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# WING ON TRAVEL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1189)

## DISCLOSEABLE TRANSACTION

### Establishment of Joint Venture for the provision of travel and related services

On 11 November 2005, the Company, ITS (a wholly owned subsidiary of the Company), the JV Company, GDCTS and GDCTS Nominee entered into the Agreement under which the parties agreed that, subject to the fulfilment or waiver of certain conditions precedent, each of ITS and GDCTS would contribute RMB25,000,000 (equivalent to approximately HK\$24,038,500) to the Joint Venture (to be satisfied in the manner described below) in return for a 50% interest in the issued share capital of the JV Company.

The Joint Venture is intended to be established with a view to providing ticket booking services for hotel, airline and other transportation and event services, the operation of call centers, and the marketing of such services and other travel related services.

The Group's investment in the Joint Venture pursuant to the Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further information on the Joint Venture and the Agreement will be despatched to shareholders of the Company as soon as practicable.

#### THE AGREEMENT

Date: 11 November 2005

- Parties:
1. the Company;
  2. ITS, a wholly owned subsidiary of the Company;
  3. JV Company, a wholly owned subsidiary of ITS as at the date of this announcement which is intended to be held as to 50% by ITS and 50% by GDCTS Nominee (on behalf of and for the benefit of GDCTS) immediately following Completion;
  4. GDCTS; and
  5. GDCTS Nominee.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, GDCTS, GDCTS Nominee and their ultimate beneficial owners are Independent Third Parties and the principal business activities of GDCTS are (i) the provision of travel and related services including inbound, outbound and domestic tours, car hire and transportation services; (ii) hotel operation and management; and (iii) investment in and management of sightseeing spots. GDCTS Nominee is an investment holding company for the purpose of, among other things, the investment into the Joint Venture pursuant to the Agreement.

#### Subscription for shares in JV Company

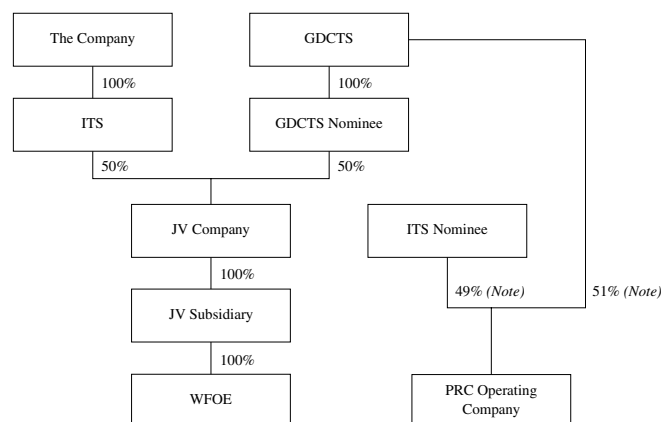
Subject to the fulfilment or waiver of certain conditions precedent which are summarised below, each of ITS and GDCTS Nominee (on behalf of and for the benefit of GDCTS) will subscribe for an aggregate of 9,999 shares in the JV Company as to 4,999 shares by ITS and the remaining 5,000 shares by GDCTS Nominee such that, immediately following Completion, each of them will hold 50% interest in the total issued share capital of the JV Company.

#### Joint Venture

The JV Company is intended to be the holding company of the Joint Venture which is to be established with a view to engaging in the Intended Business.

As at the date of this announcement, the total issued share capital of the JV Company comprises one share with a nominal value of US\$1.00 which is wholly and beneficially owned by ITS. JV Subsidiary is wholly owned by the JV Company. None of the JV Company and WFOE is currently active in any business operations since its respective incorporation or owns any material asset as at the date of this announcement, save for the entering into the Agreement by JV Company as a party thereto. Following Completion, the issued share capital of 10,000 shares of US\$1.00 each of the JV Company will be held as to 5,000 shares by each of ITS and GDCTS Nominee (on behalf of and for the benefit of GDCTS). Through the pledge and option arrangements in favour of WFOE described in paragraphs 1 and 2 in the subsection headed "ITS" under the section headed "Contributions" below and the board composition of the PRC Operating Company which will be nominated by the JV Company, the PRC Operating Company will be accounted for as a wholly owned subsidiary of the JV Company. Each of ITS and GDCTS (through GDCTS Nominee) will account for its share of results in the JV Company in accordance with their proportion of interests in the JV Company. The Group's interest in the JV Company will be recorded as interests in associates in its financial statements and the consolidated results of the JV Company together with its subsidiaries will be accounted for in the financial statements of the Company using the equity method of accounting in accordance with the Hong Kong Financial Reporting Standards.

