consideration to which any Scheme Shareholder is entitled under the Proposal will be effected by the dispatch of cheques or CREST accounts being credited (as applicable) as follows:

#### **(a) *Et-china Shares held in certificated form (that is, not in CREST)***

On the Effective Date, Scheme Shares held in certificated form will be cancelled and share certificates for such Scheme Shares will cease to be valid and should be returned to the Company at its request.

Where, at the Scheme Record Time, Scheme Shareholders hold Et-china Shares in certificated form, cheques for cash entitlements due under the Scheme will be dispatched within fourteen days after the Effective Date by first class post to such Holders at the addresses appearing in the

register of members of the Company as at the Scheme Record Time or, in the case of joint Holders, to the Holder whose name appears first in such register in respect of the joint holding concerned or in accordance with any special instructions regarding communications. All such payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

**(b) *Et-china Shares held in uncertificated form (that is, in CREST)***

On the Effective Date, Scheme Shares held within CREST will be cancelled. Where, at the Scheme Record Time, an Et-china Shareholder holds their Scheme Shares in uncertificated form their cash entitlement will be paid by means of CREST by Kuoni procuring the creation of a CREST payment obligation in favour of the Et-china Shareholder's payment bank in respect of the amount due, in accordance with CREST payment arrangements within fourteen days after the Effective Date.

As from the Effective Date, each holding of Et-china Shares being credited to any stock account in CREST will be disabled and all Et-china Shares will be removed from CREST in due course.

Kuoni reserves the right to pay any cash consideration to any Shareholders holding Et-china Shares in CREST in the manner referred to in the above paragraph "Et-china Shares held in certificated form" if, for any reason, it wishes to do so.

All documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto.

**(c) *General***

Settlement of the consideration to which any Scheme Shareholder is entitled to under the Scheme will be implemented in full in accordance with the terms set out in this Part 2 without regard to any lien, right to set off, counterclaim, or analogous right to which Kuoni may otherwise be, or claim to be entitled against any Et-china Shareholder.

**21 Further information**

The terms of the Scheme are set out in full in Part 3 of this Circular. Your attention is also drawn to the further information contained in this Circular and, in particular, to the Conditions set out in Part 4 and the additional information set out in Part 6 of this Circular.

Particulars of documents available for inspection are given in section 12 of Part 6 of this Circular.

Yours faithfully

Matthew Ng  
Chairman

Et-china.com International Holdings Limited

PART 3

THE SCHEME OF ARRANGEMENT

ROYAL COURT OF JERSEY  
SAMEDI DIVISION

2010

IN THE MATTER OF

ET-CHINA.COM INTERNATIONAL HOLDINGS LIMITED

AND IN THE MATTER OF

THE COMPANIES (JERSEY) LAW 1991

SCHEME OF ARRANGEMENT

(under Article 125 of the Companies (Jersey) Law 1991)

between

ET-CHINA.COM INTERNATIONAL HOLDINGS LIMITED

And

THE HOLDERS OF SCHEME SHARES

(as hereinafter defined)

(A) In the Scheme (as hereinafter defined), unless inconsistent with the subject or context, the following expressions have the following meanings:

<b>Business Day</b>	means any day other than a Saturday or Sunday on which banks in Jersey are generally open for the transaction of business (other than solely for trading and settlement in euros);
<b>certificated</b> or in <b>certificated form</b>	means not in uncertificated form (that is, not in CREST);
<b>Circular</b>	means the document dated 16 June 2010 sent by the Company to the Holders of Et-china Shares, of which this Scheme forms part;
<b>Company</b> or <b>Et-china</b>	means Et-china.com International Holdings Limited, a public no par value company limited by shares incorporated in Jersey under company number 97573;
<b>Court</b>	means the Royal Court of Jersey;
<b>Court Meeting</b>	means the meeting of Scheme Shareholders (and any adjournment thereof) to be convened by order of the Court pursuant to Article 125 of the Jersey Law to consider and vote on the Scheme (with or without amendment);
<b>Court Orders</b>	means the Scheme Court Order and the Reduction Court Order and "Court Order" means either one of them;
<b>CREST</b>	means the system for the paperless settlement of trades in securities and the holding of uncertificated securities

operated by Euroclear in accordance with the Companies (Uncertificated Securities) (Jersey) Order 1999;

<b>Effective Date</b>	means the first date on which both this Scheme and the Reduction of Capital become effective in accordance with Clause 5 of this Scheme;
<b>Encumbrances</b>	means liens, charges, equitable interests, encumbrances, security interests, rights of pre-emption and other third party rights or interests;
<b>Et-china Convertible Bonds</b>	means the £5,500,000 in aggregate principal amount of Zero Convertible Bonds due 2011 issued by Et-china pursuant to the board minutes, bond certificates, subscription agreements and deed of covenant relating to the same dated on or about 2 May 2008 convertible into Et-china Shares at a conversion price of 80 pence per Et-china Share;
<b>Et-china Shares or Ordinary Shares</b>	means the ordinary shares of no par value in the capital of Et-china (excluding for the avoidance of doubt any Et-china A Ordinary Shares);
<b>Euroclear</b>	means Euroclear UK & Ireland Limited (formerly CRESTCo Limited);
<b>Excluded Shares</b>	means any Et-china Share beneficially owned by any member of the Kuoni Group or any Et-china Share held in treasury by the Company;
<b>Holder</b>	means a registered holder, and includes any person entitled by transmission;
<b>Jersey</b>	means the Bailiwick of Jersey, Channel Islands;
<b>Jersey Law</b>	means the Companies (Jersey) Law 1991 as amended;
<b>Kuoni</b>	means Kuoni Travel Holding Ltd., a company incorporated in Switzerland (registered company number CH-020.3.921.635-3);
<b>Kuoni Group</b>	means the wider corporate group of Kuoni Travel Holding Ltd. including the subsidiary undertakings and associated undertakings of Kuoni Travel Holding Ltd. and any other body corporate, partnership, joint venture or person in which Kuoni Travel Holding Ltd. and such undertakings (aggregating their interests) have a direct or indirect interest of 20 per cent. or more of the voting or equity capital or the equivalent;
<b>New Shares</b>	means the new Et-china Shares to be issued in accordance with Clause 1.(B)(i) of this Scheme;
<b>Reduction Court Hearing</b>	means the hearing by the Court of the application to confirm the Reduction of Capital;
<b>Reduction Court Order</b>	means the order of the Court confirming the Reduction of Capital;

<b>Reduction of Capital</b>	means the reduction of the share capital of Et-china associated with the cancellation and extinguishing of the Scheme Shares under Article 61 of Jersey Law and confirmed by the Court under Article 63 of the Jersey Law;
<b>Registrar of Companies</b>	means the Registrar of Companies for Jersey;
<b>Scheme</b>	means this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the Company and Kuoni;
<b>Scheme Court Order</b>	means the order of the Court, sanctioning the Scheme under Article 125 of the Jersey Law;
<b>Scheme Record Time</b>	means 6.00 p.m. (Jersey time) on the Business Day immediately before the Reduction Court Hearing;
<b>Scheme Shareholder</b>	means a Holder of the Scheme Shares from time to time;
<b>Scheme Shares</b>	Et-china Shares that are: <ol style="list-style-type: none"> <li>1 in issue at the date of the Circular;</li> <li>2 issued after the date of the Circular and before the Scheme Voting Record Time (if any); and</li> <li>3 issued at or after the Scheme Voting Record Time and before the Scheme Record Time, in respect of which the original or any subsequent Holders thereof are, or shall have agreed in writing to be, bound by this Scheme (if any),</li> </ol> <p>in each case other than any Excluded Shares;</p>
<b>Scheme Voting Record Time</b>	6.00 p.m. (Jersey time) on the day that is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. (Jersey time) on the second day before the day of such adjourned meeting;

- (B) References to “**Clauses**” are to Clauses of this Scheme. References to time are to Jersey time.
- (C) The authorised share capital of the Company as at 15 June 2010 is an unlimited number of no par value shares of which as at the close of business on 15 June 2010 (being the latest practicable date prior to publication of the Circular) 34,970,033 (before the conversion of any of the Et-china Convertible Bonds) had been issued. On conversion of all the remaining and outstanding Et-china Convertible Bonds which is expected to occur prior to the Scheme Voting Record Time, 41,845,033 will then be in issue. In addition, the Company has 547,501 A ordinary shares in issue which do not form part of the Scheme.
- (D) Kuoni is a company incorporated in Switzerland (registered company number CH-020.3.921.635-3). As at the date of this Scheme, Kuoni has an interest in 11,540,110 Et-china Shares, representing just under 33.0 per cent. of the entire issued ordinary share capital of Et-china (before the conversion of any of the Et-china Convertible Bonds).
- (E) Kuoni holds £500,000 in aggregate principal amount of the Et-china Convertible Bonds. Kuoni has submitted a conversion notice in respect of its Et-china Convertible Bonds. After the expected conversion of Kuoni’s Et-china Convertible Bonds, it will have an interest in 12,165,110 Et-china Shares representing 29.1 per cent. of the entire issued ordinary share capital of Et-china (after the expected conversion of all the Et-china Convertible Bonds).
- (F) Kuoni has agreed to appear by an advocate on the hearing of the application to sanction the Scheme and to undertake to the Court to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to the Scheme.
- (G) The rules of the Takeover Code do not apply to this Scheme.

## **THE SCHEME**

### **1. Cancellation of the Scheme Shares**

- (A) On the Reduction of Capital taking effect in accordance with Clause 5 of this Scheme, the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.
- (B) Subject to, and forthwith upon, the Reduction of Capital taking effect and notwithstanding anything to the contrary in the Company's articles of association:
- (i) the issued share capital of the Company shall be increased to an amount equal to that of the Company immediately prior to the Reduction of Capital, by the creation of such number of New Shares as is equal to the number of Scheme Shares cancelled pursuant to Clause 1(A) above;
  - (ii) the reserve arising in the books of account of the Company as a result of the Reduction of Capital shall be capitalised and applied in paying up in full the New Shares created pursuant to Clause 1(B)(i) of this Scheme, which shall be allotted and issued credited as fully paid (free from all Encumbrances) to Kuoni and/or its nominee(s).

### **2. Consideration for cancellation of the Scheme Shares**

In consideration for the cancellation of the Scheme Shares and the allotment and issue of the New Shares as provided in Clause 1 of this Scheme, Kuoni shall (subject as hereinafter provided) pay or procure that there shall be paid to or for the account of each holder of Scheme Shares (as appearing in the register of members of the Company at the Scheme Record Time) 115 pence in cash for each Scheme Share held by such Holder.

### **3. Settlement**

- (A) Settlement shall be effected as follows:
- (i) where, at the Scheme Record Time, a Scheme Shareholder holds Et-china Shares in uncertificated form, settlement of cash consideration to which such Scheme Shareholder is entitled from Kuoni shall be despatched as soon as practicable after the Effective Date and, in any event, not more than 14 days thereafter, by means of CREST by Kuoni procuring the creation of an assured payment obligation in favour of the CREST account through which the relevant Scheme Shareholder holds such uncertificated shares, in accordance with the CREST assured payment arrangements.  
  
As from the Effective Date, each holding of Et-china Shares credited to any stock account in CREST shall be disabled and all Et-china Shares will be removed from CREST in due course.  
  
Kuoni reserves the right to pay all or any part of the cash consideration referred to in this sub-Clause 3(A)(i) to all or any Scheme Shareholder(s) who hold Scheme Shares in uncertificated form at the Scheme Record Time in the manner referred to in sub-Clause 3(A)(ii) below if, for any reason, it wishes to do so; and
  - (ii) where, at the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form, settlement of cash consideration to which such Scheme Shareholder is entitled from Kuoni shall be despatched by first class post, by cheque drawn on a clearing bank in the United Kingdom or Jersey.
- (B) All cash payments shall be made in pounds sterling. Payments made by cheque shall be payable to the Scheme Shareholder concerned or, in the case of joint Holders, to the Holder whose name stands first in the register of members of the Company in respect of the joint holding concerned at the Scheme Record Time. Cheques shall be despatched or the credit to the account made, within 14 days after the Effective Date, against the addressee appearing in the register of members of the Company and the encashment of any cheque shall be a complete discharge of Kuoni's obligations to pay the monies represented thereby.

- (C) Neither Kuoni nor the Company shall be responsible for any loss or delay in the transmission of cheques posted in accordance with this Clause 3, which shall be posted at the risk of the addressee.
- (D) The provisions of this Clause 3 shall be subject to any condition or prohibition imposed by law.

#### **4. Certificates and Cancellations**

With effect from (and including) the Effective Date:

- (i) all certificates representing holdings of Scheme Shares shall cease to be valid and every Scheme Shareholder shall be bound at the request of the Company to deliver up the same for cancellation to the Company or as it may direct; and
- (ii) Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form. As regards uncertificated Scheme Shares, appropriate entries will be made in the register of members of the Company with effect from the Effective Date to reflect their cancellation.

#### **5. Effective Date**

- (A) This Scheme shall become effective in accordance with its terms as soon as office copies of the Scheme Court Order and of the Reduction Court Order and the minute of the Reduction of Capital attached have been duly delivered by the Company to the Registrar of Companies and the Reduction Court Order and attached minute have been registered by him.
- (B) Unless this Scheme shall become effective on or before 11:59pm on 30 September 2010 or such later date, if any, as the Company and Kuoni may agree and the Court may allow, this Scheme shall never become effective.

#### **6. Modification**

The Company and Kuoni may jointly consent on behalf of all persons concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

#### **7. Governing Law**

This Scheme is governed by Jersey law and is subject to the jurisdiction of the courts of Jersey.

Date 16 June 2010

## PART 4

### CONDITIONS TO AND FURTHER TERMS OF THE PROPOSAL

#### Part A: Conditions to the Proposal

1. The Proposal is conditional upon the Scheme becoming or being declared unconditional and becoming effective by the Long-Stop Date.
2. The Scheme is subject to the following conditions:
  - (a) approval of the Scheme by a majority in number, representing at least three-fourths of the voting rights of Scheme Shareholders (or the relevant class or classes thereof) present, entitled to vote and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court (or at any adjournment of that meeting);
  - (b) the Resolution being duly passed by the requisite majority of Et-china Shareholders at the EGM (or at any adjournment of that meeting);
  - (c) the sanction of the Scheme by the Court (with or without modification, but subject to any modification being on terms acceptable to Kuoni and Et-china) and the delivery of the Scheme Court Order to the Registrar of Companies; and
  - (d) the confirmation of the Reduction of Capital by the Court (with or without modification, but subject to any modifications being on terms acceptable to Kuoni and Et-china) and the Reduction Court Order and minute of such reduction attached thereto being filed with, and registered by, the Registrar of Companies.
3. In addition, Kuoni and Et-china have agreed that, subject to Clause 4 below, the Scheme will be conditional upon the following matters and, accordingly, the Court's sanction of the Scheme will not be sought unless such conditions (as amended, if appropriate) have been satisfied (and continue to be satisfied pending commencement of the Scheme Court Hearing) or waived:
  - (a) no PRC Authority having received any complaint or reference or having taken, threatened to take or proposed any action or investigation or having decided or proposed to enact, amend or revoke any statute, regulation, decision, order or published practice which would or might reasonably be expected to:
    - (i) result in any member of the Et-china Group ceasing to hold or ceasing to be able to use in its business any Key Licence in all material respects on the same basis and terms as at present apply;
    - (ii) result in any material loss to any member of the Et-china Group of any of its existing rights to, or control over, any material part of the businesses of the Et-china Group as such businesses are presently operated; or
    - (iii) result in any material fines, penalties or other costs being imposed on any member of the Et-china Group by any PRC Authority;
  - (b) all necessary filings, applications and/or notifications (including any national anti-trust, competition or merger control filings) having been made, and all necessary waiting and other time periods (including extensions thereof) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated, and all statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in respect of the Scheme or in connection with the Proposal or any part thereof or any matter arising therefrom or relating thereto, and all authorisations, orders, recognitions, grants, consents, licences, confirmations, certificates, clearances, permissions and approvals necessary or appropriate in any jurisdiction for, or in respect of, the Scheme or in connection with the Proposal or any part thereof or any matter arising therefrom or relating thereto and to carry on any material part of the business of any member of the Kuoni Group or any member of the Et-china Group ("Authorisations") having been obtained, in terms and in a form reasonably satisfactory to Kuoni, from all appropriate Relevant Authorities and from any persons or bodies with whom any member of the Kuoni Group or any member of the Et-china Group has entered into

contractual arrangements, and any conditions or obligations attached to any such Authorisations being on terms and in a form reasonably satisfactory to Kuoni, and all such Authorisations remaining in full force and effect and no intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same having been made and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

