



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)

CONNECTED TRANSACTION

Pursuant to an agreement dated 20th March, 2000 (the "Agreement"), Good Way Technology Limited ("the Purchaser"), a wholly-owned subsidiary of China Travel International Investment Hong Kong Limited (the "Company"), has agreed to acquire from China Travel Service (Holdings) Hong Kong Limited ("the Vendor"), the holding company of the Company, 18% of the entire issued share capital ("Sale Shares") of China Travel Net Limited ("BVI Co"), a wholly-owned subsidiary of the Vendor (the "Acquisition") at a consideration of HK\$180,000,000 to be paid on Completion (as hereinafter defined).

Subject to completion of the Acquisition and the Listing (as hereinafter defined) and in consideration of HK\$1.00 payable by the Purchaser to the Vendor, the Purchaser will also be granted an option by the Vendor to require the Vendor to sell further shares of Listco (as hereinafter defined) to the Purchaser in accordance with the terms and conditions of the Agreement.

As part of the implementation of the Reorganisation (as hereinafter defined), BVI Co has become an investment holding company which holds either directly or indirectly the entire issued share capital of (i) China Travel Hi-Tech Computer Hong Kong Limited ("CTHT"); (ii) Starsoft Computer Services Limited ("Starsoft"); (iii) China Travel Net Hong Kong Limited ("China Travel Net"), all of which are private companies incorporated in Hong Kong (collectively, the "Hong Kong Companies"); and (iv) Starsoft Computer Services (Shenzhen) Co. Ltd. ("Shenzhen Starsoft"), a company incorporated in the PRC.

Since the Vendor is the holding company of the Company, the transaction contemplated under the Agreement therefore constitutes a connected transaction under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

PARTIES:

Vendor: China Travel Service (Holdings) Hong Kong Limited, the holding company of the Company.
Purchaser: Good Way Technology Limited, a wholly-owned subsidiary of the Company.
Guarantor: the Company.

THE ACQUISITION AND CONSIDERATION

The Acquisition relates to 18% of the entire issued share capital of BVI Co.

The consideration for 18% of the entire issued share capital of BVI Co is HK\$180,000,000 payable on Completion.

The consideration was arrived at after arms-length negotiation between the Vendor and the Purchaser, which was determined on the same basis as the consideration agreed to be paid by Investor I and offered by Investor II (both as hereinafter defined) under Acquisition I and Acquisition II (both as hereinafter defined) respectively.

The directors (including the non-executive directors) of the Company believe that the consideration is fair and reasonable.

CONDITIONS PRECEDENT FOR THE ACQUISITION

Completion of the Acquisition is conditional upon, among other things, the following conditions precedent having been fulfilled:-

- the acquisition by CTHT (directly or indirectly) of the entire issued share capital of Starsoft and Shenzhen Starsoft; and
- the Vendor having transferred the entire issued share capital of CTHT to BVI Co.

All the above conditions have been fulfilled prior to the date of this announcement.