According to the Agreement, GDCTS will cause the PRC Operating Company to be established with ITS Nominee and GDCTS being the registered holders of a 49% and 51% equity interest respectively. For the purposes of illustration only, a simplified corporate structure of the Joint Venture as contemplated under the Agreement is presented below.



*Note:* It is intended that the 49% and 51% interests in the PRC Operating Company will be subject to the pledge and option arrangements in favour of WFOE described in paragraphs 1 and 2 in the section headed "Contributions" below.

Furthermore, pursuant to the Shareholders Agreement, the board composition of the JV Company, JV Subsidiary, WFOE and the PRC Operating Company will be as follows:

- JV Company will have a board of not less than 4 and not more than 5 directors with 2 directors to be elected by ITS and 2 directors to be elected by GDCTS Nominee; and
- each of JV Subsidiary, WFOE and the PRC Operating Company will have a board of not less than 4 and not more than 5 directors who are to be nominated by the JV Company.

#### Contributions

Pursuant to the Agreement, each of ITS and GDCTS undertakes certain obligations including, among other matters, contributions to the Joint Venture of RMB25,000,000 (equivalent to approximately HK\$24,038,500) to be satisfied by them in cash or in kind to establish the Intended Business in the following manner:

#### ITS

- ITS will cause to be paid to WFOE a cash sum of RMB2,450,000 (equivalent to approximately HK\$2,355,800) and will cause WFOE to lend the whole amount to ITS Nominee as a non-interest bearing loan, repayable after service of a thirty (30) days' prior written notice by WFOE unless the loan is set-off in the manner described below. ITS Nominee would then:
  - apply the entire loan amount of RMB2,450,000 as his contribution to the PRC Operating Company in return for a 49% equity interest in the PRC Operating Company;
  - pledge his entire 49% equity interest in the PRC Operating Company to WFOE as security for the loan granted to him by WFOE and for his obligations under the option referred to in sub-paragraph 1(c) below; and
  - irrevocably and unconditionally grant to WFOE at nil consideration an option to purchase that same 49% equity interest, as and when WFOE's direct shareholding in the PRC Operating Company is permitted under PRC laws and regulations, upon the following principal terms:
    - the option may be exercised in whole or in part at one or more times and, upon an exercise of the option, WFOE may require ITS Nominee to transfer all or part of the 49% equity interest in the PRC Operating Company held by ITS Nominee to it or such nominee(s) as it may direct;
    - the exercise price for the entire 49% equity interest is equal to RMB2,450,000 or, if PRC laws require that the equity interest in and/or assets of the PRC Operating Company be subject to an asset valuation, at 80% of the valuation amount;
    - on an exercise of the option, the exercise price would be satisfied by way of set-off of the corresponding outstanding amount of the loan referred to above or, if all or any part of the 49% equity interest is transferred to a third party as directed by WFOE, by way of a transfer of a proportionate amount of ITS Nominee's payment obligations under the loan to that third party; and
    - the option is exercisable from the date on which the option is granted until the entire 49% equity interest is transferred to WFOE (or such nominee(s) as it may direct) pursuant to a full exercise of the option, unless earlier terminated (1) by notice given by WFOE to ITS Nominee in circumstances where ITS Nominee could no longer transfer its 49% equity interest to WFOE according to the pre-determined exercise price stipulated above owing to restrictions under applicable PRC laws; or (2) by reason that the 49% equity interest is no longer held by ITS Nominee as a result of an enforcement of the pledge granted to WFOE as referred to above.
- ITS will also cause to be paid to WFOE another cash sum of RMB2,550,000 (equivalent to approximately HK\$2,451,900) and will cause WFOE to pay this whole amount to GDCTS as a prepayment of the exercise price under the option referred to in sub-paragraph (b) below. GDCTS would then:
  - apply the entire amount of RMB2,550,000 as its contribution to the PRC Operating Company in return for a 51% equity interest in the PRC Operating Company;