- (c) no Relevant Authority (including any national or supranational anti-trust, competition or merger control authority) having instituted, implemented or threatened any action, proceeding, suit, investigation, reference or enquiry, or made, proposed or enacted any statute, legislation, regulation, decision or order or change to published practice or taken or proposed to take any other steps and there not continuing to be outstanding any statute, legislation, regulation, decision or order or change to published practice which would or might reasonably be expected (in a manner or to an extent which would be reasonably likely to have a material adverse effect on the Et-china Group taken as a whole) to:
- (i) make the Scheme, its implementation or the Proposal or the proposed acquisition by Kuoni of any shares or other securities in, or control or management of, Et-china or any member of the Et-china Group, void, unenforceable, prohibited and/or illegal in any jurisdiction or otherwise directly or indirectly restrain, restrict, prevent, prohibit, delay or otherwise interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise impede, challenge or interfere with the same;
  - (ii) require, prevent or materially delay the divestiture, or alter the terms of any proposed divestiture, by any member of the Kuoni Group or the Et-china Group of all or any material part of their respective businesses, assets or property (including without limitation any Scheme Shares) or impose any material limitation on the ability of any member of the Kuoni Group or the Et-china Group to conduct any of their respective businesses or own or dispose of any of their respective assets or property or any part thereof;
  - (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Kuoni Group or the Et-china Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or loans or securities convertible into shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Kuoni Group or the Et-china Group;
  - (iv) require any member of the Kuoni Group or the Et-china Group to acquire, or to offer to acquire, any shares or other securities (or their equivalent) or any interest in any member of the Et-china Group or any asset owned by any third party (other than in the implementation of the Proposal) or to sell or offer to sell any shares or other securities (or their equivalent) or any interest in any assets owned by any member of the Kuoni Group or the Et-china Group;
  - (v) impose any material limitation on the ability of any member of the Kuoni Group or the Et-china Group to integrate or co-ordinate its business, or any part of it, with all or any part of the business of any other member of the Kuoni Group or the Et-china Group;
  - (vi) impose any material limitation on the ability of any member of the Kuoni Group or of the Et-china Group to conduct any material part of its business as it is presently conducted;
  - (vii) result in any member of the Kuoni Group or the Et-china Group ceasing to be able to carry on business under any name under which it presently does so or ceasing to be able to use in its business any name, trademark or other material intellectual property right which it at present uses, in each case on the same basis and terms as at present apply; or
  - (viii) otherwise materially and adversely affect the business, assets, financial or trading position, profits or prospects of any member of the Et-china Group or of any member of the Kuoni Group;

and all applicable waiting and other time periods during which any such Relevant Authority could institute or implement any such action, proceeding, suit, investigation, reference or enquiry or otherwise intervene under the laws of any relevant jurisdiction in respect of the Scheme or in connection with the Proposal or any part thereof or any matter arising therefrom or relating thereto having expired, lapsed or been terminated;

- (d) save as Disclosed, there being no provision of any arrangement, agreement, licence, permit, lease, franchise, authorisation or other instrument to which any member of the Et-china Group is a party, or by or to which any such member or any of its material assets is or are or may be bound, entitled or subject and which, in consequence of the Scheme or the Proposal or any part thereof or any matter arising therefrom or relating thereto or the proposed acquisition of any shares or other securities in, or control or management of, Et-china or any member of the Et-china Group by Kuoni or because of a change in the control or management of Et-china or any member of the Et-china Group or otherwise, would or might reasonably be expected to result (to an extent which would have a material adverse effect on the Et-china Group taken as a whole) in:
- (i) any monies borrowed by, or other indebtedness (actual or contingent) of, or any grant made or available to, any such member being or becoming repayable or capable of being declared repayable immediately or prior to their or its stated maturity or repayment date or the ability of any such member to borrow monies or to incur any material indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
  - (ii) any such arrangement, agreement, licence, permit, lease, franchise, authorisation or other instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or adversely modified or affected or any obligation or liability arising or any adverse action being taken or arising thereunder;
  - (iii) the creation of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member other than in the ordinary course of business or any such mortgage, charge or other security interest (whenever arising or having arisen) being enforced or becoming enforceable or being capable of being enforced;
  - (iv) the rights, liabilities, obligations or interests of any such member under any such arrangement, agreement, licence, permit, lease, franchise, authorisation or other instrument or the interests or business of any such member in or with any other firm or body or person (or any agreement or arrangement relating to such interests or business) being terminated or adversely modified or affected or any obligation or liability arising or any action being taken or arising thereunder;
  - (v) any material asset or interest of, or any material asset the use of which is enjoyed by, any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any such member in each case other than in the ordinary course of business;
  - (vi) any such member ceasing to be able to carry on business under any name under which it presently does so or ceasing to be able to use in its business any name, trademark or other intellectual property right which it at present uses, in each case on the same basis and terms as at present apply; or
  - (vii) the creation of any liabilities whether actual or contingent by any such member other than in the ordinary course of business;

and no event having occurred which, under any provision of any arrangement, agreement, licence, permit, lease, franchise, authorisation or other instrument to which any member of the Et-china Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject would reasonably be considered likely to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (vii) of this Condition (d);

- (e) except as Disclosed, no member of the Et-china Group having since 31 December 2009:
- (i) issued or agreed to issue, or authorised or proposed the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, bonds, warrants or options to subscribe for or acquire, any such shares or convertible securities or sold or transferred any shares out of treasury (save for options granted, and for any Scheme Shares allotted upon exercise of options granted, under the Et-china Share Scheme or the 1,118,014 Shares to be issued to Matthew Ng in respect of his current accrued bonus entitlement or between Et-china and wholly-owned members of the Et-china Group before the date of the Announcement);
  - (ii) other than to another member of the Et-china Group which is a Wholly owned Et-china subsidiary, lawfully recommended, declared, paid or made or proposed lawfully to recommend, declare, pay or make any bonus in respect of shares, dividend or other distribution, whether payable in cash or otherwise;
  - (iii) save for any transaction which is not material in the context of the Et-china Group taken as a whole or transactions between Wholly owned Et-china subsidiaries, acquired or disposed of or transferred, mortgaged, charged or created any security interest (save arising through operation of law) over any asset or any right, title or interest in any asset (including shares and trade investments) or merged with, demerged or acquired any body corporate, partnership or business or authorised or proposed or announced any intention to propose any merger, demerger, acquisition, disposal, transfer, mortgage, charge or security interest;
  - (iv) issued, agreed to issue, authorised or proposed or announced an intention to propose the issue of, or made any change in or to, any debentures, become subject to any contingent liability or (save for transactions which are solely between Wholly owned Et-china subsidiaries) incurred or increased any indebtedness or liability (actual or contingent) otherwise than in the ordinary course of business and which is not material in the context of the Et-china Group taken as a whole;
  - (v) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or made any other change to any part of its share capital;
  - (vi) entered into, varied, terminated or authorised or become bound by or proposed the entry into or variation or termination of, or announced its intention to enter into, vary or terminate, authorise or become bound by any contract, agreement, commitment, arrangement or transaction (whether in respect of capital expenditure or otherwise) which: (A) is other than in the ordinary course of business; (B) is of a long-term, onerous or unusual nature or magnitude; or (C) involves or could involve an obligation of such a nature or magnitude or which results or may result in any material restriction of the scope of business currently carried on by any member of the Kuoni Group or the Et-china Group and which is material in the context of the Et-china Group taken as a whole;
  - (vii) waived or compromised or settled any claim which is material in the context of the Et-china Group taken as a whole;
  - (viii) implemented, entered into or authorised, effected, proposed or announced its intention to implement or enter into any reconstruction, amalgamation, scheme, commitment, transaction or arrangement (otherwise than in the ordinary course of business);
  - (ix) taken any corporate action or had any order made or legal proceedings started or threatened against it or petition presented or order made for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of any receiver, administrator, administrative receiver, trustee or similar officer of all or any of its material assets and material revenues or any analogous proceedings or similar event having occurred in any jurisdiction or any analogous person having been appointed in any jurisdiction;
  - (x) entered into or made an offer (which remains open for acceptance) to enter into, or changed the terms of, any agreement, contract, commitment, transaction or

arrangement with any of the directors or senior executives of any member of the Et-china Group save for the 1,118,014 Shares to Matthew Ng in connection with his bonus arrangements;

- (xi) amended the general terms of employment of its employees, other than in the ordinary course of business;
  - (xii) made, committed to make or announced an intention to propose any change in its loan capital;
  - (xiii) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
  - (xiv) made any alteration to its memorandum or articles of association (or any equivalent constitutional documents in any jurisdiction) or, except as Disclosed, entered into, amended or terminated any agreement or other arrangement with any legal or nominee holder of its shares in its capacity as such (other than Kuoni);
  - (xv) proposed, agreed to provide or modified the terms of the Et-china Share Scheme or any other scheme or benefit relating to the employment or termination of employment of any person employed by any member of the Et-china Group;
  - (xvi) entered into any arrangement, contract, agreement, transaction or commitment other than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to, or announced any intention to effect or propose, any of the transactions, matters or events referred to in this Condition (e);
- (f) except as Disclosed, since 31 December 2009:
- (i) there having been no adverse change or deterioration in the business, assets, financial or trading position or profits or prospects of any member of the Et-china Group in a manner or to an extent that is material in the context of the Et-china Group taken as a whole;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted, implemented, announced or threatened by or against or remaining outstanding against or in respect of any member of the Et-china Group Et-china which might reasonably be expected to materially and adversely affect the Et-china Group taken as a whole;
  - (iii) there having been no inquiry or investigation by or complaint or reference to any Relevant Authority or other investigative body against or in respect of any member of the Et-china Group and no such inquiry, investigation, complaint or reference having been threatened, announced or instituted or remaining outstanding which might reasonably be expected to materially and adversely affect the Et-china Group taken as a whole;
  - (iv) no contingent or other liability having arisen or become apparent or increased which has or might reasonably be expected to be material in the context of the Et-china Group taken as a whole; and
  - (v) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification by any Relevant Authority of any licence, permit, consent or other authorisation held by any member of the Et-china Group which is necessary for the carrying on of its business as currently conducted in a manner that could reasonably be expected to be material in the context of the Et-china Group taken as a whole;
- (g) Kuoni not having discovered, except as Disclosed:
- (i) that any financial, business or other information as contained in the information disclosed to any member of the Kuoni Group or publicly disclosed at any time by or on behalf of any member of the Et-china Group is misleading, contains a

misrepresentation of fact or omits to state a fact necessary to make that information not misleading which has not, prior to the date of the Announcement, has been corrected by public announcement by the delivery of an announcement to a Regulatory Information Service and which could reasonably be expected to be material and adverse in the context of the Et-china Group taken as a whole;

- (ii) that any member of the Et-china Group or any partnership, company or other entity in which any member of the Et-china Group has a significant economic interest has any liability (contingent or otherwise) that has not been so publicly announced and which could reasonably be expected to be material and adverse in the context of the Et-china Group taken as a whole;
  - (iii) any information which materially affects the import of any information disclosed at any time by or on behalf of any member of the Et-china Group to an extent which is material and adverse in the context of the Et-china Group taken as a whole;
  - (iv) that any past or present member of the Et-china Group has failed to comply with any applicable legislation, directives, regulations, common laws, notices, orders, circulars, guidance notes or requirements of any applicable jurisdiction or Relevant Authority with regard to the use, presence, treatment, handling, storage, transport, disposal, discharge, spillage, leak, release or emission of any waste or hazardous or harmful substance or any substance capable of causing harm or damage to the environment, man, flora, fauna, biodiversity, ecology or otherwise relating to environmental matters, or that there has been any such use, presence, treatment, handling, storage, transport, disposal, discharge, spillage, leak, release or emission (whether or not the same constituted non-compliance by any person with any such legislation or regulation, and whenever the same may have taken place) any of which non-compliance would be reasonably likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Et-china Group and which is material in the context of the Et-china Group taken as a whole;
  - (v) that there is, or is reasonably likely to be, any obligation or liability (whether contingent or otherwise) on the part of any member of the Et-china Group to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property, land or any waters now or previously owned, occupied, operated, made use of or controlled by any past or present member of the Et-china Group, or in which any such member may now have or previously have had or be deemed to have or have had an interest, under any past, present or future environmental legislation, directives, regulations, common laws, notices, orders, circulars, guidance notes or requirements of any applicable jurisdiction or any Relevant Authority, or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto and which is material in the context of the Et-china Group taken as a whole;
  - (vi) that circumstances exist whereby a person or class of persons would be reasonably likely to have any material claim or claims in respect of any service or product previously supplied, sold or in any way dealt with or handled by any past or present member of the Et-china Group and could reasonably be expected to be material in the context of the Et-china Group taken as a whole; or
- (h) Et-china not having taken any action which would, were Et-china to be governed by the Takeover Code, constitute frustrating action in breach of Rule 21 of the Takeover Code and which has a material and adverse effect on Et-china or any member of the Et-china Group (and for these purposes: (i) an action shall be “material” if, when taken together with any other actions falling within this Condition 3(h), it amounts to or exceeds an aggregate amount of £100,000); (ii) Rule 21 shall be interpreted as though all references to consultation with and the consent of the Takeover Panel had been deleted and paragraphs (A) and (B) of Rule 21.1 shall not apply; and (iii) actions taken with the prior written consent of Kuoni (not to be unreasonably withheld or delayed) or any actions pursuant to any Pre-existing Obligation shall be deemed not to constitute frustrating action in breach of Rule 21).

## Part B: Certain Further Terms of the Proposal

5. Kuoni reserves the right to waive all or any of Conditions 3(a) to (h) inclusive, in whole or in part. Kuoni shall be under no obligation to waive or treat as satisfied any of Conditions 3(a) to (h) inclusive by a date earlier than the latest date for the satisfaction of that Condition, notwithstanding that other of Conditions 3(a) to (h) inclusive may at such earlier date have been waived or satisfied and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of satisfaction.
6. Kuoni reserves the right to elect to implement the proposal by way of a Takeover Offer. In such event, the Takeover Offer will (unless otherwise agreed) be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Proposal, including without limitation, an acceptance condition set at 90 per cent. (or such lesser percentage, being more than 50 per cent., as Kuoni may decide) of: (i) the shares to which the offer relates; and (ii) the voting rights normally exercisable at a general meeting of Et-china, including, for this purpose, any such voting rights attaching to Scheme Shares that are unconditionally allotted or issued before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.
7. The Takeover Code does not apply to this document, the Proposal or the Scheme. As such the rules of the Takeover Code, including in particular Rules 2.7 and 13.4, which would, if the Takeover Code applied, restrict the ability of Kuoni not to proceed with the Proposal or the Scheme or to invoke a Condition or fail to waive a Condition, do not apply. However, the parties have agreed in the Implementation Agreement that Kuoni will pay a break fee of £2 million to Et-china if Kuoni invokes (or fails to waive non-satisfaction of) a Condition so as to cause the Proposal to lapse or to be withdrawn except where Kuoni invoked the Condition as a result of one of the following circumstances:
  - (a) a revocation by the issuing authority in the PRC of either the International Travel Agency Services Operating Permit or the Domestic Travel Agency Services Operating Permit;
  - (b) either:
    - i. a transfer by any current holder of sufficient shares in any member of the Et-china Group, to a person outside the Et-china Group (other than where those shares are to be held by such other person in the same or similar terms as they are currently held);
    - ii. a breach by any holder of shares in any member of the Et-china Group of any material obligation owed by that shareholder to any member of the Et-china Group in connection with that shareholding; or
    - iii. any relevant government body or authority making an order because of the Proposal or the announcement of the Proposal;in each case which has the effect that Et-china is no longer able to control its material businesses materially on the terms it does so at the date of the Implementation Agreement;
  - (c) Et-china takes any action which would, were Et-china to be governed by the Takeover Code, constitute frustrating action in breach of Rule 21 of the Takeover Code and which has a material and adverse effect on Et-china or any member of the Et-china Group (and for these purposes an action shall be "material" if, when taken together with any other actions falling within Condition 3(h), it amounts to or exceeds an aggregate amount of £100,000), and in addition the parties have agreed provisions governing how Rule 21 is to apply in the circumstances of the Proposal given that the Takeover Panel does not have jurisdiction, following which Kuoni has notified Et-china that it wishes to withdraw from the Proposal; or
  - (d) would have allowed Kuoni to invoke a Condition so as to cause the Proposal not to proceed, to lapse or to be withdrawn under Rule 2.7 or, as appropriate, Rule 13.4 of the Takeover Code had the Takeover Code applied to the Proposal.

