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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**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.

A copy of this circular has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission take no responsibility as to the contents of this circular.

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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)*

(Stock Code: 0308)

### PROPOSAL FOR BONUS ISSUE OF WARRANTS

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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 2:32 p.m. (or as soon thereafter as the first extraordinary general meeting to seek shareholders' approval on certain continuing connected transaction, shall have been concluded or adjourned) is set out on pages 17 to 18 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

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

“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“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 transaction
“Convertible Bonds”	the US\$150,000,000 zero coupon guaranteed convertible bonds due 2008 convertible into shares of, and guaranteed by the Company, details of which are set out in the Company’s announcement dated 3 September 2003
“Directors”	the directors of the Company
“Excluded Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown in the register of members of the Company at the close of business on the Record Date, is (are) in any places other than Hong Kong
“Extraordinary General Meeting”	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), notice of which is set out on pages 17 to 18 of this circular
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“Latest Practicable Date”	14 April 2004, being the latest practicable date before the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Record Date”	13 May 2004, being the date for determination of entitlements to Warrants
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	warrant(s) to be issued by the Company in the manner described in this circular, carrying rights to subscribe for Share(s) 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); a summary of the terms and conditions of the Warrants is set out in the Appendix to this circular
“Warrantholder(s)”	holder(s) of Warrants
“HK\$” and “cents”	Hong Kong dollars and cents, respectively

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## EXPECTED TIMETABLE

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2004

Last day of dealings in Shares cum-entitlements to the bonus issue of Warrants .....	Wednesday, 5 May
First day of dealings in Shares ex-entitlements to the bonus issue of Warrants .....	Thursday, 6 May
Latest time for lodging of transfers for entitlements to bonus Warrants for the financial year ended 31 December 2003 .....	4:30 p.m. on Friday, 7 May
Proxy forms for the Extraordinary General Meeting to be returned by .....	2:32 p.m. on Tuesday, 11 May
Register of members closes, both days inclusive .....	Monday, 10 May to Thursday, 13 May
Record Date .....	Thursday, 13 May
AGM .....	2:30 p.m. Thursday, 13 May
Connected Transaction EGM .....	2:31 p.m. Thursday, 13 May (or as soon thereafter as the AGM shall have been concluded or adjourned)
Extraordinary General Meeting .....	2:32 p.m. Thursday, 13 May (or as soon thereafter as the Connected Transaction EGM shall have been concluded or adjourned)
Despatch of bonus Warrants certificates .....	Friday, 28 May
Trading in Warrants on the Stock Exchange begins .....	Wednesday, 2 June

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LETTER FROM THE BOARD

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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. 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 BONUS ISSUE OF WARRANTS  
IN THE PROPORTION OF  
ONE WARRANT FOR EVERY FIVE SHARES HELD**

**1. INTRODUCTION**

In the announcement dated 31 March 2004 on the annual results of the Company for the year ended 31 December 2003, the Directors proposed that a bonus issue of one warrant for every five Shares held by Shareholders whose names appear on the register of members on the Record Date will be proposed at the Extraordinary General Meeting.

The purpose of this circular is to provide further details of the bonus issue of Warrants as required by the Listing Rules, and to seek your approval of the relevant resolution at the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### 2. BONUS ISSUE OF WARRANTS

The Directors proposed a bonus issue of Warrants to Shareholders (other than Excluded Overseas Shareholders) whose names appear on the register of members on the Record Date on the basis of one Warrant for every five Shares then held.

The Warrants will be issued in registered form which are not renounceable, and each Warrant will entitle the holders to subscribe in cash for Shares of the Company at a subscription price (subject to adjustment) of HK\$1.508 per Share and will be exercisable at any time from 2 June 2004 until 31 May 2006 (both days inclusive). Fractional entitlements to the Warrants will not be allotted but will be aggregated and sold for the benefit of the Company. The subscription price represent (a) a discount of 0.789% to the closing price of the Shares of HK\$1.52 quoted on the Stock Exchange on 31 March 2004, being the date on which the proposed bonus issue of Warrants was first announced; and (b) a discount of 3.33% to the closing price of the Shares of HK\$1.56 quoted on the Stock Exchange on the Latest Practicable Date.