- (b) irrevocably and unconditionally grant to WFOE at nil consideration an option to purchase that same 51% equity interest, as and when WFOE's direct shareholding in the PRC Operating Company is permitted under PRC laws and regulations, upon the following principal terms:
  - (i) the option may be exercised in whole or in part at one or more times and, upon an exercise of the option, WFOE may require GDCTS to transfer all or part of the 51% equity interest in the PRC Operating Company held by GDCTS to it or such nominee(s) as it may direct;
  - (ii) the exercise price for the entire 51% equity interest is equal to RMB2,550,000 or, if PRC laws require that the equity interest in and/or assets of the PRC Operating Company be subject to an asset valuation, at 80% of the valuation amount;
  - (iii) WFOE is required to satisfy the exercise price of RMB2,550,000 by prepaying that amount to GDCTS as described in paragraph 2 above and, at the time the option is exercised, pay to GDCTS any additional amount required to satisfy the applicable exercise price in the event such price (as determined in sub-paragraph 2(b)(ii) above) is greater than the prepaid amount; and
  - (iv) the option is exercisable from the date on which the option is granted until the entire 51% equity interest is transferred to WFOE (or such nominee(s) as it may direct) pursuant to a full exercise of the option, unless earlier terminated (1) by notice given by WFOE to GDCTS in circumstances where GDCTS could no longer transfer its 51% equity interest to WFOE according to the pre-determined exercise price stipulated above owing to restrictions under applicable PRC laws, in which event GDCTS is required to refund to WFOE without interest the prepaid amount of RMB2,550,000 and any additional amount paid by WFOE to GDCTS in satisfaction of the exercise price; or (2) by reason that the 51% equity interest is no longer held by GDCTS as a result of an enforcement of the pledge granted to WFOE as referred to below; and
- (c) pledge its entire 51% equity interest in the PRC Operating Company to WFOE to secure the obligations of GDCTS under the option referred to in sub-paragraph 2(b) above.
3. ITS will enter into a software assignment with the JV Company pursuant to which ITS will assign and transfer certain software, which comprises online communication, e-commerce and customer relationship management solutions, to the JV Company at a value of not less than RMB10,000,000 (equivalent to approximately HK\$9,615,400).
4. ITS will enter into the Shareholders Agreement whereby ITS will make a capital contribution within three (3) months from the date of Completion to the JV Company in the aggregate cash amount of up to RMB10,000,000 (equivalent to approximately HK\$9,615,400) or at the discretion of ITS, its equivalence in any other currency and to be used by the group companies comprising the Joint Venture in accordance with the terms of the Shareholders Agreement.

It is intended that the payment of the cash sums referred to in paragraphs 1, 2 and 4 above would be funded from internal resources of the Group.