The break fee is also payable to the Company if a Kuoni Trigger Event occurs and as a result the Acquisition Effective Date does not occur prior to the Long Stop Date. The Company has

agreed with Kuoni in the Implementation Agreement to pay an inducement fee of £2 million to Kuoni if (1) the Independent Directors fail to recommend the Proposal unanimously on an unqualified basis in the Acquisition Document (except where only one of the Independent Directors, not being Matthew Ng, so fails to recommend the Proposal and either: (i) the Acquisition Effective Date nevertheless occurs prior to the Long Stop Date or (ii) Kuoni becomes liable to pay the £2 million break fee) or subsequently any of the Independent Directors withdraws or materially adversely modifies his or her recommendation (except where only one of the Independent Directors, other than Matthew Ng, so withdraws or modifies his or her recommendation and either (i) the Acquisition Effective Date nevertheless occurs prior to the Long Stop Date or (ii) Kuoni becomes liable to pay the £2 million break fee), (2) if an Et-china Trigger Event occurs and as a result the Acquisition Effective Date does not occur prior to the Long Stop Date, or (3) if Et-china, in breach of Condition 3(h), takes any action which would, were Et-china to be governed by the Takeover Code, constitute frustrating action in breach of Rule 21 of the Takeover Code and Kuoni notifies Et-china that it wishes to withdraw from the Proposal. The Implementation Agreement is further described in Part 6.

8. The availability of the Proposal to persons resident in, or citizens or nationals of, jurisdictions outside of Jersey or the United Kingdom, or to persons who are custodians, nominees or trustees for citizens or nationals or residents of jurisdictions outside Jersey or the United Kingdom (“Overseas Persons”) may be prohibited or affected by the laws of the relevant overseas jurisdictions. Such Overseas Persons should inform themselves about and observe any applicable requirements.
9. This document and the rights or liabilities arising hereunder, the Proposal, the Scheme and the Forms of Proxy will be governed by Jersey law and will be subject to the jurisdiction of the courts of Jersey.

## PART 5

### FINANCIAL INFORMATION CONCERNING THE ET-CHINA GROUP INCORPORATED BY REFERENCE

The information listed below relating to the Et-china Group is hereby incorporated by reference into this document.

Please enter the web addresses below in your web browser to be brought to the relevant document.

<u>Information</u>	<u>Source of information</u>
1 Turnover, net profit or loss before and after taxation, the charge for tax, extraordinary items, minority interests, the amount absorbed by dividends and earnings and dividends per share for the Et-china Group for the three years ended 31 December 2009	Et-china published audited accounts of 29 April 2010 for year ending 31 December 2009 on pages 5 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/results/prelims290410.pdf">www.et-chinalimited.com/archive/results/prelims290410.pdf</a>  Et-china Annual Report 2008 on page 13 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/ar2008.pdf">www.et-chinalimited.com/archive/ar2008.pdf</a>  Et-china Annual Report 2007 on page 11 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/080624_ETC_Internationa%20_EN_%202007_UK.pdf">www.et-chinalimited.com/archive/080624_ETC_Internationa%20_EN_%202007_UK.pdf</a>
2 A statement of the assets and liabilities shown in the published accounts of 29 April 2010 for year ending 31 December 2009, being the last published audited accounts	Et-china published audited accounts of 29 April 2010 for year ending 31 December 2009 on pages 6 - 7 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/results/prelims290410.pdf">www.et-chinalimited.com/archive/results/prelims290410.pdf</a>
3 A cash flow statement as provided in the last published audited accounts of 29 April 2010 for year ending 31 December 2009	Et-china published audited accounts of 29 April 2010 for year ending 31 December 2009 on pages 8 - 9 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/results/prelims290410.pdf">www.et-chinalimited.com/archive/results/prelims290410.pdf</a>
4 Significant accounting policies together with any points from the notes to the accounts which are of major relevance to an appreciation of the figures	Et-china published audited accounts of 29 April 2010 for year ending 31 December 2009 on pages 9 - 10 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/results/prelims290410.pdf">www.et-chinalimited.com/archive/results/prelims290410.pdf</a>  Et-china Annual Report 2008 on pages 26 - 40 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/ar2008.pdf">http://www.et-chinalimited.com/archive/ar2008.pdf</a>  Et-china Annual Report 2007 on pages 22 - 35 available for viewing on Et-china's website <a href="http://www.et-chinalimited.com/archive/080624_ETC_Internationa%20_EN_%202007_UK.pdf">www.et-chinalimited.com/archive/080624_ETC_Internationa%20_EN_%202007_UK.pdf</a>

5 Change in accounting policies

Et-china published accounts of 29 April 2010 for year ending 31 December 2009 on pages 9 - 10 available for viewing on Et-china's website [www.et-chinalimited.com/archive/results/prelims290410.pdf](http://www.et-chinalimited.com/archive/results/prelims290410.pdf)

Et-china Annual Report 2008 on pages 38 - 40 available for viewing on Et-china's website <http://www.et-chinalimited.com/archive/ar2008.pdf>

Et-china Annual Report 2007 on pages 34 - 35 available for viewing on Et-china's website [www.et-chinalimited.com/archive/080624\\_ETC\\_Internationa%20\\_EN\\_%202007\\_UK.pdf](http://www.et-chinalimited.com/archive/080624_ETC_Internationa%20_EN_%202007_UK.pdf)

Information in relation to 1, 2 and 3 above has not been published in an inflation adjusted form.

The published audited accounts of 29 April 2010 for year ending 31 December 2009 and the Annual Reports for years ended 31 December 2008 and 31 December 2007 are available free of charge in "read only" format and can be printed free of charge from the Et-china website at:

2009 accounts: [www.et-chinalimited.com/archive/results/prelims290410.pdf](http://www.et-chinalimited.com/archive/results/prelims290410.pdf)

2008 Annual report: [www.et-chinalimited.com/archive/ar2008.pdf](http://www.et-chinalimited.com/archive/ar2008.pdf)

2007 Annual report:

[www.et-chinalimited.com/archive/080624\\_ETC\\_Internationa%20\\_EN\\_%202007\\_UK.pdf](http://www.et-chinalimited.com/archive/080624_ETC_Internationa%20_EN_%202007_UK.pdf)

Et-china will provide within two Business Days, without charge, to each person to whom a copy of this document has been delivered, upon their written request, a copy of any documents incorporated by reference to this document. Copies of any documents incorporated by reference in this document will not be provided unless such a written request is made. Written requests for copies of any such document should be directed to Matthew Ng at Et-china at Level 14 Jianhe Centre, 111 Tiyuxi Road, Guangzhou, China 510620.

## PART 6

### ADDITIONAL INFORMATION

#### 1. Responsibility

##### (a) *The Independent Directors*

The Independent Directors, whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this Circular except for the information for which the Kuoni Responsible Persons accept responsibility. To the best of the knowledge and belief of the Independent Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

##### (b) *The Kuoni Responsible Persons*

The Kuoni Responsible Persons, whose names are set out in paragraph 2(c) below, accept responsibility for the information contained in this Circular relating to Kuoni and its subsidiaries, the Kuoni directors and their immediate families, related trusts and persons connected with the Kuoni Responsible Persons (within the meaning of section 252 of the Companies Act 2006 of the United Kingdom). To the best of the knowledge and belief of the Kuoni Responsible Persons (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors

(a) The current Et-china Directors and their respective positions are:

<i>Director</i>	<i>Position</i>
(i) Matthew C. Ng*	President, Chief Executive Officer and Interim Chairman**
(ii) Robert Drummond*	Non-Executive Director
(iii) Xiaoping Yang*	Finance Director
(iv) Christopher Peter Rose*	Non-Executive Director
(v) Maria Ng	Non-Executive Director

(b) The registered office of Et-china is 47 Esplanade, St Helier, Jersey, JE1 OBD.

\* *Independent Directors*

\*\* *Matthew C. Ng is currently the Interim Chairman. For the sake of convenience, he is referred to as the Chairman throughout the Circular.*

(c) The Kuoni Responsible Persons and their respective positions are:

<i>Responsible Person</i>	<i>Position</i>
(i) Peter Rothwell	Chief Executive Officer, Kuoni Group
(ii) Max Katz	Chief Financial Officer, Kuoni Group
(iii) Stefan Leser	Executive Vice-President Southern Region and Chief Executive Officer Kuoni Switzerland
(iv) Martin Simeon	Head of Mergers and Acquisitions, Kuoni Group

(d) The registered office of Kuoni is Neue Hard 7, CH-8010, Zurich, Switzerland.

### 3. Disclosure of Interests and Dealings

(a) Interests and dealings in relevant securities of Et-china:

#### ***Interests and dealings of Kuoni and related parties in relevant securities of Et-china***

(Kuoni is a company a company incorporated in Switzerland (registered company number CH-020.3.921.635-3). As at 15 June 2010, the Kuoni Group owns 11,540,110 Et-china Shares representing just under 33.0 per cent. of the entire issued ordinary share capital (before the conversion of any of the Et-china Convertible Bonds). Kuoni holds £500,000 in aggregate principal amount of the Et-china Convertible Bonds. In June 2009, Kuoni acquired 31.8 per cent. of Et-china's issued ordinary share capital. In February 2010, Kuoni increased its shareholding in Et-china to just under 33.0 per cent. of Et-china's issued ordinary share capital and purchased £500,000 in aggregate principal amount of the Et-china Convertible Bonds. Kuoni has submitted a conversion notice in respect of its Et-china Convertible Bonds. After the expected conversion of Kuoni's Et-china Convertible Bonds, it will have an interest in 12,165,110 Et-china Shares representing 29.1 per cent. of the entire issued ordinary share capital of Et-china (after the expected conversion of all the Et-china Convertible Bonds).

#### ***Interests and dealings of Et-china and related parties in relevant securities of Et-china***

(i) As of the close of business on 15 June 2010 (the latest practicable date before publication of this Circular), the interests, rights to subscribe and short positions in respect of relevant securities of Et-china held by the Et-china Directors and members of their immediate families and related trusts and companies were as follows:

##### **a. Et-china Shares**

<i>Director</i>	<i>No of issued ordinary shares held in Offeree</i>	<i>Name of registered holder</i>	<i>Name of beneficial owner</i>
Matthew Chik-Hui Ng*	2,958,310	Mintpine Pty Limited	Stallion China Limited (on trust for Matthew Ng and family)
Matthew Chik-Hui Ng*	582,885	Matthew Chik-Hui Ng	Matthew Chik-Hui Ng
Matthew Chik-Hui Ng*	30,728	Fong Ping Chow	Fong Ping Chow
Christopher Rose**	1,590,526	Mintpine Pty Limited	Christopher Peter Rose and Peter Francis Rose
Xiaoping Yang***	213,231	Xiaoping Yang	Xiaoping Yang
Xiaoping Yang***	90,000	Mintpine Pty Limited	Xiaoping Yang

\* The Et-china Shares shown against Matthew Ng include 30,728 Et-china Shares registered in the name of his wife, Fong Ping Chow and 2,958,310 Et-china Shares registered in the name of Mintpine of which Matthew Ng is beneficially interested through a trust company, Stallion China Limited.

\*\* The Et-china Shares shown against Christopher Rose comprise 1,590,526 Et-china Shares registered in the name of Mintpine Pty Limited in which Christopher Rose and Peter Francis Rose are beneficially interested.

\*\*\* The Et-china Shares shown against Xiaoping Yang's name include 90,000 Et-china Shares registered in the name of Mintpine in which Xiaoping Yang is beneficially interested.

**b. Et-china Options**

<i>Director</i>	<i>Date of grant</i>	<i>Exercise price (pence)</i>	<i>Exercise period</i>	<i>Number of Et-china Shares under option</i>
Robert Drummond	3 September 2007	£0.40	3 September 2009-3 September 2017	51,902
Matthew Chik-Hui Ng	3 September 2007	£0.40	3 September 2009-3 September 2017	1,167,786
Matthew Chik-Hui Ng	12 January 2010	£0.28	12 January 2012-12 January 2020	500,000
Xiaoping Yang	8 February 2007	£0.20	8 February 2009-8 February 2017	140,313
Xiaoping Yang	3 September 2007	£0.40	3 September 2009-3 September 2017	311,410
Xiaoping Yang	12 January 2010	£0.28	12 January 2012-12 January 2020	100,000

**c. Conversion of cash bonus into Et-china Shares**

- (i) Et-china's remuneration committee has agreed that Matthew Ng may, conditional on the Scheme, take his current accrued bonus by way of issue of Et-china Shares at an allotment price of £1.27 per share (being the Admission Price). Matthew Ng has therefore been allotted 1,118,014 Et-china Shares conditional on the Scheme being sanctioned by the Court at the Scheme Court Hearing.
- (ii) No member of the Et-china Group, nor any director of any member of the Et-china Group, nor any person acting in concert with any member of the Et-china Group, has borrowed or lent any relevant securities during the disclosure period save for any borrowed shares which have either been on-lent or sold.

**(b) General**

- (i) Save as described above, neither Kuoni nor any of the Kuoni Executive Board nor, so far as the Kuoni Executive Board are aware, any member of the Kuoni Group or any director of Kuoni or any person acting in concert with any of them for the purposes of the Proposal, controlled or was interested, directly or indirectly, in, an arrangement or had any rights to subscribe to or had any short positions in respect of, any relevant securities of Et-china as at the close of business on 15 June 2010 (being the latest practicable date before publication of this Circular) nor has any person dealt for value in any relevant securities of Et-china during the disclosure period.
- (ii) Neither Kuoni nor any of the Kuoni Executive Board nor, so far as the Kuoni Executive Board are aware, any member of the Kuoni Group or any director of Kuoni or any person acting in concert with any of them for the purposes of the Proposal, has borrowed or lent any relevant securities during the disclosure period save for any borrowed shares which have either been on-lent or sold as at the close of business on 15 June 2010 (being the latest practicable date before publication of this Circular).
- (iii) Save as disclosed above, none of Et-china, Et-china Directors, any members of such directors' immediate families nor any related trusts or companies, nor any person with whom Et-china or any person acting in concert with Et-china has an arrangement, had a right to subscribe for, was interested in or had any short positions in respect of any relevant securities on 15 June 2010 (being the latest practicable date before publication of this Circular), nor has any such person dealt in any relevant securities between the start of the Offer Period and 15 June 2010.
- (iv) Save as disclosed above, no Et-china associated companies, nor any pension fund of Et-china or any Et-china associated company, nor any employee benefit trusts of Et-china or any Et-china associated company, was interested, had a right to subscribe for or had any short positions in respect of any relevant securities on 15 June 2010 (being the latest practicable date before publication of this Circular), nor has any such person dealt in any relevant securities between the start of the Offer Period and 15 June 2010.

