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香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

Executive Directors:

Mr. Che Shujian (*Chairman*)
Mr. Zhang Xuewu (*Vice Chairman*)
Mr. Chen Shoujie
Mr. Zheng Hongqing
Mr. Zheng Heshui
Mr. Shen Zhuying (*Managing Director*)
Mr. Lo Sui On
Mr. Zhang Fengchun
Mr. Ng Chi Man, Michael
Mr. Liu Li

Registered Office:

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

Independent Non-Executive Directors:

Dr. Yeh Meou Tsen, Geoffrey
Mr. Yeh V Nee
(*Alternate Director to Dr. Yeh Meou Tsen, Geoffrey*)
Dr. Fong Yun Wah
Mr. Wong Man Kong, Peter

25 April 2003

To shareholders and warrant holders (for information only),

Dear Sirs or Madam,

**GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES AND WARRANTS
PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION**

GENERAL MANDATE TO ISSUE SHARES

Approval is being sought from shareholders of China Travel International Investment Hong Kong Limited (the “Company”) to grant a general mandate to the directors of the Company (the “Directors”) to exercise the powers of the Company to allot and issue new shares in the capital of the Company amounting to up to 20% of the aggregate nominal amount of the share capital of the Company in issue by way of an ordinary resolution to be proposed at the annual general meeting of the Company to be held at Cafe du Parc, 2/F, Metropark Hotel, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong at 2:30 p.m. on Friday, 30 May 2003 (“Annual General Meeting”).

The Directors wish to state that they have no immediate plan to issue any new shares pursuant to such general mandate. In the event that it becomes desirable for the Company to issue any new shares, the Directors are given flexibility and discretion to allot and issue new shares amounting to up to 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution and by adding to such mandate the number of shares of HK\$0.10 each (“Shares”) repurchased by the Company pursuant to the Repurchase Mandate (as hereinafter defined).

GENERAL MANDATE TO REPURCHASE SHARES AND WARRANTS

At the Annual General Meeting, an ordinary resolution will be proposed to approve the granting of a general mandate to the Directors to exercise the powers of the Company to repurchase (i) Shares representing up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue (ii) 10% of all the warrants in issue conferring rights to subscribe up to HK\$920,671,572.60 in aggregate in cash for Shares at the initial subscription price of HK\$1.22 per share (subject to adjustment) up to and including 30 June 2003 (the “Warrants”) as at the date of the passing of the relevant resolution (the “Repurchase Mandate”).

This document serves as the explanatory statement required under Rule 10.06(1)(b) of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) to provide shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution approving the Repurchase Mandate and constitutes the memorandum of the terms of the proposed repurchases required under Section 49BA(3)(b) of the Companies Ordinance.

SHARE CAPITAL AND OUTSTANDING WARRANTS

As at 17 April 2003, being the latest practicable date prior to the printing of this document, the aggregate nominal amount of issued share capital of the Company was HK\$422,299,329.50 comprising 4,222,993,295 Shares and Warrants in aggregate outstanding amount of HK\$920,671,572.60 carrying the rights to subscribe for 754,648,830 Shares on the basis of an initial subscription price of HK\$1.22 per share (subject to adjustment) are outstanding. Subject to the passing of the relevant ordinary resolution approving the Repurchase Mandate and base on the above figures, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 422,299,329 Shares and such Warrants carrying rights to subscribe up to a maximum 75,464,883 Shares being 10% of the aggregate Shares which can be subscribed under the Warrants, if no further Shares and Warrants will be issued or repurchased prior to the date of the Annual General Meeting.

REASONS FOR REPURCHASES

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

FUNDING OF REPURCHASES

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

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements as at 31 December 2002) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

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

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

UNDERTAKING OF THE DIRECTORS

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

SHARES AND WARRANTS PRICES

The highest and lowest prices at which the Shares and Warrants have traded on the Stock Exchange during each of the previous twelve months are as follows:-

	Shares		Warrants	
	Highest HK\$	Lowest HK\$	Highest HK\$	Lowest HK\$
2002				
April	1.72	1.53	0.51	0.39
May	1.65	1.54	0.475	0.365
June	1.61	1.38	0.415	0.29
July	1.54	1.25	0.35	0.207
August	1.36	1.16	0.238	0.178
September	1.33	1.10	0.192	0.082
October	1.21	1.01	0.132	0.078
November	1.3	1.10	0.164	0.1
December	1.32	1.21	0.177	0.1
2003				
January	1.39	1.22	0.185	0.11
February	1.43	1.33	0.211	0.148
March	1.38	1.04	0.179	0.019

GENERAL

If on exercise of the power to repurchase Shares and/or Warrants pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Codes on Takeovers and Mergers and Share Repurchases ("Takeover Code"). As a result, a shareholder or a group of shareholders, acting in concert could, depending on the level of increase of shareholders interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code. The Directors are not aware of any shareholder, or a group of shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code in the event that the Directors exercise the power to repurchase Shares and/or Warrants pursuant to the Repurchase Mandate.

As at 17 April 2003 (being the latest practicable date prior to the printing of this document), China Travel Service (Holdings) Hong Kong Limited ("CTS Holdings") beneficially owned approximately 59.08% of the issued share capital of the Company. If the Repurchase Mandate is exercised in full, the beneficial interests of CTS Holdings in the Company will be increased to approximately 64.81% of the issued share capital of the Company assuming all Warrants outstanding are converted into Shares. If the Repurchase Mandate is exercised in full, the beneficial interests of CTS Holdings in the Company will be increased to approximately 65.64% of the issued share capital of the Company assuming all Warrants outstanding are not converted into Shares. The Directors consider that such repurchases made under the Repurchase Mandate will not give rise to an obligation for CTS Holdings to make a mandatory offer under Rules 26 and 32 of the Takeover Code. Moreover, the Directors have no present intention to exercise the power of the Company to repurchase Shares and/or Warrants to such an extent as would result in the number of Shares in public hands falling below 25%.

The Company has not repurchased any of its securities in the previous six months (whether on the Stock Exchange or otherwise).

AMENDMENT TO ARTICLES OF ASSOCIATION

In its present form, Article 89A of the Articles of Association of the Company regarding the authorization of representatives/proxies at general meetings refers to members which are a recognized clearing house under the Securities and Futures (Clearing Houses) Ordinance.

On 1 April 2003, the Securities and Futures (Clearing Houses) Ordinance was repealed with the coming into effect of the Securities and Futures Ordinance. Accordingly, the reference in Article 89A to "a recognized clearing house under the Securities and Futures (Clearing Houses) Ordinance" shall become "a recognized clearing house under the Securities and Futures Ordinance". A special resolution to amend Article 89A will therefore be proposed at the Company's forthcoming Annual General Meeting on 30 May 2003.

RECOMMENDATION

The Directors believe that the general mandate to issue shares and the Repurchase Mandate are in the best interests of the Company and its shareholders and the proposed amendment to the Articles of Association and accordingly recommend all shareholders to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
Shen Zhuoying
Managing Director