#### **GDCTS**

1. GDCTS will establish the PRC Operating Company and take all steps necessary to ensure that the PRC Operating Company has obtained, among other things, all licences, consents, permits and approvals required by any governmental authority in the PRC to operate ticket booking services for hotel, airline and other transportation and event services to individuals and intermediaries in and related to the province of Guangdong, the PRC.
  2. GDCTS will procure lease agreements to be entered into between the respective owners of the properties (which are currently occupied by GDCTS) and the PRC Operating Company for the purposes of operating ticket booking services for hotel, airline and other transportation and event services as intended by the Agreement.
  3. GDCTS will procure ITS Nominee and GDCTS to be the registered holders of a 49% and 51% equity interest in the PRC Operating Company respectively.
  4. GDCTS will procure that each of the following categories of travel related businesses and services which are currently operated by or forming part of GDCTS's operations and business are fully transferred to the PRC Operating Company (free of any costs and expenses whatsoever to ITS and any member of the group companies comprising the Joint Venture):
    - (i) hotel booking;
    - (ii) air ticket booking;
    - (iii) event ticket booking such as concerts, theme parks, live events and similar attractions; and
    - (iv) non-air transportation ticket booking.
- Under the Agreement, following the transfer of the aforesaid travel related businesses and services to the PRC Operating Company, GDCTS will not (unless otherwise stated in the Agreement) either by itself or with others conduct such business and services.
5. GDCTS will enter into the Shareholders Agreement whereby GDCTS will in addition to the licences referred to paragraph 1 above procure the PRC Operating Company to obtain all other necessary licences to conduct the Intended Business.
  6. GDCTS will as soon as practicable following Completion and in any event within one (1) year from the date of Completion (free of any costs and expenses whatsoever to ITS and any member of the group companies comprising the Joint Venture) procure that at least one hundred (100) Resellers each enters into a written agreement with the PRC Operating Company on terms whereby, among other matters, (i) such Resellers shall act as a reseller, agent and/or distributor of the PRC Operating Company to sell travel related services and products of and/or for and on behalf of the PRC Operating Company; (ii) they are no less favourable to the PRC Operating Company than as currently agreed to between GDCTS and such Resellers; and (iii) GDCTS is restricted from conducting any business or transactions with such Resellers which would violate any non-competition restrictions set out in the Shareholders Agreement.
  7. GDCTS will as soon as practicable following Completion and in any event within one (1) year from the date of Completion (free of any costs and expenses whatsoever to ITS and any member of the group companies comprising the Joint Venture) procure the transfer of certain suppliers' contracts (as selected by ITS and including but not limited to airlines, train/railroad companies and hotels) from GDCTS and its affiliates (except the PRC Operating Company) to the PRC Operating Company in order for the PRC Operating Company to conduct the Intended Business.

Pursuant to the Agreement, the parties have agreed that GDCTS's (and GDCTS Nominee's) agreed contribution of RMB25,000,000 to the Joint Venture shall be satisfied by it in kind by fulfilment of all the above-mentioned obligations undertaken by GDCTS upon Completion.

The aggregate amount and manner of the parties' respective contributions to the Joint Venture are determined after arm's length negotiations between ITS and GDCTS. The determination is made with reference to (i) the estimated working capital and other requirements of the Joint Venture for the commencement and operation of the Intended Business; (ii) the comparable market value of the software to be assigned by ITS to the JV Company as referred to in paragraph 3 of subsection headed "ITS" above; and (iii) the parties' assessment of the business growth potential of the Joint Venture taking into account, among other things, the expected level of business to be conducted by the PRC Operating Company following Completion, as such business is currently conducted by GDCTS.

#### **Conditions**

Completion is conditional on, among other matters, the fulfilment or waiver of the following major conditions precedent as summarised below on or before 23 December 2005 or such other date as ITS and GDCTS may mutually agree to in writing:

1. save for Completion, the relevant parties having performed and complied with each agreement, covenant and obligation required by the Agreement to be so performed or complied with by any of them;
2. the obtaining of all licences, consents, permits and approvals required by any governmental authority in the PRC to operate ticket booking services for hotel, airline and other transportation and event services to individuals and intermediaries in and related to the province of Guangdong, the PRC by the PRC Operating Company;
3. the board of directors and shareholders (where necessary) of the relevant parties having adopted resolutions authorizing the transactions contemplated under the Agreement and the Joint Venture and each of GDCTS, GDCTS Nominee and the PRC Operating Company having obtained all other necessary consents and approvals to consummate the transactions contemplated under the Agreement;
4. ITS having received a satisfactory legal opinion from a PRC legal adviser covering such matters relevant to the transactions contemplated under the Agreement as ITS may request;
5. due execution by the relevant parties of the Shareholders Agreement relating to the Joint Venture and the other agreements and documents putting in place the loan, option and pledge arrangements described in the sub-section headed "ITS" under the section headed "Contributions" above; and
6. if required by the Stock Exchange or under the Listing Rules, the Company having obtained all necessary approvals and/or complied with any other applicable requirements in connection with the Agreement and the transactions contemplated.