- (v) Save as disclosed above, no connected adviser to Et-china, Et-china associate companies or persons acting in concert with Et-china or persons controlling, controlled by or under the same control as any such connected advisers (excluding exempt principal traders and exempt fund managers) had a right to subscribe for, was interested in or had any short positions in respect of any relevant securities on 15 June 2010 (being the latest practicable date before publication of this Circular), nor has any such person dealt in any relevant securities between the start of the Offer Period and 15 June 2010.
- (vi) For the purposes of this paragraph 3 and paragraph 4 below:
- (A) “**acting in concert**” has the meaning given to that term in the Takeover Code;
  - (B) “**arrangement**” includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;
  - (C) “**connected adviser**” has the meaning given to that term in the Takeover Code;
  - (D) “**dealing**” includes: (i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities; (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a trade option contract) in respect of any securities; (iii) subscribing or agreeing to subscribe for securities; (iv) the exercise or conversion whether in respect of new or existing securities, of any securities carrying conversion or subscription rights; (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; (vi) entering into, terminating or varying the terms of any agreement or purchase or sell securities; and; (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;
  - (E) “**derivative**” includes any financial product whose value in whole or in part is determined, directly or indirectly, by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying securities;
  - (F) “**disclosure period**” means the period commencing on 2 June 2009 (being the date 12 months prior to the commencement of the Offer Period) and ending on 15 June 2010 (being the latest practicable date before the publication of this Circular);
  - (G) “**interests**” in securities has the meaning given to that term in the Takeover Code;
  - (H) “**Et-china companies**” includes members of the Et-china Group (excluding Et-china), Et-china’s parent companies (if any), any of their associated companies and any companies of which such companies are associated companies and “**Et-china company**” is any one such company;
  - (I) “**relevant securities**” includes (i) Et-china Shares and any other securities of Et-china conferring voting rights; (ii) equity share capital of Et-china; (iii) securities of Et-china carrying conversion or subscription rights into any of the foregoing;
  - (J) ownership or control of 20 per cent or more of the equity share capital of a company is regarded as the test of associated company status and “**control**” means an interest, or interests, in shares carrying in aggregate 30 per cent or more of the voting rights attributable to the capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control; and
  - (K) a “**short position**” refers to any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

For the purposes of this Part 3 of Section 6, Kuoni will not be treated as “acting in concert” with Et-china.

#### 4. Irrevocable Undertakings

##### (a) Irrevocable Undertakings from the Et-china Independent Directors

Irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the Resolution to be proposed at the EGM have been given by the following Et-china Directors in respect of the following holdings of Et-china Shares. These holdings represent all the registered holdings of Et-china Shares for each Et-china Director giving an irrevocable undertaking. These undertakings remain binding in the event of a Competing Proposal being made for Et-china. These undertakings also include a warranty from each of the Independent Directors as to Et-china's fully diluted share capital.

<i>Director</i>	<i>No of issued ordinary shares held in Offeree</i>	<i>Name of registered holder</i>	<i>Name of beneficial owner</i>	<i>Per cent. of issued share capital*</i>	<i>Per cent. of issued share capital**</i>
Matthew Chik-Hui Ng	2,958,310	Mintpine Pty Limited	Stallion China Limited (on trust for Matthew Ng and family)	8.5 per cent.	7.1 per cent.
Matthew Chik-Hui Ng	582,885	Matthew Chik-Hui Ng	Matthew Chik-Hui Ng	1.7 per cent.	1.4 per cent.
Matthew Chik-Hui Ng	30,728	Fong Ping Chow	Fong Ping Chow	0.1 per cent.	0.1 per cent.
Christopher Rose	1,590,526	Mintpine Pty Limited	Christopher Peter Rose and on trust for Peter Francis Rose	4.5 per cent.	3.8 per cent.
Xiaoping Yang	213,231	Xiaoping Yang	Xiaoping Yang	0.6 per cent.	0.5 per cent.
Xiaoping Yang	90,000	Mintpine Pty Limited	Xiaoping Yang	0.3 per cent.	0.2 per cent.

\* Before the conversion of any of the Et-china Convertible Bonds

\*\* After the expected conversion of all the Et-china Convertible Bonds

##### (b) Irrevocable Undertakings from Et-china shareholders other than Et-china Directors

One other shareholder of Et-china has given an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Resolution to be proposed at the Extraordinary General Meeting in respect of Et-china Shares, namely Mintpine, an Australian company which holds Et-china Shares on trust for certain individuals and other entities (including current and former employees and directors). Mintpine's irrevocable undertaking relates to 10,177,983 Et-china Shares, representing, in aggregate, approximately 29.1 per cent. (before the conversion of any of the Et-china Convertible Bonds) and 24.3 per cent. (after the expected conversion of all the Et-china Convertible Bonds) of the entire issued ordinary share capital of Et-china (of which 4,638,836 Et-china Shares in aggregate are held by Mintpine on trust for Independent Directors of Et-china (and/or their family trusts), all of which are also covered by the directors' irrevocable undertakings). This undertaking remains binding in the event of a Competing Proposal being made for Et-china.

The beneficial holders of the Et-china shares covered by the irrevocable undertaking given by Mintpine are as follows:

<i>No of issued ordinary shares held in Offeree</i>	<i>Name of registered holder</i>	<i>Name of beneficial owner</i>	<i>Per cent. of issued share capital*</i>	<i>Per cent. of issued share capital**</i>
2,958,310	Mintpine Pty Limited	Matthew Ng and Family held on trust through Stallion China Limited	8.5 per cent.	7.1 per cent.
1,590,526	Mintpine Pty Limited	Christopher Peter Rose and for Peter Francis Rose	4.5 per cent.	3.8 per cent.
1,426,576	Mintpine Pty Limited	Justin Changqing Xiong	4.1 per cent.	3.4 per cent.
1,419,087	Mintpine Pty Limited	Zhengjun Tang	4.1 per cent.	3.4 per cent.
1,219,764	Mintpine Pty Limited	Jerry Cehnjie Hu	3.5 per cent.	2.9 per cent.
302,207	Mintpine Pty Limited	Ranjit Murugason	0.9 per cent.	0.7 per cent.
200,000	Mintpine Pty Limited	Tom Lennox	0.6 per cent.	0.5 per cent.
95,073	Mintpine Pty Limited	John Vatovec held through Kingsland Capital	0.3 per cent.	0.2 per cent.
93,330	Mintpine Pty Limited	Stuart Fowler	0.3 per cent.	0.2 per cent.
63,382	Mintpine Pty Limited	Brad Allen held through Brightstar Global Capital Inc	0.2 per cent.	0.2 per cent.
50,000	Mintpine Pty Limited	John Vatovec	0.1 per cent.	0.1 per cent.
44,910	Mintpine Pty Limited	Roger Ge Rong	0.1 per cent.	0.1 per cent.
44,910	Mintpine Pty Limited	Steve Hao Liao	0.1 per cent.	0.1 per cent.
44,910	Mintpine Pty Limited	Marco Yili Wang	0.1 per cent.	0.1 per cent.
90,000	Mintpine Pty Limited	Xiaoping Yang	0.3 per cent.	0.2 per cent.
34,500	Mintpine Pty Limited	Philip Peng	Less than 0.1 per cent.	Less than 0.1 per cent.
45,000	Mintpine Pty Limited	Cindy Xue Yang	0.1 per cent.	0.1 per cent.
27,500	Mintpine Pty Limited	Davis Liang	Less than 0.1 per cent.	Less than 0.1 per cent.
22,500	Mintpine Pty Limited	Lily Lili Xuan	Less than 0.1 per cent.	Less than 0.1 per cent.
20,000	Mintpine Pty Limited	Pierce Quan Wang	Less than 0.1 per cent.	Less than 0.1 per cent.
40,000	Mintpine Pty Limited	Ashley Wu	0.1 per cent.	Less than 0.1 per cent.
15,000	Mintpine Pty Limited	Wins Ronghui Wu	Less than 0.1 per cent.	Less than 0.1 per cent.
15,000	Mintpine Pty Limited	Janet Jingwen Hu	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Ning Gan	Less than 0.1 per cent.	Less than 0.1 per cent.
8,750	Mintpine Pty Limited	Zhanhai Huo	Less than 0.1 per cent.	Less than 0.1 per cent.
10,000	Mintpine Pty Limited	Shelly Yuanni Liu	Less than 0.1 per cent.	Less than 0.1 per cent.
10,000	Mintpine Pty Limited	Peitong Zhang	Less than 0.1 per cent.	Less than 0.1 per cent.
5,000	Mintpine Pty Limited	ZiZi Qingzhi Sun	Less than 0.1 per cent.	Less than 0.1 per cent.
15,255	Mintpine Pty Limited	Wang ZX	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	LiZhifeng	Less than 0.1 per cent.	Less than 0.1 per cent.
15,000	Mintpine Pty Limited	Simon Li	Less than 0.1 per cent.	Less than 0.1 per cent.
6,250	Mintpine Pty Limited	Hui Shi	Less than 0.1 per cent.	Less than 0.1 per cent.

\* Before the conversion of any of the Et-china Convertible Bonds

\*\* After the expected conversion of all the Et-china Convertible Bonds

<i>No of issued ordinary shares held in Offeree</i>	<i>Name of registered holder</i>	<i>Name of beneficial owner</i>	<i>Per cent. of issued share capital*</i>	<i>Per cent. of issued share capital**</i>
5,000	Mintpine Pty Limited	Summar Fang Xia	Less than 0.1 per cent.	Less than 0.1 per cent.
3,750	Mintpine Pty Limited	Zhuanghao Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
5,500	Mintpine Pty Limited	Liang Juyuan	Less than 0.1 per cent.	Less than 0.1 per cent.
5,500	Mintpine Pty Limited	Peiheng Lian	Less than 0.1 per cent.	Less than 0.1 per cent.
5,000	Mintpine Pty Limited	Jin Long	Less than 0.1 per cent.	Less than 0.1 per cent.
4,000	Mintpine Pty Limited	Changhua Guo	Less than 0.1 per cent.	Less than 0.1 per cent.
4,000	Mintpine Pty Limited	Yanni Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
4,000	Mintpine Pty Limited	Yingli Yin	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Jianmei Huang	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Dongguang Li	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Zhiming Lu	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Shunxiong Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Michelle Huang	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Elaine Huang	Less than 0.1 per cent.	Less than 0.1 per cent.
4,500	Mintpine Pty Limited	Blues Liang	Less than 0.1 per cent.	Less than 0.1 per cent.
4,000	Mintpine Pty Limited	Liyang Yuan	Less than 0.1 per cent.	Less than 0.1 per cent.
3,649	Mintpine Pty Limited	Zuojunsong	Less than 0.1 per cent.	Less than 0.1 per cent.
7,500	Mintpine Pty Limited	Shuyun Hu	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Haode Yang	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Queenie Huang	Less than 0.1 per cent.	Less than 0.1 per cent.
5,000	Mintpine Pty Limited	West Li	Less than 0.1 per cent.	Less than 0.1 per cent.
3,750	Mintpine Pty Limited	Theresa Ting Huang	Less than 0.1 per cent.	Less than 0.1 per cent.
3,750	Mintpine Pty Limited	Zhaohui Li	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Qing Xu	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Jiangping Marry Ren	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Rachel Miao Ru	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Xiaoli Zhang	Less than 0.1 per cent.	Less than 0.1 per cent.
2,500	Mintpine Pty Limited	Youqing Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
1,250	Mintpine Pty Limited	Rain Yuanran Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
22,418	Mintpine Pty Limited	Anna Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
35,000	Mintpine Pty Limited	Charlie Li	0.1 per cent.	Less than 0.1 per cent.
3,643	Mintpine Pty Limited	Hilda Wang	Less than 0.1 per cent.	Less than 0.1 per cent.
3,747	Mintpine Pty Limited	Irene Au	Less than 0.1 per cent.	Less than 0.1 per cent.
25,000	Mintpine Pty Limited	Christine Liang	Less than 0.1 per cent.	Less than 0.1 per cent.
12,500	Mintpine Pty Limited	Chen Xiaojing	Less than 0.1 per cent.	Less than 0.1 per cent.
4,024	Mintpine Pty Limited	Rockey Pan	Less than 0.1 per cent.	Less than 0.1 per cent.
10,000	Mintpine Pty Limited	Penny Xinhua Ke	Less than 0.1 per cent.	Less than 0.1 per cent.
3,280	Mintpine Pty Limited	Tina Hui Wang	Less than 0.1 per cent.	Less than 0.1 per cent.
1,514	Mintpine Pty Limited	Henry Xing	Less than 0.1 per cent.	Less than 0.1 per cent.

\* Before the conversion of any of the Et-china Convertible Bonds

\*\* After the expected conversion of all the Et-china Convertible Bonds

<i>No of issued ordinary shares held in Offeree</i>	<i>Name of registered holder</i>	<i>Name of beneficial owner</i>	<i>Per cent. of issued share capital*</i>	<i>Per cent. of issued share capital**</i>
5,308	Mintpine Pty Limited	Meggie Xue	Less than 0.1 per cent.	Less than 0.1 per cent.
2,022	Mintpine Pty Limited	Song Tao	Less than 0.1 per cent.	Less than 0.1 per cent.
1,722	Mintpine Pty Limited	Cathy Cao	Less than 0.1 per cent.	Less than 0.1 per cent.
864	Mintpine Pty Limited	Jenny Haizhen Xiao	Less than 0.1 per cent.	Less than 0.1 per cent.
918	Mintpine Pty Limited	Eden Boya Chen	Less than 0.1 per cent.	Less than 0.1 per cent.
1,094	Mintpine Pty Limited	Johnson Zhao	Less than 0.1 per cent.	Less than 0.1 per cent.
1,071	Mintpine Pty Limited	Wang Anyuan	Less than 0.1 per cent.	Less than 0.1 per cent.
1,484	Mintpine Pty Limited	Winnie Wu	Less than 0.1 per cent.	Less than 0.1 per cent.
654	Mintpine Pty Limited	Rong Gu	Less than 0.1 per cent.	Less than 0.1 per cent.
299	Mintpine Pty Limited	Sam Li	Less than 0.1 per cent.	Less than 0.1 per cent.
457	Mintpine Pty Limited	Jazy Zhanhong Kuang	Less than 0.1 per cent.	Less than 0.1 per cent.
579	Mintpine Pty Limited	Connie Li	Less than 0.1 per cent.	Less than 0.1 per cent.
<b>TOTAL: 10,177,983</b>			<b>29.1 per cent.</b>	<b>24.3 per cent.</b>

\* Before the conversion of any of the Et-china Convertible Bonds

\*\* After the expected conversion of all the Et-china Convertible Bonds

(c) Circumstances in which the undertakings cease to be binding

Save as noted above, the irrevocable undertakings referred to in paragraphs (a) and (b) above will cease to be binding if the Proposal lapses or is withdrawn.

The irrevocable undertakings will not lapse in the event of receipt by the Company of a Competing Proposal.

## 5. Market Quotations

The following table shows the closing middle market price for an Et-china Share, as derived from the daily official list of the London Stock Exchange, on the first dealing day of each month from December 2009 to May 2010 inclusive, on 1 June 2010 (being the last Business Day prior to the commencement of the Offer Period) and on 15 June 2010 (being the last Business Day prior to the posting of this Circular):

<i>Date</i>	<i>Et-china Share Price (pence)</i>
1 December 2009	34.5
4 January 2010	26.0
1 February 2010	27.5
1 March 2010	28.0
1 April 2010	30.5
4 May 2010	34.0
1 June 2010	36.0
15 June 2010	102.5

## 6. Implementation Agreement

Kuoni and Et-china have entered into an Implementation Agreement on 2 June 2010 which provides, inter alia, for the implementation of the Scheme and related matters in accordance with an agreed indicative timetable. It contains certain assurances and confirmations between the parties, including provisions to implement the Scheme and to achieve satisfaction of the Conditions on a timely basis and undertakings regarding the conduct of the Et-china Group prior to the Acquisition Effective Date.

The Implementation Agreement terminates in certain circumstances including:

- (a) if at any time Kuoni and Et-china should so agree;

- (b) if the Scheme is not sanctioned by the Scheme shareholders at the Court Meeting or if the Resolution to be approved at the Extraordinary General Meeting is not so approved and Kuoni does not elect to implement the Proposal by way of Takeover Offer;
- (c) an inducement fee becoming payable by Et-china pursuant to the Implementation Agreement;
- (d) if the Acquisition Effective Date has not occurred by the Long Stop Date; or
- (e) if the Proposal lapses or is withdrawn.

