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If you have sold all your shares in China Travel International Investment Hong Kong Limited (“Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



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)

(Stock Code: 0308)

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

A notice convening an extraordinary 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 on Thursday, 13 May 2004 at 2:33 p.m. (or as soon thereafter as the second extraordinary general meeting to seek shareholders' approval on the proposed bonus issue of warrants convened for the same date and place, shall have been concluded or adjourned) is set out on pages 9 to 16 of this circular. Whether or not you are able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the registered office of the Company at 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong as soon as possible and, in any event, by no later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

19 April 2004

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DEFINITIONS

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

“Articles”	the articles of association of the Company
“AGM”	the annual general meeting of the Company to be held at 2:30 p.m. convened for the same date and place as the Extraordinary General Meeting
“Bonus Issue of Warrants EGM”	the extraordinary general meeting of the Company to be held at 2:32 p.m. (or as soon thereafter as the Connected Transaction EGM shall have been concluded or adjourned) to seek Shareholders’ approval on the proposed bonus issue of Warrants
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Travel International Investment Hong Kong Limited
“Connected Transaction EGM”	the extraordinary general meeting of the Company to be held at 2:31 p.m. (or as soon thereafter as the AGM shall have been concluded or adjourned) to seek Shareholders’ approval on certain continuing connected transactions
“Convertible Bonds”	the US\$150,000,000 Zero Coupon Guaranteed Convertible Bonds due 2008 issued by China Chance Developments Limited and convertible into Shares of the Company
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 2:33 p.m. (or as soon thereafter as the Bonus Issue of Warrants EGM shall have been concluded or adjourned), notice of which is set out on pages 9 to 16 of this circular
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	warrant(s) proposed to be issued by the Company in the proportion of one warrant for every five shares held, carrying rights to subscribe for Shares on the basis of an initial subscription price of HK\$1.508 per Share (subject to adjustment), at any time from 2 June 2004 until 31 May 2006 (both days inclusive), subject to, amongst other things, Shareholders’ approval in the Bonus Issue of Warrants EGM
“HK\$” and “cents”	Hong Kong dollars and cents, respectively

LETTER FROM THE BOARD



香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

Executive Directors:

Mr. Che Shujian (*Chairman*)
Mr. Zhang Xuewu (*Vice-Chairman*)
Mr. Shen Zhuying (*Vice-Chairman, General Manager*)
Mr. Zheng Heshui (*Vice-Chairman*)
Mr. Lo Sui On (*Vice-Chairman*)
Mr. Chen Shoujie
Mr. Zheng Hongqing
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

19 April 2004

To Shareholders

Dear Sir or Madam,

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

1. PROPOSED ALTERATIONS TO ARTICLES OF ASSOCIATION

An Extraordinary General Meeting a special resolution will be proposed to amend the existing Articles. The purposes of the proposed amendments are to update the Articles in order to reflect the recent amendments made to the Listing Rules (effective on 31 March 2004) and Companies Ordinance (effective on 13 February 2004). These amendments include:

- updating the definitions of terms like “associate”, “business day”, “newspaper”, “Hong Kong” and “Secretary”
- allowing director be removed by ordinary resolution of the Company

LETTER FROM THE BOARD

- incorporating the amendments made to Appendix 3 to the Listing Rules in relation to the period within which the intention to propose a person for election as a director should be given to the Company, and the exceptions to prohibitions on directors' voting
- incorporating the amendments made to the Companies Ordinance in relation to the Company's indemnity in favour of its officers

The text of the proposed amendments are set out in the notice convening the Extraordinary General Meeting.

2. GENERAL MANDATE TO REPURCHASE SHARES AND WARRANTS

In addition, approval is being sought from Shareholders to repurchase Shares and Warrants. At the Extraordinary 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 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the relevant resolution; and
- (ii) subject to the approval of the bonus issue of Warrants by the Shareholders being obtained at Bonus Issue of Warrants EGM, Warrants representing up to a maximum of 10 per cent. of the aggregate nominal amount of Warrants (the “**Repurchase Mandate**”).

The explanatory statement required under Rule 10.06(1)(b) of the Listing Rules 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 the memorandum of the terms of the proposed repurchases required under Section 49BA(3)(b) of the Companies Ordinance is set out in Appendix to this circular.