If the conditions precedent in the Agreement are not fulfilled or waived on or before 23 December 2005 or such other date as ITS and GDCTS may mutually agree to in writing, then:

1. the Agreement will lapse and be of no further effect and no party will have any claim against or liability to the other parties for any reason whatsoever, save in respect of any breaches of the provisions set out in paragraphs (2) and (3) below;
2. GDCTS is required to procure that any and all monies paid under the loan and option arrangements (as described in the sub-section headed "ITS" under the section headed "Contributions" above) which have been received in the hands of GDCTS and the PRC Operating Company are repaid and/or reimbursed to ITS (or the JV Company as ITS may direct) within 7 days after 23 December 2005 or such other date as ITS and GDCTS may mutually agree to in writing; and
3. the legal costs and expenses incurred in relation to the Agreement and all transactions contemplated thereunder will be borne either (i) by both ITS and GDCTS in equal shares if the non-fulfilment of the conditions precedent set out in the Agreement were due to matters beyond the control of the relevant party; or (ii) solely by the party that has failed to fulfill its obligation under the Agreement or caused the non-fulfilment of the conditions precedent under the Agreement (other than for matters beyond its control).

#### **Completion**

Completion is expected to take place within three (3) business days from the day on which all conditions precedent are fulfilled or waived.

#### **The Contractual Arrangements**

The pledge and option arrangements in favour of WFOE described in paragraphs 1 and 2 in the subsection headed "ITS" under the section headed "Contributions" above are arrived after arm's length negotiations between the parties.

To the best knowledge of the Directors having made all reasonable enquiries and sought legal advice, WFOE is currently not permitted to be engaged in the Intended Business. Therefore, upon advice from their respective PRC legal advisers, the parties have agreed that the PRC Operating Company should be established to engage in the Intended Business and that certain categories of travel related businesses and services which are currently operated by GDCTS or forming part of GDCTS's operations and business will be fully transferred to the PRC Operating Company. Meanwhile, the entire equity interest in the PRC Operating Company to be held by ITS Nominee and GDCTS will be subject to pledge and option arrangements in favour of WFOE pursuant to which WFOE will be entitled to acquire such equity interests in the PRC Operating Company if and when the PRC Government changes the existing laws and regulations so as to permit foreign investors to be engaged in the Intended Business. Pursuant to the option agreements to be entered into between WFOE and each of ITS Nominee and GDCTS, WFOE has the absolute discretion in the manner and timing in exercising the option. Neither ITS Nominee nor GDCTS, amongst other matters and without the prior consent of WFOE, has the right to cause the PRC Operating Company to (i) enter into significant contracts; (ii) declare dividends or dispose of profits; (iii) amend the articles and association; and (iv) appoint and/or replace any members of the board or key management staff.

The underlying agreements in respect of the pledge and option arrangements, which are governed by the PRC laws, are valid and binding under the PRC laws.

The Directors consider that, to the best of their understanding and based on the advice of the PRC legal advisers, such arrangements would enable the Joint Venture to be involved in the Intended Business of the PRC Operating Company upon Completion so as to prepare for the Joint Venture to share the economic benefits of the PRC Operating Company generated from the Intended Business which will be transferred from GDCTS upon Completion and that such arrangements are feasible way for the Company to expand its existing business in the PRC.

#### **REASONS FOR AND BENEFITS OF ESTABLISHING THE JOINT VENTURE**

The Company is an investment holding company. The Group is principally engaged in the business of providing package tours, travel and other related services with branches in Hong Kong, Macau, Canada and the United Kingdom, and hotel operation business.

Following the speedy growth of the economy of the PRC in recent years, it has become a major power house in driving the economic development of Asia. It is foreseeable that the need for quality hotel and air ticket booking services and ancillary services will increase significantly in the coming years. The Directors consider that it will be the appropriate timing for the Group to expand its PRC business and enlarge its market share in the travel sector of the PRC. The Directors further believe that by allying with GDCTS, a renowned travel operator in the PRC with established business network, the Group will be greatly benefited and the potential returns will be promising. The Directors consider that the Joint Venture is in line with the business strategy of the Company to further expand its existing business in the PRC and a big step ahead of other major competitors in the industry.

The Directors believe that the terms of the Agreement, which have been agreed after arm's length negotiations between the parties, are on normal commercial terms and fair and reasonable and in the interests of Company and its shareholders as a whole.