The Implementation Agreement includes an inducement fee of £2 million which would be payable, by Et-china to Kuoni, if prior to the termination of the Implementation Agreement:

- (i) the Independent Directors fail to recommend the Proposal unanimously on an unqualified basis in the Acquisition Document (except where only one of the Independent Directors, not being Matthew Ng, so fails to recommend the Acquisition and either (i) the Acquisition Effective Date nevertheless occurs prior to the Long Stop Date; or (ii) Kuoni becomes liable to pay its £2 million break fee) or subsequently any of the Independent Directors withdraws or materially and adversely modifies his or her recommendation (except where only one of the Independent Directors, other than Matthew Ng, so withdraws or modifies his or her recommendation and either (i) the Acquisition Effective Date nevertheless occurs prior to the Long Stop Date or (ii) Kuoni becomes liable to pay its £2 million break fee);
- (ii) an Et-china Trigger Event occurs and as a result the Acquisition Effective Date does not occur prior to the Long Stop Date; or
- (iii) Et-china takes any action which would, were Et-china to be governed by the Takeover Code, constitute frustrating action in breach of Rule 21 of the Takeover Code which has a material adverse effect on Et-china or any member of the Et-china Group (and for these purposes an action shall be material if, when taken together with other frustrating actions, it amounts to or exceeds an aggregate amount of £100,000) and in addition the parties have agreed provisions governing how Rule 21 is to apply in the circumstances of the Proposal given that the Takeover Panel does not have jurisdiction, following which Kuoni has notified Et-china that it wishes to withdraw from the Proposal.

Kuoni has agreed to pay Et-china a break fee of £2 million if prior to the termination of the Implementation Agreement: (i) a Kuoni Trigger Event occurs and as a result the Acquisition Effective Date does not occur prior to Long Stop Date or (ii) Kuoni invokes (or fails to waive non-satisfaction of) a Condition causing the Proposal to lapse or to be withdrawn other than as a result of one of the following circumstances:

- (i) a revocation by the issuing authority in the PRC of either the International Travel Agency Services Operating Permit or the Domestic Travel Agency Services Operating Permit; or
- (ii) either:
  - (aa) a transfer by any current holder of sufficient shares in any member of the Et-china Group, to a person outside the Et-china Group (other than where those shares are to be held by such other person on the same or similar terms as they are currently held);
  - (bb) a breach by any holder of shares in any member of the Et-china Group of any material obligation owed by that shareholder to any member of the Et-china Group, in connection with that shareholding; or
  - (cc) any relevant government body or authority making an order because of the Proposal or the announcement of the Proposal,

in each case which has the effect that Et-china is no longer able to control its material businesses materially on the terms it does so at the date of the Announcement; or

- (iii) Et-china takes any action which would, were Et-china to be governed by the Takeover Code, constitute frustrating action in breach of Rule 21 of the Takeover Code which has a material adverse effect on Et-china or any member of the Et-china Group (and for these purposes an action shall be material if, when taken together with other frustrating actions, it amounts to or exceeds an aggregate amount of £100,000) and in addition the parties have agreed provisions governing how Rule 21 is to apply in the circumstances of the Proposal given that

the Takeover Panel does not have jurisdiction, following which Kuoni has notified Et-china that it wishes to withdraw from the Proposal; or

- (iv) would have allowed Kuoni to invoke a Condition so as to cause the Proposal not to proceed, to lapse or to be withdrawn under Rule 2.7 or, as appropriate, Rule 13.4 of the Takeover Code had the Takeover Code applied to the Proposal.

Et-china has also agreed that it will procure that no members of the Et-china Group (or any of their connected persons) shall, either directly or indirectly, solicit, initiate, encourage, induce or respond to or knowingly facilitate the communication, making, submission or announcement of any Competing Proposal or enter into or conduct any discussions in respect of the foregoing during the period from the date of the Announcement to the Acquisition Effective Date (the “**Exclusivity Period**”). Save that Et-china will not be prevented during the Exclusivity Period from responding or providing information to or negotiating or recommending any Competing Proposal where the Independent Directors determine, in good faith, after consultation with, and upon the advice of, external legal advisers that the failure to respond to or negotiate with such third party would be in breach of any of the statutory or common law duties of the Independent Directors. Et-china shall promptly inform Kuoni that it is engaging in any such communications or negotiations and it will notify Kuoni if it or any of its connected persons has received or become aware of an unsolicited Competing Proposal during the Exclusivity Period and it will then provide to Kuoni material details of that proposal (being the offer price, the nature of the consideration and the identity of the person making the Competing Proposal).

Et-china has agreed that neither ET-china nor the Independent Directors will enter into a confidentiality agreement with any third party in connection with a Competing Proposal containing terms that would impose obligations of confidentiality on ET-china that would prevent it from providing to Kuoni the details of any relevant Competing Proposal as described above. However, neither Et-china nor the Independent Directors will be obliged to take any steps which would make them breach any confidentiality obligations it, or they, may otherwise have to any third party from time to time.

The Independent Directors consider, having consulted with Seymour Pierce, Et-china’s nominated adviser, that the terms of the Implementation Agreement are fair and reasonable in so far as its shareholders are concerned.

## **7. Service Agreements**

The agreements under which each of the Et-china Directors is employed by the Company are summarised below:

### **(a) Chairman and Chief Executive Officer**

On 20 July 2007 Matthew Ng entered into a service agreement, effective from Admission, with ETCH. The agreement is in respect of his employment by ETCH and his role as an executive director of the Company. The service agreement is terminable on not less than 12 months’ written notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by Matthew Ng. The basic annual salary payable to Matthew Ng is £125,000 per annum to be reviewed annually (without any obligation to increase the same). Matthew Ng is also entitled to a discretionary bonus based on certain performance criteria to be evaluated by the Board of Directors and certain other customary benefits including a housing allowance, childcare allowance and medical insurance. Matthew Ng is entitled to 20 days’ holiday per year and up to 2 months’ sick pay per 12 months. The agreement contains provisions regarding dealings in securities, conflict of interests, confidentiality, intellectual property, data processing and disclosure of wrongdoings. The service agreement also contains restrictive covenants for a period of 12 months following termination of Matthew Ng’s employment.

Bonus shares to the value of US\$3 million at the Placing Price may also be awarded to Matthew Ng, subject to meeting certain performance targets which will be determined by the remuneration committee. For the period of 2007 to 2009, Matthew Ng has been awarded in aggregate 335,280 Et-China Shares.

Et-china's remuneration committee has agreed that Matthew Ng may, conditional on the Scheme, take his current accrued bonus by way of issue of Et-china Shares at an allotment price of £1.27 per share (being the Admission Price). Matthew Ng has therefore been allotted 1,118,014 Et-china Shares conditional on the Scheme being sanctioned by the Court at the Scheme Court Hearing.

**(b) Finance Director**

On 20 July 2007 Xiaoping Yang entered into a service agreement, effective from Admission, with ETCH. The agreement is in respect of her employment by ETCH and her role as an executive director of the Company. The service agreement is terminable on not less than 12 months' written notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by Xiaoping Yang. The basic annual salary payable to Xiaoping Yang is £55,000 per annum to be reviewed annually (without any obligation to increase the same) and Xiaoping Yang is also entitled to a discretionary bonus. Xiaoping Yang is entitled to 20 days' holiday per year and up to 2 months sick pay per 12 months. The agreement contains provisions regarding dealings in securities, conflict of interests, confidentiality, intellectual property, data processing and disclosure of wrongdoings. The service agreement also contains restrictive covenants for a period of 12 months following termination of Xiaoping Yang's employment.

In addition, and for the purposes of complying with Chinese labour law, on 31 May 2007 Xiaoping Yang also entered into a standard Guangzhou labour service contract with ETIC. The agreement is effective from 31 May 2007 to 30 May 2011. This labour service contract does not increase her salary and her salary is as stated in the service agreement above. The agreement may be renewed on agreement between the parties. Under the terms of this contract, if necessary, ETIC can demand Xiaoping Yang to work extra hours, subject to Chinese labour laws but up to a total of no more than 36 hours per month. Xiaoping Yang is entitled to public holidays, annual holidays, leave for personal matters, maternity leave, and sick leave, with or without pay as specified in the terms of the agreement and subject to the relevant regulations.

**(c) Non-Executive Director**

On 11 March 2009 Christopher Rose entered into a letter of appointment with the Company. The letter of appointment is for an initial period of 3 years, and thereafter may be terminated on not less than 3 months' notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic fee payable to Christopher Rose is £35,000 per annum to be reviewed annually (without any obligation to increase the same). Upon termination no benefits (other than those accruing during the notice period) are due to him.

**(d) Non-Executive Director**

On 2 June 2007 Robert Drummond entered into a letter of appointment with the Company. The letter of appointment is for an initial period of 3 years, and thereafter may be terminated on not less than 3 months' notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic fee payable to Robert Drummond is US \$60,000 per annum to be reviewed annually (without any obligation to increase the same). On termination Robert Drummond is entitled to 3 months' remuneration in lieu of notice. Upon termination no benefits (other than those accruing during the notice period) are due to him.

**(f) Non-Executive Director**

On 9 July 2009, Maria Ng was appointed as a Non-Executive director of Et-china with no formal letter of appointment. Et-china does not pay her any form of remuneration.

Save as disclosed above:

- (a) there are no service agreements in force between any director or proposed director of Et-china and any of its subsidiaries; and

- (b) none of the agreements described above were entered into during the six months preceding the date of this Circular nor have any amendments been made to any of such agreements during that period.

## **8. Matthew Ng's management incentive arrangements and Escrow Agreement**

- (i) It is intended that Matthew Ng will receive the management incentive arrangements described in section 6 of Part 1 of this Circular upon the Scheme becoming effective.
- (j) Matthew Ng, Jianxu Lu, Shaodong Zhu and Weixin Zhang have entered into an Escrow Agreement on 2 June 2010 with Kuoni and Credit Suisse Solution Partners Ltd (as escrow agent) pursuant to which a total amount of US\$1 million in aggregate of the consideration which they would otherwise receive under the Scheme (in the case of Matthew Ng) or pursuant to the proposal which is expected to be made to the Et-china Optionholders for their options granted under the Et-china Share Scheme (in the case of Jianxu Lu, Shaodong Zhu and Weixin Zhang) will be placed into escrow until 30 September 2011 to be payable to Kuoni if certain business issues arise.

## **9. Material Contracts of the Et-china Group**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Et-china or any of its subsidiaries since the period beginning two years before the commencement of the Offer Period and are or may be material:

- (a) Implementation Agreement dated 2 June 2010. Please see section 6 of this Part 6 for further details.
- (b) A loan agreement dated 4 February 2010 between (1) GZL and (2) Guangzhou Lvzhiguang Travel Development Limited, a partly owned subsidiary of GZL, to the amount of RMB 1 million to invest in acquiring the land necessary to build a Hotel in Baishuizhai, an AAAAA ranked tourist attraction site. The loan is to be repaid in 1 month time, interest fixed at 5.31 per cent. p.a and secured against the right to the acquired land, plus the right to retain Lvzhiguang's net profits, should Lvzhiguang be unable to repay the loan.
- (c) A loan agreement dated 28 January 2010 between (1) GZL and (2) Guangzhou Lvzhiguang Travel Development Limited, a partly owned subsidiary of GZL, to the amount of RMB 1 million to invest in acquiring the land necessary to build a Hotel in Baishuizhai, an AAAAA ranked tourist attraction site. The loan is to be repaid in 1 years time, interest fixed at 5.31 per cent. p.a and secured against the right to the acquired land, plus the right to retain Lvzhiguang's net profits, should Lvzhiguang be unable to repay the loan.
- (d) A Loan agreement dated 25 November 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect of a foreign currency loan agreement to the amount of US \$1.0 million. The loan is to cover overseas expenses, to be repaid in 1 year time plus interest, at a fixed interest rate of 2.62 per cent. and secured against a pledge of RMB 6.85 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, a penalty interest of 3.93 per cent. will be charged.
- (e) A Loan agreement dated 18 November 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in of a foreign currency loan agreement to the amount of US \$1.0 million. The loan is to cover import payables, to be repaid in 1 year's time plus interest, at a floating interest rate of 1 month LIBOR + 50bps, and secured against a pledge of RMB 6.85 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, a penalty interest of 2.325 per cent. will be charged.
- (f) A Loan agreement dated 22 September 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect of a foreign currency loan agreement to the amount of JPY 91,953,635. The loan is to cover overseas expenses, to be repaid in 1 year time plus interest, at a fixed rate of 1.7 per cent. and secured against a pledge of RMB 6.93 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, a penalty interest of 2.55 per cent. will be charged.
- (g) A Loan agreement dated 28 July 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect of a foreign currency loan agreement in the amount of US \$1.0 million. The

loan is to cover overseas expenses, with the duration of 1 year, at a fixed rate of 1.99 per cent., and secured against a pledge of RMB 6.85 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, a penalty interest of 2.98 per cent. will be charged

- (h) A Loan agreement dated 15 July 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect of a foreign currency loan agreement to the amount of US \$1.0 million. The loan is to cover overseas expenses, with the duration of 1 year, at a floating interest rate of 1 month LIBOR + 50bps, and secured against a pledge of RMB 6.87 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, a penalty interest of 2.98 per cent. will be charged.
- (i) A board resolution from ETCCT dated 1 July 2009, to approve a capital injection of RMB 4.90 million to increase the registered capital from RMB 0.1 million to RMB 5.0 million. Post the capital injection, ETIC's equity stake increased to RMB 4.92 million, representing 98.4 per cent., and Sanli's stake increased to RMB 80,000, representing 1.6 per cent. of the total registered capital for ETCCT.
- (j) A board resolution from ETCA dated 29 June 2009, to approve a capital injection of RMB 10.0 million to increase the registered capital from RMB 3.50 million to RMB 13.50 million. The capital injection was derived from Sanli at RMB 10.0 million thereby increasing its stake from 80 per cent. to 94.8 per cent. of the total enlarged registered capital for ETCA. The value of ETCCT's equity stake in ETCA remains unchanged at RMB 0.7 million, which resulted a dilution from 20 per cent. to 5.2 per cent. of the total registered capital for ETCA.
- (k) A board resolution from ETIC dated 25 June 2009, to approve a capital injection of RMB 20.0 million to increase the registered capital from RMB 50.0 million to RMB 70.0 million. The capital injection was derived from Yinhailang at RMB 16.0 million and from Xiaoping Yang at RMB 4.0 million. Post the capital injection, Yinhailang owns 80 per cent. and Xiaoping Yang owns 20 per cent. of the total enlarged registered capital for ETIC.
- (l) A Loan agreement dated 18 June 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect of a foreign currency loan agreement to the amount of US \$1.0 million. The loan is to cover overseas expenses, to be repaid in 1 year's time plus interest, at a floating interest rate of 1 month LIBOR + 50bps, and secured against a pledge of RMB 6.85 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, the interest payment will be raised by 50 per cent..
- (m) A board resolution from Sanli dated 10 June 2009, to approve a capital injection of RMB 30.0 million to increase the registered capital from RMB 40.0 million to RMB 70.0 million. The capital injection was derived from ETIC at RMB 32.0 million and from Yinhailang at RMB 8.0 million. Post the capital injection, ETIC owns 80 per cent. and Yinhailang owns 20 per cent. of the total enlarged registered capital for Sanli.
- (n) A board resolution from Et-china, on 10 June 2009, to approve an option re-pricing proposal in light of the performance of the Company's share price in the previous 12 months and thereby to properly incentivized its employees. It was unanimously resolved that:
  - (i) All existing options (for directors £1.46 and management £1.02 except for those management who joined prior to 2004 see (bb) below) would be re-priced immediately at market price, which was defined as volume weighted average price (VWAP) for the 6 months immediately prior to 9th June 2009. Such VWAP was £0.40 on 9 June 2009, with the following conditions:
    - (aa) such re-pricing will only apply to staff who are still employed by the Group as at 30 June 2009;
    - (bb) for those management who joined before 31 December 2003, their exercise price is re-set at £0.20. Only 400,000 options are subject to this re-pricing;
    - (cc) although eligible as they have both worked for Et-china since inception, the two executive directors, Matthew Ng and Xiaoping Yang, have volunteered that their options shall not be subject to (bb) above. Their options will be re-priced at £0.40 as set out in (aa) above
  - (ii) All future options will be issued at market price which is set at 6 month VWAP 20 per cent. of the total enlarged registered capital for Sanli.

