

# Chairman's Statement



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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\$540.3 million for the year ended 31 December 2002, which is a decrease of 16.3% as compared with last year. The net asset value of the Group as at 31 December 2002 was approximately HK\$8.048 billion, which is an increase of 0.7% as compared with last year.

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During the year the Group has made substantial progress in consolidating the businesses of China Travel Service (Hong Kong) Limited and its overseas branches in 10 countries, China Travel International Ltd. in Beijing, three theme parks in Shenzhen, 5 hotels in Hong Kong and Macau and the passenger transportation operation to become a truly integrated travel group. China Travel International Ltd. has recorded profit in its first year of operations and made a significant contribution to the Group in building up of the travel network in Mainland. Furthermore, the Group has successfully completed the acquisition of a 70% interest in Cosco International Travel Inc. (中遠國際旅行社有限公司) and 100% interest in Sunshine Express International Ltd. (北京商泰航空服務有限責任公司) which focuses on airline ticketing business. The Group also established controlling stakes in joint ventures including China Travel International (Chengdu) Ltd. and China Travel International (Xinjiang) Ltd. All these transactions have helped the Group to establish the basic structure of the travel network in the PRC.

During the year the Group undertook a series of mergers and acquisitions and business restructuring exercise which included the purchases of the remaining 20% interests in each of Shenzhen Tycoon Golf Club Co., Ltd. and China Travel Net Limited from the respective minority shareholders and disposal of a 70% interest in CTII Worldwide Limited. These transactions will lay down a solid foundation for the continuous development of the Group's core businesses.

In response to the increasing popularity of leisure travel, the Group has signed an agreement with the Zhuhai municipal government on 18 April 2002 to develop an integrated hot spring resort in Pingsha, Zhuhai. The Group has conducted a vigorous feasibility study on the project and aimed for high standard, excellent quality and high return. The Group has recruited world-class experts in Mainland and overseas to undertake planning and design work so that upon completion, the resort will become a leading integrated holiday destination in the PRC and rank among the best in the world. The resort will be another large-scale leisure project of the Group in the PRC after the successful development of the three theme parks in Shenzhen and it will bring earnings growth opportunities to the Group. In 2003, the Group will continue to manage and accelerate the development and construction of the Zhuhai hot spring resort in a diligent manner. The Group will adopt effective measures to control costs and accelerate the development while maintaining an excellent quality of the construction work.

Hong Kong economy has encountered difficult times in the past year. However, tourism industry had remained strong. The economy of the PRC continues to prosper and the tourism industry in the PRC is rapidly developing with great potentials. With the steady growth of its economy, China

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has entered a new stage of liberalization. Not only will the traditional sightseeing travel business continue to grow, the business, leisure, professional and conference travel business will also continue to develop rapidly. Additionally, Hong Kong is undertaking 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 unlimited business opportunities to the Group.

The goal of the Group is to fully leverage on its strong brandname, to consolidate internal and external resources and to augment reform efforts in order to enhance its competitiveness in the Mainland and international markets, so as to become an international and modernized travel service group. In addition, by improving the processes of sales and operation, increasing the market share of its travel products and expanding the product mix, enhancing quality of service and developing comprehensive services encompassing food and beverage, hospitality, tours, entertainment and shopping, the profitability of the Group will be enhanced.

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, 14 April 2003