



Chairman's Statement

On behalf of the Board of Directors of China Travel International Investment Hong Kong Limited (“the Company”) and its subsidiaries (together “the Group”), I am pleased to announce that the Group has recorded an audited net profit attributable to shareholders of HK\$651 million for the year ended 31 December 2001, which is an increase of 331% as compared with last year. The net asset value of the Group as at 31 December 2001 was approximately HK\$8.01 billion, which is an increase of 25% as compared with last year.

The year 2001 was unique in the history of development of the Group. With full support from our controlling shareholder, China Travel Service (Holdings) Hong Kong Limited ("CTSH"), the Group acquired China Travel Service (Hong Kong) Limited, China Travel Net Limited and Hotel Grandeur Macau, and disposed of its non-core interests in Vision Century Corporation Limited (formerly known as Hing Kong Holdings Limited) and China Travel Roads and Bridges JV Investment Limited during the year. To enhance the transparency of the Group, the Management of the Group had also conducted several roadshows for local and international investors. The conversion of HK\$1.07 billion of convertible bonds and convertible notes into common shares of the Company by CTSH has improved the Group's working capital and broadened its capital base. On 30 August 2001, the Group registered and established China Travel International Ltd. in Beijing to engage in domestic, inbound and outbound travel businesses in the People's Republic of China ("PRC"). This marked the formal entry of the Group into the PRC tourism industry and paved the way for the Group's further expansion into the PRC market. During the year, these significant developments have

reinforced the Group's tour travel business concept and further consolidated its earnings base. This has also proved to be well received by the investors as evidenced by the significant increase in the Company's share price during the year.

At present, the world economy has not settled into any steady trend. The aftermath of the September 11th event added to further uncertainties. However, the economy of the PRC continues to prosper with the rising travel spending by urban and rural residents. The PRC tourism industry is developing rapidly with great potentials. The PRC government has implemented a series of measures such as the opening of outbound travel business, the easing of departure and arrival procedures, and the maintenance of an orderly tour travel market in order to stimulate the development of the tourism industry. The liberation of China has entered into a new stage amid the entry of China into the World Trade Organization, the successful bid to host the Olympic Games and the continuous and steady growth of its local economy. Not only will the traditional sightseeing travel business grow, but the business travel, leisure travel, professional and conference travel businesses will also develop rapidly. Traveling into the PRC, worldwide traveling and traveling to Hong Kong and Macau will all increase in the near future. Hong Kong is capitalizing on the opportunity of the construction of the Disney Theme Park and adopting the theme of "City of Life: Hong Kong is it" to attract overseas travelers to visit Hong Kong. All of these favorable factors will bring ample business opportunities to the Group.

In the coming year, the Group will endeavor to develop the travel network in the PRC by forming strategic alliances with strong local travel agencies and to further expand. Through acquisition or formation of joint ventures, the Group will selectively acquire or merge with a number of quality and profitable travel agencies throughout the PRC.

The Group will develop resort areas and participate in the development and management of natural attraction sites in the PRC, thus broadening our earnings base.

The Group will continue to carry out reforms, consolidate our internal businesses further, undertake effective measures to control operating costs and upgrade our quality of services. The Group will adopt a strategy by deploying Hong Kong as our base to integrate with the PRC and overseas markets. The Group will strengthen complementary services such as visa, ticketing, tour origination, transportation, theme parks and hotels, etc. By deploying internal resources effectively, realizing the competitive edge of integrating and creating synergies, the Group will enhance the competitiveness and profitability of its core travel business.

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 for their invaluable contributions to the Group during the year. I would also like to thank all our staff for their hard work and dedication.

By Order of the Board,

Che Shujian

Chairman

Hong Kong, 10 April 2002