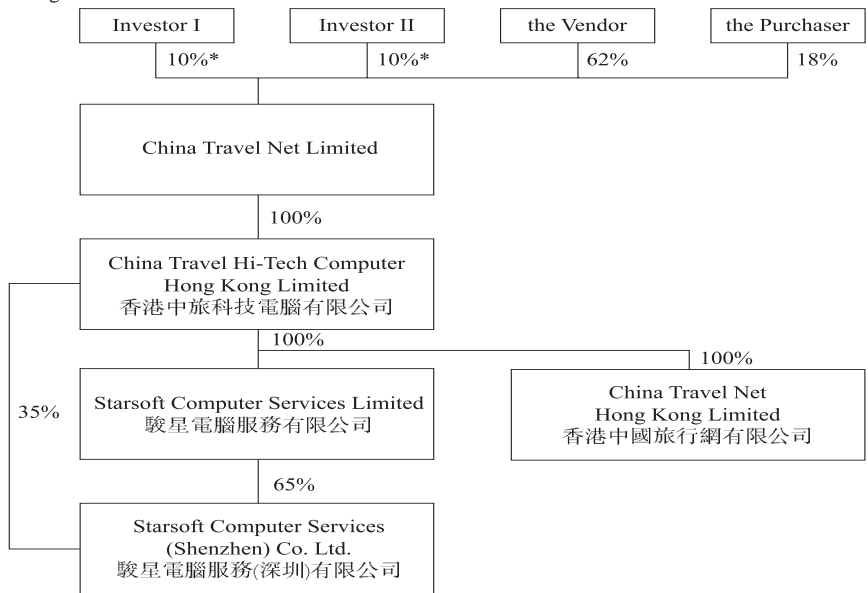
REORGANISATION

The entire issued share capital of BVI Co is currently beneficially owned by the Vendor. An independent third party ("Investor I") has entered into a conditional sale and purchase agreement with the Vendor for the acquisition of 10% of the issued share capital of BVI Co ("Acquisition I"), the completion of which is subject to fulfillment of various conditions precedent and therefore may or may not take place. The Vendor is also undergoing negotiation with another independent third party ("Investor II") relating to the possible acquisition by the Investor II from the Vendor a direct or indirect 10% of the entire issued share capital of BVI Co ("Acquisition II") but no legally binding sale and purchase agreement has been entered into between the Vendor and Investor II relating to the Acquisition II. However, the Company expects that the sale and purchase agreement between the Vendor and Investor II in relation to the Acquisition II may be entered into on or about 31st March, 2000. As the Vendor and Investor II is still under negotiation, the Acquisition II may or may not be proceeded. Upon completion of the Acquisition I and the Acquisition II, the beneficial shareholders of BVI Co or Listco (as hereinafter defined) may comprise the Vendor, the Purchaser, the Investor I and the Investor II (collectively, the "BVI Shareholders").

The reorganisation (the "Reorganisation") will involve the sale and purchase of the entire issued share capital of BVI Co by the BVI Shareholders to China Travel e-Business Limited ("Listco"), in consideration for Listco's issuance and allotment to the BVI Shareholders of equivalent percentage of the shares of Listco in preparation for the listing of the Listco's shares on the Growth Enterprise Market of the Stock Exchange ("Listing"). **Approval for Listing may or may not be obtained. Shareholders of the Company and potential investors are reminded to exercise extreme caution when dealing in shares of the Company.**

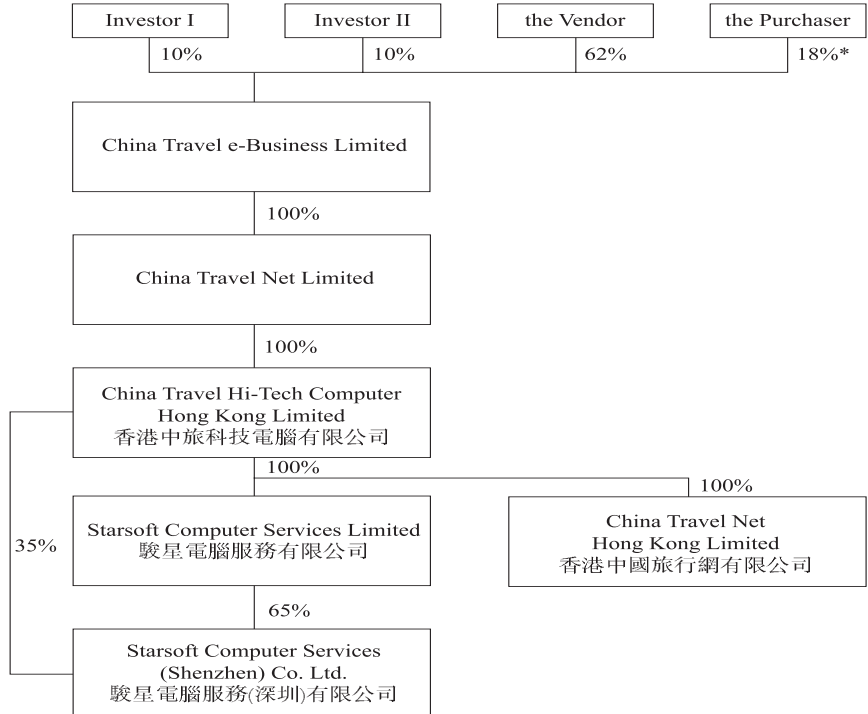
Upon the completion of the Reorganisation, Listco will directly or indirectly hold the entire issued share capital of BVI Co, the Hong Kong Companies and Shenzhen Starsoft (the "Proposed Listed Group").

