



香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION

On 13 June 2002, Invincible, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreements with Baoheng Group to purchase all the remaining interests in Tycoon Golf Course, comprising Tycoon (Shenzhen) Sale Capital, Tycoon (Shenzhen) Sale Loan, Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares. On Completion, the Group will become 100% holding company of Tycoon Golf Course in Shenzhen, PRC. The Company is at present the 80% holding company of Tycoon Golf Companies.

Baoheng Group, being substantial shareholders of Tycoon Golf Companies which (through Invincible) are 80% subsidiaries of the Company, are connected persons to the Company and the Acquisition constitutes connected transaction for the Company under the Listing Rules. As the consideration and value of the Acquisition is less than 3% of the book value of the net tangible assets of the Group, the Acquisition falls within the de minimus provision of and are subject to the disclosure requirements set out in Rule 14.25(1) of the Listing Rules. Details of the Acquisition will be included in the next published annual report of the Company in accordance with Rules 14.25(1)(A) to (D) of the Listing Rules.

DETAILS OF THE ACQUISITION AGREEMENTS

Acquisition Agreement 1

Date 13 June 2002

Parties

- (1) Invincible, as purchaser of Tycoon (Shenzhen) Sale Capital and Tycoon (Shenzhen) Sale Loan, being all of KWL's interests in Tycoon (Shenzhen); and
- (2) KWL, a non wholly-owned subsidiary of Baoheng, as vendor of Tycoon (Shenzhen) Sale Capital and Tycoon (Shenzhen) Sale Loan.

Acquisition Agreement 2

Date 13 June 2002

Parties

- (1) Invincible, as purchaser of Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares, being all of Tops Properties' interests in Tycoon (Hong Kong) and Tycoon (Samoa); and
- (2) Tops Properties, a wholly-owned subsidiary of Baoheng, as vendor of Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares.

Assets acquired

Tycoon (Shenzhen) Sale Capital and Tycoon (Shenzhen) Sale Loan, under Acquisition Agreement 1. Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares, under Acquisition Agreement 2.

At present, Tycoon Golf Companies are 80% subsidiaries of the Company. Tycoon (Shenzhen) Sale Capital, Tycoon (Shenzhen) Sale Loan, Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares represent all the remaining interests in Tycoon Golf Companies, which are held by Baoheng Group.

Condition and Completion

Completion will take place within 5 business days after the new business registration certificate for Tycoon (Shenzhen) having been obtained. The Company expects Completion to take place on or before the end of this year. The Acquisition Agreements are inter-conditional and completion of the Acquisition Agreements will take place on the same day.

Upon Completion, Tycoon Golf Companies will become wholly-owned subsidiaries of the Company.

Consideration

The consideration for the Acquisition is approximately RMB30,002,139.00 (i.e. approximately HK\$28,269,235.00) as follows:—

- (1) RMB20,000,000.00 (i.e. approximately HK\$18,844,813.00) for Tycoon (Shenzhen) Sale Capital under Acquisition Agreement 1;
- (2) at face value of RMB10,000,000.00 (i.e. approximately HK\$9,422,406.00), for Tycoon (Shenzhen) Sale Loan under Acquisition Agreement 1;
- (3) HK\$2,000.00 (i.e. approximately RMB2,122.00) for Tycoon (Hong Kong) Sale Shares under Acquisition Agreement 2; and
- (4) HK\$15.60 (i.e. approximately RMB17.00) for Tycoon (Samoa) Sale Shares under Acquisition Agreement 2.

The above consideration was arrived at after arm's length negotiations between the parties with reference to the initial investment costs of RMB30,002,139.00 made by Baoheng Group in respect of Tycoon (Shenzhen) Sale Capital, Tycoon (Shenzhen) Sale Loan, Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares. The consideration under the Acquisition Agreements will be payable in cash on Completion.

The Acquisition will be funded by the Group's internal resources.

Other Arrangements

On Completion, KWL will be entitled to 2 free corporate (single nominee) memberships with Tycoon Golf Course. Whether completion of the Acquisition Agreements takes place or not, Tycoon (Shenzhen) will acquire from Baoheng all the golf equipment currently provided free of charge to Tycoon Golf Course by Baoheng, at a total consideration of RMB3,800,000.00 (i.e. approximately HK\$3,580,514.00) payable on or before 18 June 2002 by Tycoon (Shenzhen).

INFORMATION ON TYCOON GOLF COMPANIES

Tycoon (Shenzhen) is the owner and operator of Tycoon Golf Course in Shenzhen, PRC. Tycoon (Hong Kong) and Tycoon (Samoa) are sales and marketing agents of Tycoon (Shenzhen).

As at 31 December 2001, the combined audited net asset value of Tycoon (Shenzhen), Tycoon (Hong Kong) and Tycoon (Samoa) was RMB56,769,359.00 (i.e. approximately HK\$53,490,398.00). For the year ended 31 December 2000, the combined audited net loss of Tycoon (Shenzhen), Tycoon (Hong Kong) and Tycoon (Samoa) before and after taxation were RMB7,562,983.00 (i.e. approximately HK\$7,126,150.00) and RMB7,854,760.00 (i.e. approximately HK\$7,401,074.00) respectively. For the year ended 31 December 2001, the combined audited net profits of Tycoon (Shenzhen), Tycoon (Hong Kong) and Tycoon (Samoa) before and after taxation were RMB2,768,223.00 (i.e. approximately HK\$2,608,332.00) and RMB2,267,260.00 (i.e. approximately HK\$2,136,305.00) respectively.