New Shares issued on the exercise of subscription rights under the Warrants will rank *pari passu* in all respects with the then existing Shares on the relevant subscription date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant subscription date subject to the terms and conditions of the Warrants. On the basis of the 4,232,198,475 Shares in issue as at the Latest Practicable Date, Warrants carrying rights to subscribe 846,439,695 new Shares at the initial subscription price of HK\$1.508 per Share, subject to adjustment, will be issued. The exact number of Warrants will be determined on the Record Date. The number of Warrants to be issued will be increased if and to the extent that any new Shares are issued prior to the Record Date by virtue of the exercise of any conversion rights under the Convertible Bonds. The Convertible Bonds will be due on 30 September 2008 and based on the prevailing conversion price of HK\$1.90 per share prior to the Record Date, upon exercise of all the Conversion Bonds, a maximum of 615,734,210 Shares will be issued.

A summary of the principal terms and conditions of the Warrants, including a summary of the circumstances under which the subscription price may be adjusted, are set out in the Appendix to this circular.

The issue of Warrants has not been and will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and, therefore, the Warrants may not be offered or sold in or for subscription by persons whose registered addresses are in any places other than Hong Kong. Accordingly, no allotment of Warrants is being made to any Excluded Overseas Shareholder. However, arrangements will be made for the Warrants which would otherwise have been allotted to the Excluded Overseas Shareholders to be sold in the market as soon as practicable after dealings commence, if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed *pro rata* to the Excluded Overseas Shareholders in Hong Kong dollars at their own risk, unless the amount falling to be distributed to any such Excluded Overseas Shareholder is less than HK\$100 in which case it will be retained for the benefit of the Company.

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## LETTER FROM THE BOARD

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### 3. CONDITIONS PRECEDENT

The bonus issue of Warrants are conditional upon:–

- (a) the passing of an ordinary resolution by Shareholders to approve the creation and issue of the Warrants and the issue of any new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants at the Extraordinary General Meeting; and
- (b) the Listing Committee of the Stock Exchange granting a listing of and permission to deal in the Warrants and any new Shares which may fall to be issued as a result of any exercise of the subscription rights attaching to such Warrants.

### 4. REASONS FOR THE BONUS ISSUE OF WARRANTS

The Directors believe that the proposed bonus issue of Warrants will provide Shareholders with an opportunity to participate in the growth of the Company. The bonus issue of Warrants may also strengthen the equity capital of the Company and increase the Company's working capital if and when the subscription rights attaching to the Warrants are exercised.

The aggregate net proceeds received from the bonus issue of Warrants upon full subscription at the initial subscription price of HK\$1.508 per Share, are expected to be approximately HK\$1,276,431,060.06. The Company intends to apply any net proceeds towards the general working capital of the Group depending on its requirements at the relevant time.

The Directors believe that the bonus issue of Warrants is beneficial to the Company and the Shareholders as a whole.

### 5. LISTING AND CERTIFICATES

Applications have been made to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, the Warrants and any new Shares which may fall to be issued as a result of such Warrants being exercised.

Subject to the granting of listing of, and permission to deal in, the Warrants and Shares which may fall to be issued upon the exercise of the subscription rights of the Warrants on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Warrants or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. No part of the share capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.



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## LETTER FROM THE BOARD

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Subject to the fulfillment of the conditions referred to in paragraph 3 above, it is expected that certificates for the Warrants will be posted to the Shareholders (other than Excluded Overseas Shareholders) on or before 28 May 2004, at the risk of the Shareholders to the address of such Shareholders or (in the case of a joint holding) to that one of them whose name stands first in the register of members. Dealings of the Warrants are expected to commence on 2 June 2004. For the purpose of trading on the Stock Exchange, the Warrants will be traded in board lots of 20,000 Warrants carrying rights to subscribe an amount of HK\$30,160 for 20,000 Shares of the Company at an initial subscription price of HK\$1.508, subject to adjustment. Dealings in Warrants will be subject to the payment of stamp duty in Hong Kong.

### 6. CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2004 to 13 May 2004 (both days inclusive), in order to determine entitlement of Shareholders to the bonus issue of Warrants. The last day for dealings in Shares cum entitlement to the bonus issue of Warrants will be 5 May 2004. Shares will be traded in an ex-all forms as from 6 May 2004. **Shareholders are reminded that, in order to qualify for the bonus issue of Warrants, they must lodge complete transfer forms together with the relevant share certificates for the Shares with the Company's Registrar, Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 7 May 2004.**

### 7. EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to consider and approve the bonus issue of Warrants is set out on pages 17 to 18 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.