The following chart shows the proposed beneficial shareholding structure of BVI Co before Reorganisation:



* Assuming each of the Investor I and the Investor II will directly acquire 10% of the entire issued share capital of BVI Co.

The following chart shows the proposed beneficial shareholding structure of Listco after Reorganisation but before taking into account any shares of Listco to be issued upon Listing:



* With an option to acquire from the Vendor a further 2% of the entire issued share capital of Listco immediately prior to Listing.

DATE OF COMPLETION OF THE ACQUISITION

As all the conditions precedent mentioned above have been fulfilled, completion of the Agreement has taken place on 21st March, 2000.

UNDERTAKING

- (A) In the event that the Purchaser has acquired the Sale Shares pursuant to the Agreement and the shareholders of BVI Co and Listco agree to the Listing:-
- the Vendor undertakes to the Purchaser to procure that Listco shall purchase the Sale Shares from the Purchaser in consideration of the issue and allotment by Listco of 18% of the issued share capital of Listco to the Purchaser before Listing; and

- the Purchaser undertakes to the Vendor to sell the Sale Shares to Listco in exchange for the issue and allotment by Listco of 18% of the issued share capital of Listco before Listing.

(B) The Purchaser has also undertaken to the Vendor that:-

- in the event that the Purchaser has acquired the Sale Shares pursuant to the Agreement:-
 - the Purchaser shall not sell, transfer, mortgage, charge, or otherwise dispose of or encumber the whole or any part of the Sale Shares otherwise than in accordance with (A) above provided that if Listing does not occur on or before 30th June, 2000, the Purchaser shall be entitled to sell, transfer, mortgage, charge, or otherwise dispose of or encumber the whole or any part of the Sale Shares; and
 - the Purchaser shall not sell, transfer, mortgage, charge, or otherwise dispose of or encumber the whole or any part of the shares in Listco which are issued and allotted by Listco to the Purchaser pursuant to (A) above at any time prior to the lapse of six months from the date on which the shares of Listco commence to list on the Growth Enterprise Market of the Stock Exchange (the "Listing Date") or such period prescribed by the GEM Listing Rules (if applicable to the Purchaser);
- in the event that the Purchaser has acquired the Option Shares (as defined below), the Purchaser shall not sell, transfer, mortgage, charge, or otherwise dispose of or encumber the whole or any part of the Option Shares at any time prior to the lapse of six months from the Listing Date or such longer period prescribed by the GEM Listing Rules (if applicable to the Purchaser), whichever is the later.

OPTION

Subject to completion of the Acquisition, the Listing and obtaining the approval and/or waiver of The Stock Exchange of Hong Kong Limited as may be applicable under the GEM Listing Rules and in consideration of HK\$1.00 payable by the Purchaser to the Vendor, the Purchaser shall be granted an option (the "Option") which will be exercisable at any time (other than during such period ("GEM Lock-up Period") for which the Vendor has undertaken to Listco and the Stock Exchange pursuant to Rule 13.16 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") not to dispose of its interest in the Shares of Listco) within the period of one year commencing from the Listing Date or in the event the GEM Lock-up Period is more than 6 months from the Listing Date, within the period of 6 months after the expiry of GEM Lock-up Period, to require the Vendor to sell or procure the sale of such further shares of Listco which is equal to 2% of the entire issued share capital of Listco immediately prior to Listing (the "Option Shares") at a consideration of HK\$20,000,000. The consideration was determined on the same basis as the determination of the consideration for the acquisition of 18% of the entire issued share capital of BVI Co under the Agreement.

CONDITIONS PRECEDENT FOR THE OPTION

Completion of the sale and purchase of the Option Shares pursuant to the exercise of the Option is conditional upon, among others, the following conditions having been fulfilled:-

- the Listing having occurred; and
- to the extent required by the Listing Rules, the independent shareholders of the Company who are permitted under the Listing Rules to vote at a general meeting of such shareholders convened for the purpose of the Option having approved the exercise of the Option and the completion of the purchase of the Option Shares.