REASONS FOR THE ACQUISITION

At present, the Tycoon Golf Companies are 80% subsidiaries of the Company. Upon Completion, Tycoon Golf Companies will become wholly-owned subsidiaries of the Company. The Directors consider that the Acquisition provides a suitable opportunity for the Company to become the 100% holding company of Tycoon Golf Course in Shenzhen, PRC in order to better capitalise on the potential growth in the leisure business in the PRC. The Directors (including all the independent non-executive directors) consider the terms, including the consideration for the Acquisition to be fair and reasonable and in the interests of the Company and all the shareholders as a whole.

GENERAL

Baoheng Group, being substantial shareholders of Tycoon Golf Companies which (through Invincible) are 80% subsidiaries of the Company, are connected persons to the Company and the Acquisition constitutes connected transaction for the Company under the Listing Rules. As the consideration and value of the Acquisition is less than 3% of the book value of the net tangible assets of the Group, the Acquisition falls within the de minimus provision of and are subject to the disclosure requirements set out in Rule 14.25(1) of the Listing Rules. Details of the Acquisition will be included in the next published annual report of the Company in accordance with Rules 14.25(1)(A) to (D) of the Listing Rules.

DEFINITIONS

Expressions

"Acquisition"

"Acquisition Agreement 1"

"Acquisition Agreement 2"

"Acquisition Agreements"

"Baoheng"

"Baoheng Group"

"Company"

"Completion"

"connected person"

"Directors"

"Group"

"Invincible"

"KWL"

"Listing Rules"

"PRC"

"Stock Exchange"

"substantial shareholder"

"Tops Properties"

"Tycoon Golf Companies"

"Tycoon Golf Course"

"Tycoon (Shenzhen)"

"Tycoon (Shenzhen) Sale Capital"

"Tycoon (Shenzhen) Sale Loan"

"Tycoon (Hong Kong)"

"Tycoon (Hong Kong) Sale Shares"

"Tycoon (Samoa)"

"Tycoon (Samoa) Sale Shares"

"RMB"

"HK\$"

"US\$"

Meanings

acquisitions of Tycoon Golf Companies pursuant to the Acquisition Agreements

the acquisition agreement dated 13 June 2002 whereby Invincible acquires the Tycoon (Shenzhen) Sale Capital and Tycoon (Shenzhen) Sale Loan

the acquisition agreement dated 13 June 2002 whereby Invincible acquires the Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares

Acquisition Agreement 1 and Acquisition Agreement 2

Shenzhen Baoheng (Group) Co., Ltd (深圳市寶恒(集團)股份有限公司), a company established in the PRC and the holding company of KWL and Tops Properties

KWL and Tops Properties

China Travel International Investment Hong Kong Limited

completion of the Acquisition pursuant to the Acquisition Agreements

as defined in the Listing Rules

directors of the Company

the Company and its subsidiaries or, where the context so requires, any of them

Invincible Limited, an indirect wholly-owned subsidiary of the Company and the 80% holding company of Tycoon Golf Companies

Shenzhen Guanhualong Industry Company (深圳市冠華隆實業有限公司), a non wholly-owned subsidiary of Baoheng established in the PRC and the vendor of Tycoon (Shenzhen) Sale Capital and Tycoon (Shenzhen) Sale Loan

the Rules Governing the Listing of Securities on the Stock Exchange

the People's Republic of China

The Stock Exchange of Hong Kong Limited

as defined in the Listing Rules

Tops Properties Limited, a wholly-owned subsidiary of Baoheng incorporated in Hong Kong and the vendor of Tycoon (Hong Kong) Sale Shares and Tycoon (Samoa) Sale Shares

Tycoon (Shenzhen), Tycoon (Hong Kong) and Tycoon (Samoa)

the Shenzhen Tycoon Golf Course (深圳聚豪會高爾夫球場) situated in Shenzhen, PRC

Shenzhen Tycoon Golf Club Co. Ltd (深圳聚豪會高爾夫球會有限公司), a company established in PRC

the issued capital of Tycoon (Shenzhen) held by KWL, being 20% of the issued and paid-up capital of Tycoon (Shenzhen)

RMB10,000,000.00 (i.e. approximately HK\$9,422,406.00), being the advance made by KWL to Tycoon (Shenzhen) which is interest free, unsecured and repayable on demand.

Shenzhen Tycoon Golf Club Co., Limited, a company incorporated in Hong Kong

2,000 fully paid shares of HK\$1.00 each in Tycoon (Hong Kong), being 20% of the issued capital of Tycoon (Hong Kong)

Tycoon Golf Club Co., Ltd, a company incorporated in Samoa

2 fully paid shares of US\$1.00 each in Tycoon (Samoa), being 20% of the issued capital of Tycoon (Samoa)

Reminbi, the lawful currency of PRC

Hong Kong dollars, the lawful currency of Hong Kong

United States dollars, the lawful currency of the United States of America

* Exchange rates used in this announcement are HK\$100 to RMB106.13, and HK\$780 to US\$100

By order of the Board
Ng Chi Man, Michael
Executive Director

Hong Kong, 17 June 2002