- (o) A deed of consent dated 2 June 2009 between (1) Et-china and (2) Kuoni in connection with its acquisition of 10,515,762 Et-china Shares. In connection with this the Board:
- (i) approved the purchase of the 31.8 per cent. stake in the Company by Kuoni as a Permitted Acquisition under article 171.4(a) of the Articles of Association
  - (ii) agreed to give Kuoni the right to nominate a Director for appointment to the Board for as long as Kuoni holds 25 per cent. or more of the issued share capital of the Company; and
  - (iii) agreed to call an extraordinary general meeting to vote on two proposed changes to the Articles of Association, as follows:
    - (aa) in Article 171.1, the share control limits will be amended so that references to 30 per cent. shall be replaced with 33 per cent.; and
    - (bb) in the part of the Articles of Association relating to the Appointment, Retirement and Removal of Directors, a new article shall be inserted permitting any shareholder of the Company to appoint, remove and replace one Director for so long as they hold 25 per cent. or more of the issued share capital of the Company and two Directors for so long as they hold 30 per cent. or more of the issued share capital of the Company
- (p) A Loan agreement dated 20 May 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect to a foreign currency loan agreement to the amount of US\$ 1.0 million. The loan is to cover overseas expenses, to be repaid in 1 year time plus interest, at a floating interest rate of 3 month LIBOR + 50bps, and secured against a pledge of RMB 6.95 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, the interest payment will be raised by 50 per cent.
- (q) A Loan agreement dated 12 May 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect to a foreign currency loan agreement to the amount of US\$ 1.0 million. The loan is to cover overseas expenses, to be repaid in 1 year time plus interest, at a floating rate of 3 Month LIBOR + 50bps, and secured against a pledge of RMB 6.85 million fixed term deposit account at CITIC Bank. If GZL fails to meet repayments on time, the interest payment will be raised by 50 per cent.
- (r) A Loan agreement dated 15 April 2009 between (1) GZL and (2) CITIC Bank Guangzhou branch in respect to a foreign currency loan agreement to the amount of US\$ 1.39 million. The loan is to cover overseas expenses, to be repaid in 1 year time plus interest, at a floating rate of 3 Month LIBOR + 50bps, and secured against a pledge of two fixed term deposit accounts at CITIC Bank with values of RMB 6.86 million and RMB 2.7 million respectively. If GZL fails to meet repayments on time, the interest payment will be raised by 50 per cent.
- (s) A loan agreement dated 26 March 2009, between (1) GZL and (2) China Construction Bank to the amount of RMB 60 million to replenish working capital. The loan expires at 27 March 2012, at the rate of 10 per cent. below PBoC (People's Bank of China) benchmark rate, adjusted 12 months. The interest payments are charged annually and principal repayment is to be paid in two instalments, first instalment in 24 February 2012, of RMB 30 million, and second instalment of the same amount in 26 March 2012.
- (t) A board resolution from Xinzhiye dated 1 January 2009, to approve a capital injection of RMB 11.9 million to increase the registered capital from RMB 100,000 to RMB 12 million. The capital injection was derived from ETIC at RMB 7.14 million, increasing their stake in Xinzhiye to RMB 7.20 million and from Yite at RMB 4.76 million to RMB 4.80 million. Post the capital injection, ETIC owns 60 per cent. and Yite owns 40 per cent. of the total enlarged registered capital for Xinzhiye.
- (u) A structural agreement dated 22 December 2008 and a supplementary agreement dated 28 December 2008 between (1) ETCA, (2) ETIC and (3) Yoe.com Ltd, pursuant to which the Company acquired Yoe.com Ltd. The transaction was predominantly financed in equity with the issue of up to 2.625 million new Et-china ordinary shares to the existing management of Yoe.com and approximately RMB 5 million (£500,000) in cash to extinguish existing Yoe.com obligations and bridging working capital. The new Et-china ordinary shares were to be issued subject to clearly defined integration and performance targets, and are subject to a 12-month lockup period.

- (v) A loan and share pledge agreement dated 10 September 2008 between (1) ETCL and (2) Xiaoping Yang in relation to the provision of a loan of RMB 10 million to Xiaoping Yang by ETCL. The loan is used to pay to ETCL as the consideration of the 20 per cent. stake in ETIC (“the Stake”) taken over by Xiaoping Yang from ETCL. Meanwhile, the Stake is pledged to ETCL by Xiaoping Yang.
- (w) A share transfer agreement dated 10 September 2008 between (1) ETCL and (2) Xiaoping Yang in relation to the transfer of 20 per cent. stake in ETIC from Xiaoping Yang to ETCL at the consideration of RMB 10 million, which equals the original acquisition price for Xiaoping Yang.
- (x) A share option agreement dated 10 September 2008 between (1) ETCL and (2) Xiaoping Yang in relation to the issuance of an option by Xiaoping Yang to ETCL to acquire 20 per cent. stake in ETIC from Xiaoping Yang by ETCL at the consideration of RMB 10 million, which equals the value of the original acquisition price for Xiaoping Yang. The Appendix A to the share option agreement is a share transfer agreement dated 10 September 2008 entered into by (1) ETCL and (2) Xiaoping Yang as described in the paragraph above.
- (y) A share pledge agreement dated 10 September 2008 between (1) ETCL and (2) Xiaoping Yang in relation to the pledge of 20 per cent. stake in ETIC by Xiaoping Yang to ETCL. The purpose of the pledge is to ensure that ETCL could receive the administration fee from ETIC as outlined in the Administration Agreement entered into by ETCL and ETIC on 10 September 2008. The length of the pledge is the same as the length of the Administration Agreement.
- (z) An operation agreement dated 10 September 2008 entered into by (1) ETCL, (2) ETIC, Yin hailang and (3) Xiaoping Yang in relation to the business operation of ETIC. The agreement sets out the entitlement and obligations of each of ETCL, Yin hailang and Xiaoping Yang with regard to the business operation of ETIC.
- (aa) A management agreement dated 10 September 2008 entered into by (1) ETCL and (2) ETIC in relation to the business management services provided by ETCL to ETIC such as strategic planning, project management and market survey.
- (bb) A loan agreement dated 22 August 2008 between (1) GZL and (2) Guangzhou Lvzhiguang Travel Development Limited, a partly owned subsidiary of GZL, to the amount of RMB 0.5 million to invest in acquiring the land necessary to build a Hotel in Baishuizhai, an AAAAA ranked tourist attraction site. The loan is to be repaid in 1 years time, interest fixed at 5 per cent. per annum and secured against the right to the acquired land, plus the right to retain Lvzhiguang’s net profits, should Lvzhiguang be unable to repay the loan.
- (cc) A share transfer agreement dated 1 August 2008 between (1) Li Cuntao and (2) Xinzhiye under which Li Cuntao transferred 189,473 shares in GZL representing 0.27 per cent. of the issued share capital of GZL to Xinzhiye for RMB 490,946.74.
- (dd) A share transfer agreement dated 1 August 2008 between (1) Li Qiansheng and (2) ETCCT to which Li Qiansheng transferred 141,579 shares in GZL representing 0.2 per cent. of the issued share capital of GZL to ETCCT for RMB 336,958.02.
- (ee) A loan agreement dated 18 July 2008 between (1) GZL and (2) Guangzhou Lvzhiguang Travel Development Limited, a partly owned subsidiary of GZL, to the amount of RMB 0.5 million to invest in acquiring the land necessary to build a Hotel in Baishuizhai, an AAAAA ranked tourist attraction site. The loan is to be repaid in 1 years time, interest fixed at 5 per cent. p.a., and secured against the right to the acquired land, plus the right to retain Lvzhiguang’s net profits, should Lvzhiguang be unable to repay the loan.
- (ff) A loan agreement dated 19 June 2008 between (1) GZL and (2) Guangzhou Lvzhiguang Travel Development Limited, a partly owned subsidiary of GZL, to the amount of RMB 3 million to invest in acquiring the land necessary to build a Hotel in Baishuizhai, an AAAAA ranked tourist attraction site. The loan is to be repaid in 1 years time, interest fixed at 5 per cent. p.a and secured against the right to the acquired land, plus the right to retain Lvzhiguang’s net profits, should Lvzhiguang be unable to repay the loan.
- (gg) An engagement letter dated 15 May 2008 between (1) ETCL and (2) Macquarie Capital (Europe) Limited and (2) Macquarie Capital (Hong Kong) Limited in relation to the provision of financial advice and assistance relating to any takeover or merger approach that may be

received or announced in respect to the Group. A supplement agreement to the terms of engagement were signed dated 30 June 2009 with changes made to the fees payable to include services in the event of a partial takeover and an amended incentive fee structure.

## 10. Bases and Sources

1. The value attributed to the entire issued ordinary share capital of Et-china (without taking account of any shares pursuant to the Et-china Convertible Bonds) is based upon 34,970,033 Et-china Shares in issue as at the close of business on 15 June 2010. The value attributed to the entire issued ordinary share capital of Et-china (after the conversion of all the Et-china Convertible Bonds) is based upon 41,845,033 Et-china Shares. The value attributed to the entire issued and to be issued ordinary share capital of Et-china is based upon the aggregate of:
  - (a) Et-china Shares in issue (as at close of business on 15 June 2010);
  - (b) 547,501 Et-china Shares to be issued to the GZL Executives upon conversion or re-designation of Et-china A Ordinary Shares;
  - (c) 5,327,630 Et-china Shares to be issued on the exercise of all share options currently in issue under the Et-china Share Scheme;
  - (d) 6,875,000 Et-china Shares to be issued upon conversion of the outstanding Et-china Convertible Bonds; and
  - (e) 1,118,014 Et-china Shares to be issued to Matthew Ng in respect of his current accrued bonus.

The calculation of the value of the entire issued and to be issued ordinary share capital of Et-china excludes any cash proceeds receivable from the exercise of options under the Et-china Share Scheme.

2. The financial information for Et-china is extracted from Et-china's public announcement of 29 April 2010 of Et-china's final results for the year ended 31 December 2009.
3. The financial information on Kuoni is extracted from Kuoni's annual report and accounts for the year ended 31 December 2009.
4. All prices for Et-china Shares have been derived from the AIM Appendix to the daily official list of the London Stock Exchange and represent the Closing Price on the relevant date.
5. The market capitalisation of Kuoni is based upon:
  - (a) 2,868,603 Kuoni Registered Shares B equivalent, calculated as:
    - (i) 952,000 Kuoni Registered Shares A in issue on 15 June 2010 (5 Kuoni Registered Shares A are equivalent to 1 Kuoni Registered Share B); plus
    - (ii) 2,856,000 Kuoni Registered Shares B in issue on 15 June 2010; less
    - (iii) 177,797 Kuoni Registered Shares B held in treasury; and
  - (b) the share price of Kuoni Registered Share B as derived from the Swiss Stock Exchange on the relevant date.
6. The calculation of Kuoni Group's total investment in Et-china excludes any cash proceeds receivable from the exercise of options under the Et-china Share Scheme.

## 11. Other Information

- (a) Save as disclosed in this Circular, no proposal exists in connection with the Proposal that any payment be made by Kuoni to any person as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- (b) Save as disclosed in this Circular, no agreement, arrangement or understanding (including any compensation arrangement) exists between Kuoni or any party acting in concert with Kuoni and any of the directors, recent directors, shareholders or recent shareholders of Et-china or any person interested or recently interested in the shares of Et-china, having any connection with or dependence upon the outcome of the Proposal.

- (c) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Et-china Shares acquired by Kuoni in pursuance of the Proposal will be transferred to any other person, save that Kuoni reserves the right to transfer any such shares to any member of the Kuoni Group.
- (d) Macquarie Capital (Europe) Limited and Macquarie Capital (Hong Kong) Limited have given and have not withdrawn their written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which they appear.
- (e) Credit Suisse Securities (Europe) Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which they appear.
- (f) Save as disclosed in this Circular, there has been no material change in the financial or trading position of Et-china since 31 December 2009 (the date to which the last published audited accounts of Et-china were prepared).
- (g) Seymour Pierce has given and not withdrawn its consent regarding the disclosure of its consultation with Et-china in respect of the Implementation Agreement.
- (h) At the date of this document, Et-china does not hold any Et-china Shares in treasury.

## **12. Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the offices of Denton Wilde Sapte, One Fleet Place, London EC4M 7WS up to and including the Effective Date or the date that the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the Memorandum and Articles of Association of Et-china;
- (b) the Articles of Incorporation of Kuoni;
- (c) draft Articles of Association of Et-china amended to show the changes proposed pursuant to the Resolution;
- (d) the audited consolidated accounts of Et-china for the 2 years ending 31 December 2007, and 2008 and the published audited accounts for the year ended 31 December 2009;
- (e) the rules of the Et-china Share Scheme;
- (f) the service agreements and other arrangements referred to in sections 6(a) and (b) above;
- (g) the material contracts referred to in section 7 above;
- (h) the letters of consent referred to in sections 10(d) and (e) above;
- (i) the irrevocable undertakings to vote in favour of the Proposal referred to in section 4 above;
- (j) this document.

## **PART 7**

### **TAXATION**

#### **1. General**

The paragraphs below are a general summary and do not constitute tax or legal advice. It does not cover all tax matters that may be important to a Scheme Shareholder. Each Scheme Shareholder should consult his or her own tax adviser about the tax consequences of the Scheme under the Scheme Shareholder's own circumstances.

Special tax provisions may apply to Scheme Shareholders who have acquired or who will acquire their Scheme Shares by exercising options or by receiving vested Scheme Shares under the Et-china Share Schemes, including provisions imposing a charge to income tax. Such shareholders are advised to refer to the letters they receive in connection with the Et-china Share Schemes and to seek independent professional tax advice.

#### **2. Jersey Taxation**

##### **2.1 General**

The following paragraphs are based on current Jersey legislation and what is understood to be the current practice of the Income Tax Department of the States of Jersey as at the date of this document. They summarise the Jersey tax consequences of the implementation of the Scheme for Scheme Shareholders.

The guidance is given on the basis that the Scheme Shareholders are not tax resident in Jersey when the Scheme becomes effective.

##### **2.2 Jersey tax consequences of the Scheme**

No Jersey taxation should apply in relation to the cancellation of the Scheme Shares or the implementation of the Scheme.

##### **2.3 Stamp Duty**

Jersey does not levy any form of stamp duty on the cancellation or transfer of shares and consequently no stamp duty will be payable by a Scheme Shareholder as a result of the cancellation of his Scheme Shares.

#### **3. United Kingdom Taxation**

##### **3.1 General**

The following paragraphs are based on current UK legislation and currently published HM Revenue and Customs practice as at the date of this document, both of which is subject to change, possibly with retrospective effect. They summarise certain aspects of the UK taxation treatment of the Scheme and are not a complete analysis of all tax considerations relating to the Scheme.

The paragraphs below are intended as a general guide only and apply only to Scheme Shareholders who are resident and in the case of the individuals only, ordinarily resident, in the UK for taxation purposes, who hold their Scheme Shares as an investment (other than under a personal equity plan or an individual savings account), and who are the absolute beneficial owners of their Scheme Shares.

Certain categories of Scheme Shareholders, such as traders, broker-dealers, insurance companies and collective investment schemes, shareholders who are not domiciled or not ordinarily resident in the United Kingdom, Scheme Shareholders who have (or are deemed to have) acquired their Scheme Shares by virtue of an office or employment (whether current, historic or prospective) may be subject to special rules not covered in this summary.

##### **3.2 UK taxation of chargeable gains**

The receipt by a Scheme Shareholder of cash under the Scheme should, generally, be treated as a disposal of his Scheme Shares for the purposes of UK taxation of chargeable

gains which may, depending on the Scheme Shareholder's particular circumstances (including the availability of exemptions, reliefs or allowable losses and the amount of expenditure which is deductible), give rise to a liability to UK tax on chargeable gains or to an allowable loss.

i. **Individual Scheme Shareholders**

The receipt of cash under the Scheme by an individual Scheme Shareholder may, depending on their individual circumstances, give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains. A Scheme Shareholder who is an individual and who is temporarily non-resident in the UK for taxation purposes may, under anti-avoidance legislation, still be liable to UK taxation on a chargeable gain realised upon the receipt of cash under the Scheme during the period when he is non-resident.

For the tax year 2010/11, capital gains tax ("CGT") at the rate of 18 per cent. will apply to chargeable gains arising on a disposal by individual Scheme Shareholders. The capital gains annual exemption (which is £10,100 for the 2010/11 tax year) will be available to individual Scheme Shareholders to offset any chargeable gain (to the extent it has not already been used).

