

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of China Travel International Investment Hong Kong Limited and its subsidiaries ("the Group"), I am pleased to announce that the Group has recorded an operating profit of HK\$866,797,000 for the year ended 31 December 2000, which is an increase of 32.9% as compared with last year.

However, the Group has recorded an audited net profit attributable to shareholders of HK\$150,919,000 for the year ended 31 December 2000, which is a decrease of 39.7% as compared with last year. The decrease in net profit was principally attributable to the provision for the disposal of the Group's 23% interest in Vision Century Corporation Limited (formerly known as Hing Kong Holdings Limited) ("Vision Century"). As the operating profit of the Group for the year ended 31 December 2000 reflects an increase of 32.9% as compared with last year, the Board of Directors has resolved to recommend the payment of a final dividend of HK1 cent and a special dividend of HK2 cents per ordinary share. Furthermore, the Board of Directors has also resolved to recommend a bonus issue of warrants made in the proportion of one warrant for every five ordinary shares of HK\$0.10 each.

On the back of the continuous growth of the economy in the People's Republic of China ("PRC") and the recovery in the Hong Kong economy, the Group has benefited from the favorable financial and operating conditions. For the tour operation and leisure business, China Travel (HK & Macau Tour) Management Hong Kong Limited had received more than 200,000 tourists from Mainland China into Hong Kong and Macau in 2000. During the year, China Travel Tours Transportation Services Hong Kong Limited had also added new bus routes and strengthened its management control, which resulted in an increase in turnover of 37.9% as compared with last year despite fierce market competition. In 2000, Shenzhen The Splendid China Development Co., Ltd. and Shenzhen The World Miniature Co., Ltd. accelerated their internal reorganisation programme in order to exercise effective cost control,



have also offered new attractions and interactive programmes, and renovated the aged facilities to attract more than 4.5 million visitors, which is an increase of 13.9% as compared with last year. In addition to achieving satisfactory results, the three theme parks were rated as Class 1 theme parks in the PRC. The businesses of the three hotels of the Group in Hong Kong have bottomed out and recorded an average occupancy rate in excess of 80% during the year. The market share of Shun Tak-China Travel Shipping Investments Limited (“Shun Tak-CTS”), an associate of the Group, in the Hong Kong-Macau passenger ferry route was approximately 92% during the year. Despite the sharp increase in fuel price in 2000, Shun Tak-CTS still managed to record favorable results. Shenzhen Tycoon Golf Club has narrowed its loss in 2000 due to tightened management control. With respect to the freight forwarding business, despite the reduction in the volume of cargo transportation between Hong Kong and China, the compensating development in courier and air freight businesses has helped to maintain comparable operating results to those of last year. Due to the strengthening of management and effective cost controls, the net profit of Weihe Power Plant in Shaanxi Province had increased by 26.9% in 2000 as compared with last year. Weihe Power Plant has not only contributed significant profits to the Group, its has also provided the Group with substantial cash flows. In terms of quality of management and performance, Weihe Power Plant is a leading enterprise amongst its peers in the northwestern region of the PRC.

The Group has also achieved encouraging results through business restructuring and mergers and acquisitions. At the beginning of 2001, the Group had disposed of its 23% interest in Vision Century and received cash proceeds of approximately HK\$389 million which has significantly increased the Group's cash resources. Although the Group had to make a one-off provision for the loss on disposal, this has no adverse effect on the cash flow position of the Group.

The Group intended to dispose of its non-core and non-controlling of 40% holding in China Travel Roads and Bridges JV Investment Limited to its controlling shareholder, China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”) for approximately a gain of HK\$53 million. The Group also intended to acquire quality assets including China Travel Service (Hong Kong) Limited with its overseas branches, China Travel Net Limited and Hotel Grandeur Macau from CTS (Holdings). The transactions will not only enhance the earnings of the Group, these will also strengthen its core travel businesses, re-emphasize its travel concept, complement its existing travel services, augment its competitive advantages, and lay down the solid foundation for the continuous development of the Group. The transactions are expected to be completed in the first half of 2001. After completion, the results of the acquired businesses will be included in the consolidated profit and loss account of the Group in 2001 starting from its effective date of acquisition.



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The travel industry is a fast growing industry with promising outlook. With China's imminent entry into the World Trade Organization, the rapid increase in the number of tourists from China, the economic development of Hong Kong and the construction of the Disney Theme Park in Hong Kong, the number of inbound and outbound tourists in Hong Kong and China will increase, thus creating robust business opportunities for the Group.

The Group will seize the opportunity by adapting to the needs of the market and establishing strategic target to develop comprehensive services encompassing food and beverage, hospitality, tours, entertainment and shopping, thus becoming an integrated travel service provider. We shall increase our pace in acquiring and merging with quality travel agencies in the PRC to complement our sales network covering Hong Kong, the PRC and overseas countries. We shall strive our best to increase our market share and increase shareholders' value.

The Board of Directors is confident in the future development of the Group.

Finally, on behalf of the Board of Directors, I would like to thank our Independent Non-Executive Directors, Dr. Yeh Meou-tsen, Geoffrey, Mr. Yeh V-nee, Dr. Fong Yun Wah and Mr. Wong Man Kong, Peter and our former Independent Non-Executive Director Dr. The Honourable Wong Yu Hong, Philip, for their invaluable support and contributions. I would also like to thank my fellow members of the Board and all staff of the Group for their hard work and dedication.

By Order of the Board

Che Shujian

Chairman

Hong Kong, 25 April 2001