GUARANTEE

The Company has agreed to guarantee, unconditionally and irrevocably as primary obligor, the due observance and performance by the Purchaser of all the agreements, stipulations, terms and conditions contained in the Agreement to be observed and performed on the part of the Purchaser and in the event that the Purchaser shall fail to observe and perform in accordance with the Agreement, the Company shall indemnify and keep indemnified fully the Vendor against any loss or damage (including all costs and expenses) the Vendor may have suffered or incurred as a result of such failure on the part of the Purchaser.

CHINA TRAVEL NET LIMITED AND ITS SUBSIDIARIES

China Travel Net Limited is a company incorporated in the British Virgin Islands on 17th January, 2000. It will be an investment holding company incorporated by the Vendor to operate as an intermediate holding company of the subsidiaries of the Proposed Listed Group.

CTHT is a company incorporated in Hong Kong on 11th December, 1996 and is principally engaged in the businesses of, among others, on-line travel service, application services provider service, software and projects development, identity documents and security system development. The net asset value of CTHT as at 31st December, 1998 and 31st December, 1999 are approximately HK\$16,615,514 and HK\$38,213,417 respectively and the audited profit for the year ended 31st December, 1998 is approximately HK\$517,970 and the unaudited profit for the year ended 31st December, 1999 is approximately HK\$21,597,903.

Starsoft is a company incorporated in Hong Kong on 7th July, 1989 and operates as an intermediate holding company of Shenzhen Starsoft. The net deficiency values of Starsoft as at 31st December, 1998 and 31st December, 1999 are approximately HK\$13,885,248 and HK\$13,921,773 respectively and the audited profit for the year ended 31st December, 1998 is approximately HK\$16,700 and the unaudited loss for the year ended 31st December, 1999 is approximately HK\$36,525.

China Travel Net is a company incorporated in Hong Kong on 3rd March, 2000 and is intended to be principally engaged in the businesses of, among others, internet investment and travel related services. China Travel Net has not commenced business since its incorporation.

Shenzhen Starsoft is a company incorporated in the PRC on 30th January, 1991 and is principally engaged in the business of software and projects development. The net asset value of Shenzhen Starsoft as at 31st December, 1998 and 31st December, 1999 are approximately HK\$1,364,000 and HK\$1,370,000 and the audited profit for the year ended 31st December, 1998 is approximately HK\$5,960. The unaudited profit for the year ended 31st December, 1999 is approximately HK\$365,327.

CONNECTED TRANSACTION

The Vendor is the holding company of the Company which beneficially owns approximately 60.18% of the entire issued share capital of the Company and is therefore connected with the Company. Accordingly, the transactions contemplated under the Agreement constitutes a connected transaction under the Listing Rules for the Company.

However, since the consideration for the Acquisition in pursuance to the Agreement is less than 3 per cent. of the net asset value of the Company (being HK\$6,203,196,000, an aggregate of the net asset value as shown in the audited consolidated accounts of the Company as at 31st December, 1998 and the net profit as shown in the interim results of the Company announced on 21st September, 1999), the Company is only required, in pursuance to Rule 14.25(1) of the Listing Rules, to disclose the transaction by way of a press notice and the inclusion of certain information in relation to the transaction described herein in the next annual report and accounts of the Company.

In the event the Purchaser exercises the Option pursuant to the Agreement, the Company will comply fully with the relevant provisions of the Listing Rules in relation to connected transactions, including obtaining the Company's independent shareholders' approval, if appropriate.

EXISTING BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES

The principal businesses of the Company and its subsidiaries are hotel operations, tour operations, travel and leisure operations, transportation and infrastructure investments.

REASONS FOR THE TRANSACTION

As a result of the rapid development of internet and information technology, the way that consumers and business conduct transactions has changed fundamentally. At present, there are increasing numbers of consumers and businesses engaging in the on-line evaluation, selection and purchase of goods and services. In light of the above, the Directors believe that through the Acquisition, the Company will benefit substantially from the emerging nature of the internet and information technology related businesses by exploring trade opportunities in these potential markets.

GENERAL

Further information on the transaction as contemplated in the Agreement will be set out in the next published annual report and accounts of the Company.

By the Order of the Board of
China Travel International Investment Hong Kong Limited
Wu Yingqiu
Director

Hong Kong, 22nd March, 2000

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.