3. GENERAL MANDATE TO ISSUE SHARES

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

LETTER FROM THE BOARD

As provided by the Listing Rules, in the case of a placing of securities for cash consideration, the Company may not issue any securities pursuant to the above general mandate if the relevant price represents a discount of 20% or more to the benchmarked price of the securities, such benchmarked price being the higher of:

- (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (b) the average closing price in the 5 trading days immediately prior to the earlier of:
 - (i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;
 - (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
 - (iii) the date on which the placing or subscription price is fixed,

unless the Company can satisfy the Stock Exchange that it is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves the issue of new securities at a price representing a discount of 20% or more to the benchmarked price of the securities or that there are other exceptional circumstances. The Company shall provide the Stock Exchange with detailed information on the allottees to be issued with securities under the above general mandate.

4. EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting is set out on pages 9 to 16 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong no later than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

5. RECOMMENDATION

The Directors believe that the proposed alterations to the Articles, the Repurchase Mandate and the general mandate to issue Shares, are in the interest of the Company. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully,

By Order of the Board

China Travel International Investment Hong Kong Limited

Che Shujian

Chairman

The following is the Explanatory Statement required to be sent to shareholders under the Listing Rules in connection with the general mandate for repurchase of shares and warrants and also constitutes the Memorandum required under section 49BA of the Companies Ordinance.

GENERAL MANDATE FOR REPURCHASE OF SHARES AND WARRANTS

(a) Share Capital and outstanding Warrants

As at 14 April 2004, being the latest practicable date prior to the printing of this circular, the aggregate nominal amount of issued share capital of the Company was HK\$423,219,847.50 comprising 4,232,198,475 Shares. On the basis of that figure and on the basis that Warrants would be issued based on that figure, Warrants to subscribe 846,439,695 Shares based on an initial subscription price of HK\$1.508 per Share (subject to adjustment) would be issued. On the basis of these figures and subject to the passing of the relevant ordinary resolution approving the Repurchase Mandate, the Company will be allowed to repurchase a maximum of 423,219,848 Shares and of Warrants carrying rights to subscribe up to 84,643,970 for Shares based on an initial subscription price of HK\$1.508 per Share (subject to adjustment) on the basis that no further Shares will be issued or repurchased prior to the date of the Extraordinary General Meeting.

(b) Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from 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.

Under the Listing Rules, the Company is not allowed to purchase Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which the Shares were traded on the Stock Exchange.

(c) Funding of Repurchases

Repurchases of Shares and 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 or the proceeds of a fresh issue of shares made for the purpose of the repurchases, and it is envisaged that the funds required for any repurchase would be derived from such sources.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements as at 31 December 2003) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) Disclosure of Interests

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, 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.

(e) Undertaking of the Directors

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

(f) Market Prices

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months from April 2003 to March 2004 were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2003		
April	1.12	0.84
May	1.26	0.95
June	1.29	1.16
July	1.36	1.17
August	1.56	1.32
September	1.71	1.46
October	1.64	1.49
November	1.60	1.41
December	1.55	1.41
2004		
January	1.59	1.47
February	1.61	1.43
March	1.67	1.47

(g) General

If on exercise of the power to repurchase Shares 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 Code on Takeovers and Mergers ("**Takeovers 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 Takeovers Code.

As at 14 April 2004, being the latest practicable date prior to the printing of this circular, China Travel Service (Holdings) Hong Kong Limited ("**CTS Holdings**") beneficially owned approximately 58.95 per cent. of the issued share capital of the Company. If the Repurchase Mandate is exercised in full (assuming no Warrants or Convertible Bonds are converted), the beneficial interests of CTS Holdings in the Company may be increased to approximately 65.5 per cent. of the issued share capital of the Company. The Directors consider that such repurchases made under the Repurchase Mandate will not give rise to an obligation for CTS Holdings to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. Moreover, the Directors have no present intention to exercise the power of the Company to repurchase Shares to such an extent as would result in the number of Shares in public hands falling below 25 per cent.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(Incorporated in Hong Kong under the Companies Ordinance)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China Travel International Investment Hong Kong Limited (the “**Company**”) will be held at Cafe du Parc, 2/F., Metropark Hotel, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on 13 May 2004 at 2:33 p.m. (or as soon thereafter as the second extraordinary general meeting to seek shareholders’ approval on the proposed bonus issue of warrants convened for the same date and place, shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:–

SPECIAL RESOLUTION

1. as a special resolution **THAT**:–

the Articles of Association of the Company be altered by:

(A) amending article 2 as follows:–

(1) deleting the definition of “associate” and substituting the following:–

“associate” in relation to any Director, shall mean:–

- (i) his spouse;
- (ii) any child or step-child, natural or adopted, under the age of 18 years of the Director or of his spouse (together with (i) above, the “family interests”);
- (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in (iii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.

