



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)

**CONVERSION OF CONVERTIBLE BOND
 AND
 PLACEMENT OF EXISTING SHARES**

SUMMARY

The Directors would like to announce that:

1. pursuant to a notice received by the Company from CTS Holdings on 22nd May, 2001, the Company will allot and issue 530,859,472 Shares to CTS Holdings on 23rd May, 2001 upon the exercise by CTS Holdings of its conversion rights under the Convertible Bond; and
2. CTS Holdings has agreed on 22nd May, 2001 to place up to 200,000,000 Shares at HK\$1.6435 per Share to institutional or professional investors.

The Directors believe that the Conversion will enhance the equity base of the Company, reduce interest expenses and hence improve the financial position of the Company. The Directors also believe that the Placement will enhance the liquidity of the Shares and broaden the shareholder base of the Company. After completion of the Conversion and the Placement (assuming the full exercise of the Over-allotment Option), CTS Holdings will retain an equity interest of about 60.32% in the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 10:00 a.m. on 22nd May, 2001. Application has been made to the Stock Exchange for resumption of trading of the Shares with effect from 10:00 a.m. on 23rd May, 2001.

CONVERSION OF CONVERTIBLE BONDS

1. Conversion

On 22nd May, 2001, the Company received a notice of conversion under which CTS Holdings will convert the amount of HK\$600,295,890.41 (representing the sum of the entire outstanding principal amount of HK\$600,000,000.00 and the accrued interest of HK\$295,890.41) of the Convertible Bond at HK\$1.1308 per Share pursuant to the terms of the Convertible Bond, which was issued by the Company to CTS Holdings on 15th May, 2001, being the completion date of the acquisition of Alton Services Limited, details of which were set out in the circular of the Company dated 11th April, 2001. The expiry date of the Convertible Bond was 14th November, 2002 and the Convertible Bond bears a coupon of 2% per annum. As a result of the Conversion, the Company will allot and issue 530,859,472 Shares to CTS Holdings. The CB Shares represent about 16.28% of the existing issued share capital of the Company and 14.00% of the issued share capital of the Company as enlarged by the Conversion. The CB Shares will rank pari passu in all respects with the existing Shares including the right to receive dividends declared by the Company and bonus issue of warrants. It is expected the CB Shares will be allotted and issued to CTS Holdings on 23rd May, 2001.

2. Benefits of the Conversion to the Company

The Directors believe that the Conversion will enhance the equity base of the Company, reduce interest expenses and hence improve the financial position of the Company.

PLACEMENT OF SHARES BY CTS HOLDINGS

1. Date of the Placing Agreement

22nd May, 2001

2. Vendor

CTS Holdings, the controlling shareholder of the Company

3. Shares to be placed

170,000,000 Shares representing about 5.21% of the existing issued share capital of the Company and about 4.48% of the issued share capital of the Company as enlarged by the Conversion (assuming no exercise of the Over-allotment Option).

Pursuant to the Placing Agreement, CTS Holdings has granted to BNP Paribas Peregrine Securities Limited the Over-allotment Option, which is exercisable at any time on or before 4:30 p.m. on the Trade Date. Pursuant to the Over-allotment Option, CTS Holdings may be required to dispose of up to an aggregate of 30,000,000 additional Shares to cover over-allotment in the Placement. If the Over-allotment Option is exercised in full, the Placing Shares in aggregate will represent about 6.13% of the existing issued share capital of the Company and about 5.28% of the issued share capital of the Company as enlarged by the Conversion.

4. Placing Price

HK\$1.6435 per Share representing a discount of 5% to the closing price of the Share at HK\$1.73 on 21st May, 2001 (the last trading date prior to the date of the Placing Agreement) and a discount of about 0.75% to the average closing price of HK\$1.656 per Share for the five trading days up to 21st May, 2001.

5. Placing agent and underwriter

The Placement is fully underwritten by BNP Paribas Peregrine Securities Limited

6. Independence of the places and the placing agent and the underwriter

The places and BNP Paribas Peregrine Securities Limited are third parties independent of and not connected with any of the directors, chief executive or substantial shareholder of the Company, any of its subsidiaries or any of their respective associates (as defined in the Listing Rules)

7. Undertaking by CTS Holdings

CTS Holdings has undertaken to BNP Paribas Peregrine Securities Limited that CTS Holdings will not, unless with prior consent in writing of BNP Paribas Peregrine Securities Limited, offer for sale or disposal or sell or dispose of any of its direct or indirect shareholding or interest in shares of the Company or any securities which may be converted into or exchangeable for any shareholding or interest in shares of the Company for a period of three months from the date of the Placing Agreement.

8. Completion of the Placement

The second business day (excluding Saturday) immediately after the Trade Date.

9. Benefits of the Placement to the Company

The Directors believe that the Placement will enhance the liquidity of the Shares and broaden the shareholder base of the Company.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company immediately before and after completion of the Conversion, the Placement and assuming exercise in full of the Over-allotment Option:

	Shareholding structure as at 22/5/2001		Immediately after Conversion		Immediately after Conversion and Placement		Immediately after Conversion, Placement and exercise of Over-allotment Option	
CTS Holdings	1,956,561,741	60.00%	2,487,421,213	65.60%	2,317,421,213	61.12%	2,287,421,213	60.32%
Directors (non-public)	14,952,000	0.46%	14,952,000	0.39%	14,952,000	0.39%	14,952,000	0.39%
Public (Placing Shares)	—	0.00%	—	0.00%	170,000,000	4.48%	200,000,000	5.28%
Public (Others)	1,289,601,286	39.54%	1,289,601,286	34.01%	1,289,601,286	34.01%	1,289,601,286	34.01%
Total	3,261,115,027	100.00%	3,791,974,499	100.00%	3,791,974,499	100.00%	3,791,974,499	100.00%

After completion of the Conversion and the Placement (assuming exercise in full of the Over-allotment Option), CTS Holdings will retain an equity interest of about 60.32% in the Company.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 10:00 a.m. on 22nd May, 2001. Application has been made to the Stock Exchange for resumption of trading of the Shares with effect from 10:00 a.m. on 23rd May, 2001.

DEFINITIONS

"CB Shares"	530,859,472 Shares to be issued pursuant to the Conversion
"Company"	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Conversion"	conversion of the Convertible Bond and the interest accrued thereon
"Convertible Bond"	convertible bond with the principal amount of HK\$600,000,000.00 issued by the Company to CTS Holdings on 15th May, 2001, being the completion date of the acquisition of Alton Services Limited, details of which were set out in the circular of the Company dated 11th April, 2001
"CTS Holdings"	China Travel Service (Holdings) Hong Kong Limited, a company incorporated in Hong Kong and the controlling shareholder of the Company
"Directors"	directors of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Over-allotment Option"	the over-allotment option granted by CTS Holdings to BNP Paribas Peregrine Securities Limited pursuant to the Placing Agreement
"Placement"	transactions contemplated under the Placing Agreement
"Placing Agreement"	the placing agreement entered into between CTS Holdings and BNP Paribas Peregrine Securities Limited on 22nd May, 2001
"Placing Price"	HK\$1.6435
"Placing Shares"	200,000,000 Shares
"Share(s)"	share(s) of HK\$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trade Date"	the first day after the date of the Placing Agreement on which the Shares will be traded on the Stock Exchange

By order of the board of
China Travel International Investment Hong Kong Limited
Shen Zhuying
Managing Director