In certain circumstances, entrepreneurs' relief may be available and will apply to give a 10 per cent. rate on gains up to £2 million on a lifetime basis. However, the relief is not expected to be available to Scheme Shareholders who are not Et-china officers or employees holding at least 5 per cent. of the ordinary shares (and voting rights) in Et-china.

Scheme Shareholders who are subject to UK capital gains tax should note that the current coalition government has published the agreed basis for their coalition as at 11 May 2010 (the "**11 May Agreement**"). It was announced in the 11 May Agreement and reaffirmed in the final coalition agreement published on 20 May 2010, as a key measure for the Coalition, that capital gains on non-business assets should be taxed at rates similar to income tax rates, with "generous exemptions for entrepreneurial business activities". The 11 May Agreement states that there will be an emergency Budget within 50 days of "the signing of any agreement". On 17 May 2010, HM Treasury announced that this emergency Budget would be held on 22 June 2010.

If these proposals are implemented, it is likely that the rate of CGT will increase from 18 per cent. to close to 40 per cent. (or even 50 per cent.) on gains on assets that do not qualify for the entrepreneurial business activities exemptions. It should be noted, however, that, as of today's date, no legislation in respect of these proposals has been enacted, and indeed no draft legislation has been published. Accordingly, it is not currently possible to specify with certainty the UK capital gains tax treatment for Scheme Shareholders.

Any Scheme Shareholder who is in doubt about his tax position as a result of the proposed changes should consult an appropriate independent professional adviser.

ii. **Corporate Scheme Shareholders**

For Scheme Shareholders within the charge to UK corporation tax (but which do not qualify for the substantial shareholdings exemption in respect of their Scheme Shares), indexation allowance may be available in respect of the full period of ownership of the Scheme Shares to reduce any chargeable gain arising (but not to create or increase any allowable loss) on the disposal of their Scheme Shares.

### 3.3 Option holders

Special tax provisions may apply to Scheme Shareholders who have acquired Scheme Shares by exercising options or the vesting of share awards under the Et-china Share Schemes, including imposing a charge to income tax. Scheme Shareholders to whom this may apply are advised to consult their own professional tax advisers.

### 3.4 Stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will be payable by a Scheme Shareholder as a result of the cancellation of his Scheme Shares.

## PART 8

### DEFINITIONS

The following definitions apply throughout this Circular unless the context otherwise requires:

<b>“Acquisition Document”</b>	means (i) if the Scheme is (or is to be) implemented, the Scheme Document; or (ii) if the Takeover Offer is (or is to be) implemented, the Offer Document;
<b>“Acquisition Effective Date”</b>	means the date upon which (i) the Scheme becomes effective in accordance with its terms; or (ii) if Kuoni elects to implement the Proposal by way of a Takeover Offer, the date that the Takeover Offer becomes or is declared unconditional in all respects;
<b>“Admission”</b>	means the admission of the Ordinary Shares to trading on AIM on 3 August 2007;
<b>“Admission Price”</b>	means the placing price per Et-china Share upon Admission of Et-china Shares to trading on AIM on 3 August 2007;
<b>“AIC”</b>	means the Administration of Industry and Commerce in the PRC;
<b>“AIM”</b>	means the AIM market operated by the London Stock Exchange;
<b>“AIM Rules”</b>	means the AIM Rules for Companies published by the London Stock Exchange, as amended and enforced from time to time;
<b>“Announcement”</b>	means the announcement released by the boards of Et-china and Kuoni on 2 June 2010 announcing the terms of the Proposal;
<b>“Articles”</b>	means the articles of association of the Company, as amended from time to time;
<b>“Business Day”</b>	means any day other than a Saturday or Sunday on which banks in Jersey are generally open for the transaction of business (other than solely for trading and settlement in euros);
<b>“Capita Registrars”</b>	means a trading name for Capita Registrars Ltd.;
<b>“certificated” or in “certificated form”</b>	means not in uncertificated form (that is, not in CREST);
<b>“CHF”</b>	means the lawful currency of Switzerland;
<b>“Circular” or “Scheme Document”</b>	means this document, including Parts 1 to 10 (inclusive) of this document;
<b>“Closing Price”</b>	means the closing middle-market price of an Et-china Share at the close of business on a particular trading day as derived from the AIM Appendix to the daily official list of the London Stock Exchange;

<b>“Company” or “Et-china”</b>	means Et-china.com International Holdings Limited, a public no par value company limited by shares incorporated in Jersey under company number 97573;
<b>“Competing Proposal”</b>	means (i) any proposal by a third party which is not acting in concert with Kuoni to announce or implement an offer, scheme of arrangement, merger or business combination, or similar transaction, the purpose of which is to enable that third party (or any other person not being Kuoni or any member of the Kuoni Group and/or any person acting in concert with Kuoni) to acquire a majority of the entire issued and to be issued ordinary share capital of Et-china, or as the case may be any announcement thereof; (ii) any sale, merger, business combination, demerger or liquidation (or similar transaction or arrangement) in respect of the whole or a material part of the business of Et-china or the Et-china Group; or (iii) any other transaction that would preclude or materially restrict or delay the Proposal;
<b>“Conditions”</b>	means the conditions to the implementation of the Scheme and the Proposal which are set out in Part 4 of this document;
<b>“Court”</b>	means the Royal Court of Jersey;
<b>“Court Hearing”</b>	means either the Scheme Court Hearing, or as the context requires, the Reduction Court Hearing;
<b>“Court Meeting”</b>	means the meeting of Scheme Shareholders (and any adjournment thereof) to be convened by order of the Court pursuant to Article 125 of the Jersey Law to consider and vote on the Scheme (with or without amendment);
<b>“Court Orders”</b>	means the Scheme Court Order and the Reduction Court Order and “Court Order” means either one of them;
<b>“Credit Suisse”</b>	means Credit Suisse Securities (Europe) Limited;
<b>“CREST”</b>	means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Companies (Uncertificated Securities) (Jersey) Order 1999;
<b>“CREST Manual”</b>	means the rules governing the operation of CREST consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 as amended);
<b>“Disclosed”</b>	means: (i) fairly disclosed in writing prior to the date of the Announcement by Et-china or Et-china’s advisers to Kuoni or to Kuoni’s legal or financial or accounting advisers, or (ii) disclosed by being publicly announced through a Regulatory Information Service prior to the date of the Announcement and “Disclosure” shall be construed accordingly;

<b>“Domestic Travel Agency Services Operating Permit”</b>	means the Domestic Travel Agency Services Operating Permit, with the permitted business scope of inbound travel services and domestic travel services, issued on 18 November 2009 by the PRC National Tourism Administration in favour of Guangzhou GZL International Travel Services Limited;
<b>“Effective Date”</b>	means the first date on which both the Scheme and the Reduction of Capital become effective in accordance with Clause 5 of the Scheme;
<b>“EGM or Extraordinary General Meeting”</b>	means the Extraordinary General Meeting of the Et-china Shareholders to be convened for the purposes of considering and, if thought fit, approving the Resolution required to implement the Scheme and the Proposal, notice of which is set out in Part 10 of this document;
<b>“Encumbrances”</b>	means liens, charges, equitable interests, encumbrances, security interests, rights of pre-emption and other third party rights or interests;
<b>“Escrow Agreement”</b>	means the Escrow Agreement entered into on 2 June 2010 between Matthew Ng, Jianxu Lu, Shaodong Zhu and Weixin Zhang and Kuoni as described in Section 8 of Part 6 of this Circular;
<b>“ETCCT”</b>	means Guangzhou Et-china Commerce and Trade Development Co. Limited, a company established in Guangzhou on 28 May 2007;
<b>“ETCH”</b>	means Et-china Holdings Limited, a company incorporated in Hong Kong with registered number 709454;
<b>“ETCL”</b>	means Et-china.com Limited a Sino-foreign co-operative joint venture established in China on 12 May 2000;
<b>“ETCTA”</b>	means Guangzhou Et-china Travel Agency Co. Limited, a company established in Guangzhou on 17 November 2006;
<b>“ETIC”</b>	Guangzhou Et-china Investments and Consulting Limited, a company established in Guangzhou on 16 June 2002;
<b>“Et-china A Ordinary Shares”</b>	means the 547,501 A ordinary shares in the share capital of Et-china which are held by certain individuals and which are convertible into Et-china Shares on the occurrence of certain conditions;
<b>“Et-china Board”</b>	means the board of directors of Et-china;
<b>“Et-china Convertible Bonds”</b>	means the £5,500,000 in aggregate principal amount of Zero Convertible Bonds due 2011 issued by Et-china pursuant to the board minutes, bond certificates, subscription agreements and deed of covenant relating to the same dated on or about 2 May 2008 convertible into Et-china Shares at a conversion price of 80 pence per Et-china Share;
<b>“Et-china Directors” or “Directors”</b>	means the directors of Et-china, whose names are set out in section 2(a) of Part 6 of this document;

<b>“Et-china Group” or “Group”</b>	means Et-china, Guangzhou Et-china Commerce and Trade Development Co. Limited, Guangzhou Et-china Travel Agency Co. Limited, Guangzhou Et-china Investments and Consulting Limited, Guangzhou GZL International Travel Services Limited, Guangdong Sanli Air Service Co. Limited, Guangzhou Xinzhiye Commerce and Trade Development Co. Limited, Guangzhou Yin hailang Air Service Co. Limited, Guangzhou Yite Information Services Co. Limited Et-china Holdings Limited, Et-china.com Limited, Guangdong CSN-ETC e-commerce Limited, Beijing Yoe Tixania Air Service Co. Limited, Beijing Yoe Tixania Travel Agency Co. Limited and any other body corporate, partnership, joint venture or person with which Et-china is associated;
<b>“Et-china Optionholders”</b>	means holders of options granted under the Et-china Share Scheme;
<b>“Et-china Share Scheme”</b>	means the Rules of the ET-China.com International Holdings Limited Discretionary Share Option Scheme, adopted by the Board by a resolution on 25 July 2007 and amended by the Board by a resolution on 10 June 2009 and by a shareholder resolution passed at an Extraordinary General Meeting on 1 July 2009;
<b>“Et-china Shareholders”</b>	means the holders of Et-china Shares;
<b>“Et-china Shares” or “Ordinary Shares”</b>	means the ordinary shares of no par value in the capital of Et-china (excluding for the avoidance of doubt any Et-china A Ordinary Shares);
<b>“Et-china Trigger Event”</b>	means (i) Et-china failing to take all steps within its power which are reasonably appropriate and necessary to implement the Scheme, or Takeover Offer as the case may be, so as to bring about the Acquisition Effective Date prior to the Long Stop Date (except for any steps that Kuoni has agreed Et-china need not take or required Et-china not to take pursuant to the terms of the Implementation Agreement or otherwise) and/or (ii) Et-china causing the Scheme, or Takeover Offer as the case may be, to lapse or be withdrawn;
<b>“Et-china Warrants”</b>	means warrants issued pursuant to a warrant instrument dated 25 July 2007 executed by Et-china as a deed poll granting Seymour Pierce a right to subscribe for 276,528 Et-china Shares;
<b>Excluded Shares</b>	means any Et-china Share beneficially owned by any member of the Kuoni Group or any Et-china Share held in treasury by the Company;
<b>“Forms of Proxy”</b>	means the form of proxy for use at the Court Meeting and the form of proxy for use at the Extraordinary General Meeting, which will accompany the Scheme Document;
<b>“GZL”</b>	means Guangzhou GZL International Travel Services Limited, a company incorporated in PRC (or its trade as appropriate);
<b>“GZL Executives”</b>	means Hong Zheng, Jianxu Lu, Shaodong Zu and Xiaoang Zhang;

<b>“Implementation Agreement”</b>	means the implementation agreement between Et-china and Kuoni dated 2 June 2010 in connection with the implementation of the Proposal, described in section 9 of Part 1 of this document;
<b>“Independent Directors”</b>	means the Et-china Directors excluding Maria Ng;
<b>“International Travel Agency Services Operating Permit”</b>	means the International Travel Agency Services Operation Permit, with the permitted business scope of outbound travel services, issued on 18 November 2009 by the PRC National Tourism Administration in favour of Guangzhou GZL International Travel Services Limited;
<b>“Jersey”</b>	means the Bailiwick of Jersey, Channel Islands;
<b>“Jersey Law”</b>	means the Companies (Jersey) Law 1991 as amended from time to time;
<b>“JPY”</b>	means the lawful currency of Japan;
<b>“Key Licences”</b>	means the International Travel Agency Services Operating Permit and the Domestic Travel Agency Services Operating Permit;
<b>“Kuoni”</b>	means Kuoni Travel Holding Ltd., a company incorporated in Switzerland (registered company number CH-020.3.921.635-3);
<b>“Kuoni Executive Board”</b>	means Peter Rothwell, Max Katz, Leif Vase Larsen, Stefan Leser and Rolf Schafroth;
<b>“Kuoni Group”</b>	means the wider corporate group of Kuoni Travel Holding Ltd. including the subsidiary undertakings and associated undertakings of Kuoni Travel Holding Ltd. and any other body corporate, partnership, joint venture or person in which Kuoni Travel Holding Ltd. and such undertakings (aggregating their interests) have a direct or indirect interest of 20 per cent. or more of the voting or equity capital or the equivalent;
<b>“Kuoni Interests”</b>	means interests of Kuoni in Et-china, consisting of: <ul style="list-style-type: none"> <li>(a) 11,540,110 Et-china Shares (before the conversion of its Et-china Convertible Bonds); and</li> <li>(b) either: <ul style="list-style-type: none"> <li>(i) £500,000 in aggregate principal amount of the Et-china Convertible Bonds (before the conversion of its Et-china Convertible Bonds); or</li> <li>(ii) an additional 625,000 Et-china Shares (after the expected conversion of its Et-china Convertible Bonds)</li> </ul> </li> </ul>
<b>“Kuoni Registered Share A”</b>	means registered shares, Category A, with a par value of CHF 0.20 each in the capital of Kuoni;
<b>“Kuoni Registered Share B”</b>	means registered shares, Category B, with a par value of CHF 1.00 each in the capital of Kuoni;
<b>“Kuoni Responsible Persons”</b>	means Max Katz, Stefan Leser, Peter Rothwell and Martin Simeon;

<b>“Kuoni Trigger Event”</b>	means (i) Kuoni failing to take all steps within its power which are reasonably appropriate and necessary to implement the Scheme, or Takeover Offer as the case may be, so as to bring about the Acquisition Effective Date prior to the Long Stop Date (except for any steps that Et-china has agreed Kuoni need not take or required Kuoni not to take pursuant to the terms of the Implementation Agreement or otherwise) and/or (ii) Kuoni causing the Scheme, or Takeover Offer as the case may be, to lapse or be withdrawn, provided that Kuoni invoking (or failing to invoke non satisfaction of) a Condition shall not be a Kuoni Trigger Event;
<b>“London Stock Exchange”</b>	means London Stock Exchange Plc;
<b>“Long Stop Date”</b>	means 11.59 p.m. on 30 September 2010 or such later date as Et-china and Kuoni may agree;
<b>“Meetings”</b>	means the Court Meeting and the EGM;
<b>“Mintpine”</b>	means Mintpine Pty Limited, a company registered in New South Wales, Australia under No. ACN091603376;
<b>“Offer Document”</b>	means, should Kuoni elect to implement the Proposal by way of a Takeover Offer, the document to be posted to Et-china Shareholders and others pursuant to which the Takeover Offer is made by Kuoni (or such other entity as it may elect);
<b>“Offer Period”</b>	means the period starting on 2 June 2010 (being the date of the Announcement) and ending on the Effective Date;
<b>“Offer Price”</b>	means 115 pence per Et-china Share;
<b>“Pence or £”</b>	means the lawful currency of the United Kingdom;
<b>“PRC or China”</b>	means the People’s Republic of China;
<b>“PRC Authorities”</b>	means the central, provincial, and local governments of all levels in the PRC, including the PRC Licensing Authorities, all the ministries, departments, commissions, bureaus and branches of national, provincial, county or other administrative level;
<b>“PRC Licensing Authorities”</b>	means the Guangzhou Tourism Bureau, the Guangdong Province Tourism Bureau, the National Tourism Bureau, the China Air Travel Association, the South-China Regional Representative Office of the China Air Transport Association and the Guangdong Province Communication Administration;
<b>“Pre-existing Obligation”</b>	means any of the following: <ul style="list-style-type: none"> <li>(a) the payment of a dividend of approximately RMB 4,200,000 which was declared and approved by the board of GZL on 7 May 2010;</li> <li>(b) the capital expenditure of total of RMB 5,000,000 approved by the board of GZL on 7 May 2010 in respect of the replacement of ten coaches in the vehicle division of GZL;</li> <li>(c) the declaration by Guangdong CSN-ETC e-Commerce Limited of a dividend of RMB 2,500,000 during 2010;</li> </ul>