### 8. RECOMMENDATION

The Directors believe that the bonus issue of Warrants is in the interest of the Company. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### 9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company, 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong during normal business hours up to and including 12 May 2004 (Saturdays and Sundays excepted) and will be available for inspection at the Extraordinary General Meeting:—

- (a) a draft (subject to non-material amendment) of the instrument constituting the Warrants;
- (b) the Memorandum and Articles of Association of the Company; and
- (c) a draft of a Warrant certificate (subject to modification).

### 10. FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendix to this Circular.

Yours faithfully,  
By Order of the Board  
**China Travel International Investment Hong Kong Limited**  
**Che Shujian**  
*Chairman*

The Warrants will be issued subject to and with the benefit of a separate instrument by way of deed poll (the “**Instrument**”) executed by the Company and they will be issued in registered form and will form one class with and rank pari passu in all respects with each other.

The principal terms and conditions of the Warrants will be set out in the Warrant certificates and will include provisions to the effect set out below. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available from the registered office for the time being of the Company.

## 1. EXERCISE OF WARRANTS

- (a) The registered holder for the time being of a Warrant will have the right (the “**Subscription Right**”) to subscribe the whole (in units of HK\$1.508) of the amount in respect of which the Warrants is issued for fully paid Shares at a price (subject to adjustments referred to below) of HK\$1.508 per Share (the “**Subscription Price**”). The Subscription Rights attaching to the Warrants may be exercised on or after 2 June 2004 but not later than 31 May 2006. The date on which such rights or any part thereof are exercised is referred to in these particulars as a “Subscription Date”. Any Subscription Rights which have not been exercised on or before 31 May 2006 will lapse following such date and the Warrants will cease to be valid for any purpose. References in these particulars to “Shares” are to the existing Shares of the Company and all other (if any) Shares from time to time and for the time being ranking pari passu therewith.
- (b) Each Warrant certificate will contain a Subscription Form. In order to exercise his Subscription Rights, a Warrantholder must complete and sign the Subscription Form (which will be irrevocable) and deliver the Warrant certificate (and, if the Subscription Form used is not the form endorsed on the Warrant certificate, the separate Subscription Form) to the registrars for the time being of the Company, together with a remittance for the relevant subscription moneys for the Shares in respect of which the Subscription Rights are being exercised. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (c) No fraction of a Share will be allotted but any balance representing fractions of the subscription moneys paid on exercise of the Subscription Rights will be refunded to the person or persons whose name(s) stands in the register of Warrantholders as the holder(s) of the relevant warrant, provided always that if the Subscription Rights comprised in two or more Warrants are exercised at the same time by the same Warrantholder then, for the purpose of determining whether any (and if so what) fraction of a Share arises, such Subscription Rights will be aggregated.
- (d) The Company will undertake in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than 28 days after the relevant Subscription Date and will rank pari passu with the fully paid Shares in issue on the relevant Subscription Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date unless the Subscription Price has already been adjusted therefor and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the relevant Subscription Date and notice of the amount and record date for which has been given to the Stock Exchange (as defined in the Instrument) prior to the relevant Subscription Date.

- (e) As soon as practicable after the relevant allotment of Shares (and not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder(s):–
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights remaining unexercised; and
  - (iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and the cheque (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warrantholders. If the Company agrees, such certificates and cheques may by prior arrangement be retained by the registrars for the time being of the Company to await collection by the relevant Warrantholder(s).

## **2. ADJUSTMENTS OF SUBSCRIPTION PRICE**

The Instrument will contain detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:–

- (a) The Subscription Price will (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:–
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
  - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of its Shares in their capacity as such;
  - (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);

- (v) an offer or grant being made by the Company to holders of its Shares of Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 95 per cent. of the market price (calculated as provided in the Instrument);
  - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 95 per cent. of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 95 per cent. of the market price;
  - (vii) an issue being made wholly for cash of Shares at a price less than 95 per cent. of the market price (calculated as provided in the Instrument); and
  - (viii) the purchase by the Company of Shares in circumstances where the directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (b) Except as mentioned in the sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:-
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any right (including the Subscription Rights) to acquire Shares;
  - (ii) an issue of Shares or other securities of the Company or any Subsidiary (as defined in the Instrument) or rights to acquire Shares to employees, including directors holding executive office, of the Company or any Subsidiaries or their persons representatives pursuant to an Employee Shares Scheme (as defined in the Instrument);
  - (iii) an issue by the Company of Shares or by the Company or any Subsidiary (as defined in the Instrument) of securities convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities convertible into or rights to acquire Share(s); or
  - (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 105 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.

- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Company considers that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint an approved merchant bank (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such an approved merchant bank considers this to be the case, the adjustment will be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as is certified by such approved merchant bank to be in its opinion appropriate.
- (d) Any adjustment to the Subscription Price will be made to the nearest one cent so that any amount under half a cent will be rounded down and any amount of half a cent or more will be rounded upon. No adjustment will be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required will not be carried forward. No adjustment may be made (except on a consolidation of Shares) which would increase the Subscription Price.
- (e) Every adjustment to the Subscription Price will be certified by the auditors of the Company or an approved merchant bank and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. Any such certificates of the auditors and/or approved merchant banks will be available at the registered office for the time being of the Company, where copies may be obtained.

### **3. REGISTERED WARRANTS**

The Warrants will be issued in registered form. The Company will be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly will not, except as ordered by a Court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it has express or other notice thereof.

**4. TRANSFER, TRANSMISSION AND REGISTER**

The Subscription Rights will be transferable, in whole amounts or integral multiples of HK\$1.508 of Subscription Rights, by instrument of transfer in any usual or common form or in any other form which may be approved by the directors of the Company or where the transferor or the transferee is HKSCC Nominees Limited (or its successor), by an instrument of transfer executed under the hand of its authorised person(s) or by machine imprinted signature. The Company will maintain a register accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. The provisions of the Company's Articles of Association relating to the registration, transfer and transmission of Shares and the register of members shall, mutatis mutandis, apply to the registration, transfer and transmission of the Warrants and the register of Warrantholders. Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing 10 business days prior to and including the last day for subscription, being 31 May 2006.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day for subscription, being 31 May 2006.

**5. PURCHASE AND CANCELLATION**

The Company or any of the Subsidiaries (as defined in the Instrument) may at any time purchase Warrants:-

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 105 per cent. of the closing price prior to the date of purchase of the Warrants on the Stock Exchange,

but not otherwise. All Warrants purchased as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

**6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Instrument will contain provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Extraordinary Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. An Extraordinary Resolution duly passed at any such meeting will be binding on the Warrantholders, whether present or not.

- (b) At any such meeting two or more persons holding Warrants and/or being proxies and being or representing in the aggregate the holders of not less than one-tenth in value of the Subscription Rights for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for the passing of an Extraordinary Resolution shall be two or more persons holding Warrants and/or being proxies and being or representing in the aggregate the holders of not less than one-third in value of the Subscription Rights for the time being outstanding.
- (c) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the terms and conditions endorsed on the Warrant certificates and/or the Instrument) and the sanction of an Extraordinary Resolution shall be necessary and sufficient to effect such alternation or abrogation.

Where a Warrantholder is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or its nominees, it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any Warrantholders' meeting provided that, if more than one person be so authorised, the authorisation or proxy form must specify the number and class of warrants in respect of which each such person is so authorised. The person or persons so authorised shall be entitled to exercise the same power on behalf of the recognised clearing house as that recognised clearing house (or its nominees) could exercise as if such person was an individual Warrantholder of the Company.

## **7. REPLACEMENT OF WARRANT CERTIFICATES**

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the registrars for the time being of the Company on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, Section 71A of the Companies Ordinance shall apply as if "shares" referred to therein included Warrants.



**8. PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument will contain certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

**9. CALL**

If at any time Warrants which have not been exercised carry rights to subscribe less than 10 per cent. of the total number of Warrants issued under the Instrument, then the Company may, on giving not less than 3 months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to the Warrantholders.

**10. FURTHER ISSUES**

The Company will be at liberty to issue further subscription warrants.

**11. UNDERTAKINGS BY THE COMPANY**

The Company will undertake in the Instrument that:–

- (a) it will use its best endeavors to ensure that all Shares allotted on exercise of Subscription Rights will be admitted to listing on the Stock Exchange;
- (b) it will use its best endeavors to ensure that the listing of the Warrants on the Stock Exchange is maintained;
- (c) it will send to Warrantholders, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (d) it will pay all Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights; and
- (e) it will keep available for issue sufficient ordinary capital to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares.