#### **GENERAL**

The Group's investment in the Joint Venture pursuant to the Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further information on the Joint Venture and the Agreement will be despatched to shareholders of the Company as soon as practicable.

As at the date of this announcement, the Board comprises:

<i>Executive Directors:</i>	<i>Non-Executive Director:</i>
Mr. Yu Kam Kee, Lawrence, <i>B.B.S., M.B.E., J.P.</i> ( <i>Chairman</i> )	Mr. Chan Yeuk Wai ( <i>Honorary Chairman</i> )
Mr. Cheung Hon Kit ( <i>Managing Director</i> )	<i>Independent Non-Executive Directors:</i>
Dr. Yap, Allan	Mr. Kwok Ka Lap, Alva
Mr. Chan Pak Cheung, Natalis	Mr. Sin Chi Fai
Mr. Lui Siu Tsuen, Richard	Mr. Wong King Lam, Joseph
Ms. Luk Yee Lin, Ellen	

DEFINITIONS

“Agreement”	a conditional joint venture agreement dated 11 November 2005 entered into among the Company, ITS, the JV Company, GDCTS and GDCTS Nominee in respect of the establishment of the Joint Venture
“Board”	board of Directors
“Company”	Wing On Travel (Holdings) Limited, a company incorporated in Bermuda with limited liability the shares of which are listed on the Stock Exchange
“Completion”	completion of the subscription of shares in the JV Company by ITS and GDCTS Nominee pursuant to the Agreement
“connected person”	has the meaning attributed to it in the Listing Rules
“Directors”	directors of the Company
“GDCTS”	广东中旅（集团）有限公司 (Guangdong China Travel Service (Holdings) Ltd.*), a limited liability company established under the laws of the PRC and an Independent Third Party
“GDCTS Nominee”	Wharton Travel Service (HK) Limited (華大旅遊貿易（香港）有限公司), a company incorporated in Hong Kong with limited liability, an Independent Third Party and a nominee and a wholly owned subsidiary of GDCTS
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Intended Business”	ticket booking services for hotel, airline and other transportation and event services, the operation of call centers, and the marketing of such services and other travel related services, whether via retail outlets and/or by any electronic means
“ITS”	International Travel Systems Inc., a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“ITS Nominee”	a PRC citizen and a nominee of ITS who is an Independent Third Party
“Independent Third Party”	a third party independent of and not connected with the Company and connected persons of the Company
“JV Company”	a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of ITS (holding one share in the JV Company) as at the date of this announcement
“JV Subsidiary”	a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the JV Company
“Joint Venture”	a joint venture to be entered into between ITS and GDCTS pursuant to the Agreement to provide the Intended Business
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (and unless the context specifies or requires otherwise shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC Operating Company”	a domestic limited liability company to be established under the laws of the PRC pursuant to the Agreement and to be held as to 49% by ITS Nominee and as to 51% by GDCTS
“RMB”	Renminbi, the lawful currency of the PRC
“Reseller”	a reseller, agent and/or distributor engaged by or working with GDCTS in the PRC as at the date of the Agreement to sell travel related services and products of and/or for and on behalf of GDCTS and whereby such reseller, agent and/or distributor is compensated by GDCTS by way of a commission based on the sale or service proceeds of the travel related services and products sold or provided to end-users
“Shareholders Agreement”	the shareholders agreement to be entered into by, among others, ITS, GDCTS, GDCTS Nominee to regulate, among other matters, the rights and obligations of ITS, GDCTS, GDCTS Nominee and the operation of the JV Company, JV Subsidiary, WFOE and the PRC Operating Company on or prior to Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WFOE”	a wholly foreign owned enterprise established under the laws of the PRC and a wholly owned subsidiary by JV Subsidiary

\* For identification purposes only

For the purpose of this announcement, the exchange rate of RMB1.04 = HK\$1.00 has been used for currency translation where applicable. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rates.

By Order of the Board of  
**Wing On Travel (Holdings) Limited**  
**Lui Siu Tsuen, Richard**  
*Executive Director*

Hong Kong, 18 November 2005