- (d) the credit commitment by GZL of RMB 30,000,000 to its associated company Guangzhou Lvzhiguang (LZG) approved in 2009 of which RMB 15,000,000 has already been extended to LZG;
- (e) the acquisition by GZL of further shares in LZG (if it proceeds) in the amount of approximately RMB 10,000,000 which will result in GZL holding more than 51 per cent. of shares in LZG;
- (f) the payment of outstanding amount of up to RMB 1,400,000 in respect of the acquisition of Yoe.com; and
- (g) the payment of fees, expenses and bonuses of Et-china's professional advisers and transaction related fees in connection with the Proposal up to a maximum aggregate amount of US\$ 4,000,000;

<b>“Proposal”</b>	means the proposed cash acquisition by Kuoni of the entire issued and to be issued ordinary share capital of the Company not already owned by Kuoni (excluding, for the avoidance of doubt, any Et-china A Ordinary Shares) proposed to be implemented by means of the Scheme (and other matters to be considered at the Meetings) or, if Kuoni should so elect, by means of a Takeover Offer;
<b>“Reduction Court Hearing”</b>	means the hearing by the Court of the application to confirm the Reduction of Capital;
<b>“Reduction Court Order”</b>	means the order of the Court confirming the Reduction of Capital;
<b>“Reduction of Capital”</b>	means the reduction of the share capital of Et-china associated with the cancellation and extinguishing of the Scheme Shares under Article 61 of Jersey Law and confirmed by the Court under Article 63 of Jersey Law;
<b>“Registrar of Companies”</b>	means the Registrar of Companies for Jersey;
<b>“Regulatory Information Service”</b>	means any of the services set out in Appendix 3 to the Listing Rules;
<b>“Relevant Authority”</b>	means any central bank, ministry, governmental, quasi-governmental, supranational, statutory, regulatory, administrative or investigative body or authority (including any national or supranational antitrust, competition or merger control authority or similar authority), national, state, provincial, municipal, county or local government (including any subdivision, court, administrative agency, bureau or commission or other authority thereof), government department, private body exercising any regulatory, taxing, importing or other authority, court, agency (including trade agency), association, institution or professional or environmental body or (without prejudice to the generality of the foregoing) any other such person or body whatsoever in any jurisdiction;
<b>“Resolution”</b>	means the resolution proposed to be passed at the EGM, as set out in Part 10 of this document;

<b>“RMB”</b>	means the lawful currency of the People’s Republic of China;
<b>“Sanli”</b>	means Guangdong Sanli Air Service Co Limited, company established in Guangdong on 10 August 2000;
<b>“Scheme”</b>	means the proposed scheme of arrangement under Article 125 of the Jersey Law between Et-china and the Scheme Shareholders set out in Part 3 of this document, with or subject to any modifications thereof or addition thereto or condition approved or imposed by the Court and agreed by the Company and Kuoni;
<b>“Scheme Court Hearing”</b>	means the hearing by the Court of the application to sanction the Scheme;
<b>“Scheme Court Order”</b>	means the order of the Court, sanctioning the Scheme under Article 125 of the Jersey Law;
<b>“Scheme Record Time”</b>	means 6.00 p.m. (Jersey time) on the Business Day immediately before the Reduction Court Hearing;
<b>“Scheme Shareholder”</b>	means a Holder of Scheme Shares from time to time;
<b>“Scheme Shares”</b>	Et-china Shares that are: <ol style="list-style-type: none"> <li>1 in issue at the date of the Circular;</li> <li>2 issued after the date of the Circular and before the Scheme Voting Record Time (if any); and</li> <li>3 issued at or after the Scheme Voting Record Time and before the Scheme Record Time, in respect of which the original or any subsequent Holders thereof are, or shall have agreed in writing to be, bound by this Scheme (if any),</li> </ol> <p>in each case other than any Excluded Shares;</p>
<b>“Scheme Voting Record Time”</b>	means 6.00 p.m. (Jersey time) on the day that is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. (Jersey time) on the second day before the day of such adjourned Court Meeting;
<b>“Seymour Pierce”</b>	means Seymour Pierce Limited;
<b>“Takeover Code”</b>	means, the UK City Code on Mergers and Takeovers as amended from time to time;
<b>“Takeover Offer”</b>	means, should Kuoni elect to effect the Proposal by way of a takeover offer, the takeover offer to be made by Kuoni for the Et-china Shares on the terms and subject to the conditions to be set out in the related offer document and form of acceptance including, where the context requires, any subsequent revision, variation, extension or renewal thereof;
<b>“UK” or “United Kingdom”</b>	means the United Kingdom of Great Britain and Northern Ireland;

<b>“uncertificated” or in “uncertificated form”</b>	means recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST;
<b>“US\$”</b>	means the lawful currency of the United States of America;
<b>“Wholly owned Et-china subsidiary”</b>	means any company which is directly or indirectly wholly owned by Et-china;
<b>“Xinzhiye”</b>	means Guangzhou Xinzhiye Commerce and Trade Development Co. Limited, a company established in Guangzhou on 24 May 2006
<b>“Yinhailang”</b>	means Guangzhou Yinhailang Air Service Co. Limited, a company established in Guangzhou on 26 April 1995; and
<b>“Yite”</b>	means Guangzhou Yite Information Services Co. Limited, a company established on 21 December 1999.

## PART 9

### NOTICE OF COURT MEETING

IN THE ROYAL COURT OF JERSEY  
SAMEDI DIVISION

**IN THE MATTER OF ET-CHINA.COM INTERNATIONAL HOLDINGS LIMITED**

**AND**

**IN THE MATTER OF ARTICLE 125 OF THE COMPANIES (JERSEY) LAW 1991**

NOTICE IS HEREBY GIVEN that, by an order made by the Court dated 15 June 2010 made in the above matter (the “**Court Order**”), the Court has directed a meeting (the “**Court Meeting**”) to be convened of the holders of Scheme Shares (as defined in the scheme of arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme of Arrangement**”) pursuant to Article 125 of the Companies (Jersey) Law 1991 as amended (the “**Jersey Law**”) proposed to be made between Et-china Limited (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme of Arrangement) and that such meeting will be held at 10.30 a.m. 15 July on 2010 at the offices of Denton Wilde Sapte LLP, One Fleet Place, London EC4M 7WS at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to Article 126 of the Jersey Law are incorporated in the document of which this notice forms part.

**Scheme Shareholders entitled to attend and vote at the meeting may vote in person at the Court Meeting or they may appoint another person as their proxy to attend and vote in their place. A proxy need not be a member of the Company.**

**A blue Form of Proxy for use at the Court Meeting is enclosed with this notice. Completion and return of a Form of Proxy, or the appointment of a proxy electronically in accordance with the procedures set out below, will not preclude a Scheme Shareholder from attending and voting in person at the meeting, or any adjournment thereof.**

It is requested that the blue Form of Proxy (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority) be lodged with either Matthew Ng, Level 14 Jianhe Centre, 111 Tiyuxi Road, Guangzhou, China 510620 or to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, England not less than 48 hours before the time fixed for the Court Meeting but, if forms are not so lodged, they may be handed to the Chairman of the Court Meeting before the start of the Court Meeting. In order to be valid the appointment of a proxy electronically using CREST must be made not less than 48 hours before the start of the Court Meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company’s agent, Capita Registrars (Crest participant ID RA10) by no later than the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be

taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy or (where the senior joint holder is a corporation) by way of an authorised representative, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Entitlement to attend and vote at the Court Meeting or any adjournment thereof and the number of votes which may be cast at the Court Meeting will be determined by reference to the register of members of the Company at 6.00 p.m., on the day which is two days before the date of the Court Meeting or adjourned Court Meeting (as the case may be). In each case, changes to the register of members of the Company after such time shall be disregarded.

By the Court Order, the Court has appointed Matthew Ng or, failing him, Robert Drummond or, failing him Christopher Rose, to act as Chairman of the Court Meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated: 16 June 2010

Carey Olsen

*Solicitors for the Company*

## PART 10

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**ET-CHINA.COM INTERNATIONAL HOLDINGS LIMITED** (the "Company")

(Registered in Jersey No. 97573, with registered office at  
47 Esplanade, St Helier, Jersey JE1 0BD)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the "EGM") of the Company will be held at 10.45 a.m. on 15 July 2010 at the offices of Denton Wilde Sapte LLP, One Fleet Place, London EC4M 7WS (or so soon thereafter as the Court Meeting (as defined in the circular to shareholders dated 16 June 2010 (the "Circular") of which this notice forms part) convened by the direction of the Court for 10.30 a.m. on the same day and at the same place shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution as a special resolution of the Company. Holders of ordinary shares in the capital of the Company are entitled to vote on such resolution (whether in person or by proxy).

### SPECIAL RESOLUTION

1. THAT:

For the purpose of giving effect to the scheme of arrangement dated 16 June 2010 (the "Scheme") between the Company and the holders of Scheme Shares (as defined in the Scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman of the meeting in its original form or subject to such modification, addition or condition approved or imposed by the Court and agreed to by Kuoni and the Company:

- (a) the directors of the Company be authorised to take any action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) the share capital of the Company be reduced by cancelling and extinguishing all of the Scheme Shares (as defined in the Scheme);
- (c) subject to and forthwith upon the reduction of share capital referred to in paragraph (b) above taking effect and notwithstanding anything to the contrary in the articles of association of the Company:
  - (i) the share capital of the Company be increased to its former amount by the creation of such number of new ordinary shares as shall equate to the aggregate number of Scheme Shares cancelled pursuant to paragraph (b) above;
  - (ii) the reserve arising in the books of account of the Company as a result of the reduction of share capital referred to in paragraph (b) above be capitalised and applied in paying up in full all of the new ordinary shares created pursuant to paragraph (c)(i) above, which shall be allotted and issued, fully paid, to Kuoni and/or its nominee(s) in accordance with the Scheme; and
  - (iii) conditional on the Scheme becoming effective, the directors of the Company be and are hereby generally and unconditionally authorised to allot the new ordinary shares referred to in paragraph (c)(i) above, provided that: (1) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be the aggregate nominal amount of the said new ordinary shares created pursuant to paragraph (c)(i) above; (2) this authority shall expire (unless previously revoked, varied or renewed) on the fifth anniversary of this resolution; and (3) this authority shall be in addition, and without prejudice, to any other authority to allot shares previously granted and in force on the date this resolution is passed; and

- (d) with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new articles (and amending the remainder of the articles and any cross references thereto accordingly):

**“172. Scheme of Arrangement**

- 172.1 In this Article 172 references to the “Scheme” are to the scheme of arrangement dated 16 June 2010 under Article 125 of the Companies (Jersey) Law 1991 between the Company and the holders of Scheme Shares (as defined in the Scheme) as it may be modified or amended in accordance with its terms, and expressions defined in the Scheme will have the same meanings in this Article. Notwithstanding any other provision of these Articles, if the Company issues any shares or if any existing issued A ordinary shares in the Company are converted into, re-designated as or otherwise become ordinary shares in the capital of the Company after the adoption of this Article and before the Scheme Record Time, then such shares (if any) shall be allotted and issued or such A ordinary shares shall be converted into re-designated as or otherwise shall become ordinary shares, as the case may be, subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the holder or holders of such shares or such ordinary shares shall be bound by the Scheme accordingly.
- 172.2 Notwithstanding any other provision of these Articles, if any shares are issued to any person after the Scheme Record Time or if any existing issued A ordinary shares in the Company are converted into, re-designated as or otherwise become ordinary shares in the capital of the Company after the Scheme Record Time (such shares or such ordinary shares together the “Post Scheme Shares”) (the holder of such Post Scheme Shares being the “New Member”), such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder), as the case may be, will, provided the Scheme has become effective, be obliged to transfer all the Post Scheme Shares held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) to Kuoni (“Kuoni”) (or as Kuoni may otherwise direct) (the “Purchaser”) who shall be obliged to acquire all of the Post Scheme Shares. The consideration payable by the Purchaser shall be 115 pence in cash for each Post Scheme Share transferred to it (or such lesser or greater amount as may be payable under the Scheme if modified in accordance with its terms). The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the purchase price of such Post Scheme Shares within 14 days of the date on which the Post Scheme Shares are issued to the New Member or on which the existing issued A ordinary shares in the Company were converted into, re-designated as or otherwise became ordinary shares in the capital of the Company, as the case may be.
- 172.3 On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation), the value of the consideration per Post Scheme Share to be paid under Article 172.2 shall be adjusted by the directors in such manner as an independent investment bank selected by the Company may determine to be fair and reasonable to the New Member to reflect such reorganisation or alteration. Reference in this Article to shares or ordinary shares shall, following such adjustment, be construed accordingly.
- 172.4 To give effect to any transfer required by Article 172.2 above, the Company may appoint any person as attorney for the New Member to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of the Purchaser and do all such other things and execute and deliver all such documents as may in the opinion of the attorney or the Purchaser be necessary or desirable to vest the Post Scheme Shares in the Purchaser. If an attorney is so appointed, the New Member shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of the Purchaser) be entitled to exercise any rights attaching to the Post Scheme Shares unless so agreed by the Purchaser. The Company may give good receipt for

the purchase price of the Post Scheme Shares and may register the Purchaser as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for any Post Scheme Shares. Pending the registration of Kuoni as the holder of any share or ordinary share to be transferred pursuant to this Article, Kuoni shall be empowered to appoint a person nominated by the directors to act as attorney on behalf of each holder of the Post Scheme Share(s) in accordance with such directions as Kuoni may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and the registered holder of such share shall exercise all rights attaching thereto in accordance with the directions of Kuoni but not otherwise.

172.5 If the Scheme shall not have become effective by the Long-Stop Date referred to in the Scheme, this Article 172 shall be of no effect.

172.6 Notwithstanding any other provision of the Articles, both the Company and the directors shall refuse to register the transfer of any Scheme Shares effected between the Scheme Record Time and the Effective Date.

172.7 For the avoidance of doubt, the term ordinary shares as used in these articles shall be deemed to be included in the definition of shares.”

Dated: 16 June 2010

*Registered office*

47 Esplanade, St Helier,  
Jersey JE1 0BD

By order of the board

*Xiaoping Yang, Secretary*

Registered in Jersey No. 97573

Notes:

1. To be passed, a special resolution requires a two-thirds majority of the votes cast in favour. A member is entitled to vote in person whether on a show of hands or on a poll or by proxy on a poll.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his or her place. A proxy need not be a member of the Company. A proxy of the member's own choice may be appointed by inserting the proxy's name on the Form of Proxy in the space provided. Completion and return of the Form of Proxy will not preclude a member from attending and voting in person at the meeting.
3. The Form of Proxy for use by the Company's members at the above meeting is white.
4. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
5. To be valid, a Form of Proxy must be completed in accordance with the instructions printed on it and must be deposited (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority) by 10.45 a.m. on 13 July 2010 (or, if the meeting is adjourned, not less than 48 hours before the time fixed for the adjourned meeting) either to (1) Matthew Ng, Level 14 Jianhe Centre, 111 Tiyuxi Road, Guangzhou, China 510620 or to (2) Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, only those members entered on the relevant register of members of the Company as at 6:00 p.m. on 13 July 2010 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time or, in the case of an adjourned meeting 6:00 p.m. on the day which is two days before the day fixed for the holding of the adjourned meeting. Changes to entries on the relevant register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. Members who hold shares through CREST and who wish to appoint a proxy or proxies for the meeting or any adjournment(s) by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company’s agent, Capita Registrars (Crest participant ID RA10) by no later than the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.