- (2) adding a definition of “business day”, as follows:–

“business day” means any day on which the Stock Exchange is open for the business of dealing in securities;

- (3) adding a definition of “Hong Kong” as follows:–

“Hong Kong” shall mean the Hong Kong Special Administrative Region of the People’s Republic of China;

- (4) deleting in the definition of “newspaper” the words “the Chief Secretary” and substituting “the Chief Secretary for Administration”;

- (5) deleting from the definition of “Secretary” the words “or corporation”;

- (B) adding at the end of article 78:–

“Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”

- (C) amending article 89A, as follows:–

deleting the words “the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong)”, and substituting “the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)”.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (D) deleting the existing paragraph (h) of Article 100 and substituting the following new paragraph (h):-

“(h) A Director shall not vote or be counted in the quorum in respect of any contract or arrangement or proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to:-

- (i) the giving of any security or indemnity either:-
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or his associate(s) is/ are interested in the same manner a other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”
- (E) deleting article 105 and substituting the following:–

“No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least 7 days.”
- (F) deleting in article 107 the words “special resolution” and substituting “ordinary resolution”;
- (G) deleting article 178(a) and (b) and substituting the following:–

“178 (a) Every Director, manager, Secretary or other officer of the Company, shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss or damages which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance.

 - (b) The Company may indemnify any Director, manager, Secretary or other officer of the Company, against any liability incurred by him:–
 - (i) in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted; or

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) in connection with any application under section 358 of the Companies Ordinance in which relief is granted to him by the court.
- (c) The Company may purchase and maintain for any Director, manager, Secretary or other officer of the Company:–
 - (i) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and
 - (ii) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.
- (d) In this article, “related company”, in relation to the Company, means any company that is the Company’s subsidiary or holding company or a subsidiary of that company’s holding company.

ORDINARY RESOLUTIONS

2. as an ordinary resolution **THAT**:–

- (A) the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase shares of the Company and subject to the ordinary resolution to approve a bonus issue (“**Bonus Issue**”) of warrants (“**Warrants**”) in the proportion of one warrant for every five shares being duly passed at the extraordinary general meeting convened for the same date and place immediately prior to this Meeting (“**Warrants Resolution**”), Warrants issued under the Warrants Resolution be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of the shares which may be repurchased on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange recognised for this purpose by The Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Stock Exchange under the Hong Kong Codes on Share Repurchases pursuant to the approval in paragraph (A) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the aggregate nominal amount of the Warrants which may be repurchased on the Stock Exchange or any other stock exchange recognised for this purpose by the SFC and the Stock Exchange under the Hong Kong Codes on Share Repurchases pursuant to the approval in paragraph (A) above shall not exceed 10% of the aggregate nominal amount of the Warrants to be issued pursuant to the Bonus Issue;

NOTICE OF EXTRAORDINARY GENERAL MEETING

(C) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by its Articles of Association or by the laws of Hong Kong to be held; or
- (iii) the revocation or variation of the authority given to the Directors under this Resolution by passing of an ordinary resolution by the shareholders in general meeting.

3. as an ordinary resolution **THAT**:—

- (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and warrants which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements, options and warrants which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A), otherwise than pursuant to, (i) a Rights Issue, (ii) any option scheme or similar arrangement for the time being adopted for the grant of issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or right to acquire shares of the Company, (iii) the Warrants or the exercise of any conversion rights attaching to any convertible notes or bonds issued by the Company (including, without limitation, the US\$150,000,000 Zero Coupon Guaranteed Convertible Bonds due 2008 issued by China Chance Developments Limited and convertible into shares of, and guaranteed by, the Company (the “Convertible Bonds”)) or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of:
 - (i) 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of securities of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the securities of the Company in issue at the date of passing this Resolution and to be issued pursuant to the Bonus Issue), and the said approval shall be limited accordingly.

(D) for the purpose of this Resolution:–

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by its Articles of Association or by the laws of Hong Kong to be held; or
- (iii) the revocation or variation of the authority given to the Directors under this Resolution by passing of an ordinary resolution by the shareholders in general meeting.

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

4. as an ordinary resolution **THAT**:–

the Directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (A) of the resolution set out as Resolution No. 3 in the notice convening this Meeting in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (C) of such resolution.

By Order of the Board
WOO WAI SEE, ALICE
Company Secretary

19 April 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and, vote instead of him. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's registered office at 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong, by no later than 48 hours before the time appointed for holding of the meeting.
- (4) In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.