



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 THE CONVERTIBLE NOTES
 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 5th November, 2001, the Company will allot and issue 427,272,727 Shares to CTS Holdings on 6th November, 2001 upon the exercise by CTS Holdings of its conversion rights under the Convertible Notes; and
 2. CTS Holdings has agreed on 5th November 2001 to place up to 220,000,000 Shares at HK\$1.46 per Share to independent places.
- The Directors believe that the Conversion will enhance the equity base of the Company and 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 59.12% in the Company.

CONVERSION OF THE CONVERTIBLE NOTES

1. Conversion

On 5th November 2001, the Company received a notice of conversion under which CTS Holdings will convert the amount of HK\$470,000,000 (representing the sum of the entire outstanding principal amount) of the Convertible Notes at HK\$1.10 per Share pursuant to the terms of the Convertible Notes, which was issued by the Company to CTS Holdings on 4th December, 1998, details of which were set out in the circular of the Company dated 14th November, 1998. The expiry date of the Convertible Notes is 4th December, 2001 and the Convertible Notes bear a coupon of 6% per annum. As a result of the Conversion, the Company will allot and issue 427,272,727 Shares to CTS Holdings. The Conversion Shares represent about 11.27% of the existing issued share capital of the Company and 10.12% of the issued share capital of the Company as enlarged by the Conversion. The Conversion Shares will rank pari passu in all respects with the existing Shares. It is expected the Conversion Shares will be allotted and issued to CTS Holdings on 6th November, 2001.

2. Benefits of the Conversion to the Company

The Directors believe that the Conversion will enhance the equity base of the Company, and improve the financial position of the Company. The Directors expect the Group will be in a net cash position as a result of the Conversion since the Group will not be required to pay any cash to settle the principal amount of the Convertible Notes upon the maturity of the Convertible Notes.

PLACEMENT OF SHARES BY CTS HOLDINGS

1. Date of the Placing Agreement

5th November, 2001

2. Vendor

CTS Holdings, the controlling shareholder of the Company

3. Shares to be placed

200,000,000 Shares representing about 5.27% of the existing issued share capital of the Company and about 4.74% 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 20,000,000 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 5.80% of the existing issued share capital of the Company and about 5.21% of the issued share capital of the Company as enlarged by the Conversion.

4. Placing Price

HK\$1.46 per Share representing a discount of 7.0% to the closing price of the Share at HK\$1.57 on 5th November, 2001 (being the date of the Placing Agreement) and a discount of about 1.95% to the average closing price of HK\$1.489 per Share for the ten trading days up to 5th November, 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 5/11/2001	Immediately after Conversion	Immediately after Conversion and Placement	Immediately after Conversion, Placement and exercise of Over-allotment option
CTS Holdings	2,287,421,213	2,714,693,940	2,514,693,940	2,494,693,940
Directors (non-public)	10,672,000	10,672,000	10,672,000	10,672,000
Public (Placing Shares)	—	—	200,000,000	220,000,000
Public (Others)	1,494,799,498	1,494,799,498	1,494,799,498	1,494,799,498
Total	<u>3,792,892,711</u>	<u>4,220,165,438</u>	<u>4,220,165,438</u>	<u>4,220,165,438</u>
	60.31%	64.33%	59.59%	59.12%
	0.28%	0.25%	0.25%	0.25%
	0.00%	0.00%	4.74%	5.21%
	39.41%	35.42%	35.42%	35.42%
	100.00%	100.00%	100.00%	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 59.12% in the Company.

DEFINITIONS

“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 Notes
“Conversion Shares”	427,272,727 Shares to be issued pursuant to the Conversion
“Convertible Notes”	ten convertible notes with the aggregate principal amount of HK\$470,000,000.00 issued by the Company to CTS Holdings on 4th December, 1998, details of which were set out in the circular of the Company dated 14th November, 1998
“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
“Group”	the Company and its subsidiaries
“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 5th November, 2001
“Placing Price”	HK\$1.46
“Placing Shares”	up to 220,000,000 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