**12. NOTICES**

The Instrument will contain provisions relating to notices to be given to Warrantholders. Notices may be sent to the address registered by a Warrantholder with the Company or may be given by advertisement in the English and Chinese press in Hong Kong.

**13. OVERSEAS WARRANTHOLDERS**

If a Warrantholder has a registered address in any territory other than Hong Kong where, in the opinion of the Directors of the Company, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or may in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory or Hong Kong and, in the opinion of the Directors, such compliance would be unduly burdensome, then the Company will as soon as practicable after exercise by such Warrantholder of any Subscription Rights either (i) allot the shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company or (ii) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company in each case for the consideration which is then reasonably obtainable by the Company. As soon as reasonably practicable following such allotment or allotment and sale, the Company will pay to such Warrantholder an amount equal to the consideration received by it by posting the remittance to him at his risk.

**14. GOVERNING LAW**

The Instrument and the Warrants will be governed by and will be construed in accordance with the laws of Hong Kong.

**15. WINDING UP OF THE COMPANY**

- (a) The Instrument will also provide that if an effective resolution is passed in the period from 2 June 2004 to 31 May 2006 (both days inclusive) for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders are a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Extraordinary Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders.
- (b) In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution for the voluntary winding-up of the Company during the period from 2 June 2004 to 31 May 2006 (both days inclusive), then the Company shall on the same date as or soon after it despatches such notice to its members give notice to all Warrantholders (together with a notice of the existence of the provisions of this Clause) and thereupon every Warrantholder shall be entitled to exercise the Subscription Rights pursuant to the Warrants then held by him at any time not later than two business days prior to the proposed general meeting of the Company by irrevocably surrendering of his Warrant certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the subscription monies or the relative portion thereof whereupon the Company shall as soon as possible, and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Warrantholder credited as fully paid.

In all other circumstances in which the Company may be wound up, the Instrument provides that all Subscription Rights which have not been exercised at the commencement of the winding-up will lapse and each Warrant certificate will cease to be valid for any purpose.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)*

**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 2:32 p.m. (or as soon thereafter as the first extraordinary general meeting to seek shareholders’ approval on certain continuing connected transaction 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 resolution as an ordinary resolution:–

### ORDINARY RESOLUTION

**THAT** subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting a listing of, and permission to deal in, the Warrants (as hereinafter defined) and any shares in the capital of the Company falling to be issued upon any exercise of the subscription rights attaching to the warrants, the Directors be and are hereby authorised:

- (a) to create warrants (“**Warrants**”) in registered form to subscribe, at the initial subscription price of HK\$1.508 per share, subject to adjustment, for shares in the share capital of the Company subject to the terms and conditions set out in the warrant instrument (a copy of a draft of which has been produced to this Meeting and signed for the purpose of identification by the Chairman hereof) and such Warrants could be exercised during the period from 2 June 2004 to 31 May 2006 (both days inclusive) and to issue the same by way of bonus to and among the persons who were registered as shareholders of the Company on 13 May 2004 (the “**Record Date**”) in the proportion of one warrant for every five shares then held carrying the right to subscribe HK\$1.508 for a share in the capital of the Company provided that:–
- (i) in the case of persons whose registered addresses as shown in the register of members of the Company on the Record Date are in any places other than Hong Kong, the relevant Warrants shall not be issued to such persons but shall be aggregated and sold and the net proceeds of sale, after deduction of expenses, shall be distributed to such persons *pro rata* to their respective shareholdings unless such amount falling to be distributed to any such person is less than HK\$100 in which case such amount will be retained for the benefit of the Company;
- (ii) no fractional entitlements to warrants shall be issued as aforesaid, but the fractional entitlements shall be aggregated and sold for the benefit of the Company;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) to allot and issue shares in the capital of the Company arising from the exercise of subscription rights under the Warrants or any of them; and
- (c) to do all such acts and things as the Directors of the Company consider necessary or expedient to give effect to the foregoing arrangements.

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

19 April 2004

*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.
- (5) The register of members of the Company will be closed, for the purpose of determining entitlements to the proposed bonus issue of warrants and the identity of members who are entitled to attend and vote at the meeting, from 10 May 2004 (Monday) to 13 May 2004 (Thursday), both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed bonus issue of warrants, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 7 May 2004 (Friday).