

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 would like to announce that the Group has recorded an audited net profit from ordinary activities of **HK\$347 million** for the year ended 31 December 2003. Due to impairment of properties and goodwill of **HK\$387 million**, net loss attributable to shareholders was **HK\$39.81 million**. The net asset value of the Group as at 31 December 2003 was approximately **HK\$7.25 billion**, which is a decrease of 7.26% as compared with last year.



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The Group has come through a tough and challenging year. In the first half of 2003, the outbreak of Severe Acute Respiratory Syndrome ("SARS") had a devastating impact on tour and tour-related operations, which has recovered in the latter half of the year. However, the inbound tour operation to Hong Kong was still being affected in the latter half of 2003. Providing that the Group has a solid business foundation and the management has implemented various measures to reduce operating costs and to reduce level of drop in profit, the consolidated operating profit for the year was decreased of 37% as compared with last year. The Group has come through a difficult period due to the SARS epidemic, with good financial position and the impairment of assets and goodwill will not affect the cash flow. Therefore, Board of Directors has resolved to recommend the payment of a final dividend of HK4 cents and issue "5 for 1" bonus warrants, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting. The proposed dividends are expected to be paid on Friday, 28 May, 2004.

During the year, the Group has continued to build up its travel network in the Mainland and overseas. The Group has established four joint venture travel agencies in the Mainland and established a wholly owned travel agency, Special Asia Travel AB, in Stockholm, Sweden in preparation for the opening up for PRC citizens to visit Western and Northern Europe by the European Union starting from 1 May, 2004. According to a recent World Travel and Tourism Council

(WTTC) report, the Mainland outbound travel market is expanding at an average annual rate of 20%. Moreover, the accession of China to the World Trade Organization and Closer Economic Partnership Arrangement (CEPA) have both contributed to the increase in the volume and frequency of business travel between Mainland and Hong Kong. Therefore, our subsidiaries, China Travel Net Hong Kong Limited and CTI Business Travel Management Company in Beijing have signed cooperative agreements with Synergi, Inc., a worldwide business travel organization, respectively, which will help the Group to expand business and conference travel businesses in Hong Kong and the Mainland.

The development of the Zhuhai Ocean Spring Resort has been making smooth and steady progress. The foundation treatment, the hot spring production well and the schematic design of the first phase of the resort have been completed and the construction work has commenced in March 2004. With the rapid economic growth of the Pearl River Delta, the planning of the Hong Kong-Zhuhai-Macao Bridge, the improvement in traffic facilities between Zhuhai and Guangzhou and other cities, and the increasing demand of leisure travel, the resort will bring tremendous contributions towards the earnings growth of the Group.



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In September 2003, the Group has successfully issued US\$150 million of five-year zero coupon guaranteed convertible bonds, thus increasing the funding for development of the Group.

In 2003, the Group has achieved solid results in consolidating and revamping the businesses of its Hong Kong, Mainland and overseas travel network. That has helped to reduce operating costs, develop new businesses and strengthen the competitiveness of the core travel business of the Group. Through extensive market research and strategic review conducted in 2003, the short term, medium term and long term development goals and resource allocation of the Group have been identified. That has helped to reinforce the direction of development of the Group and lay down a solid foundation for the continuous, healthy and rapid development of its core travel business.

With the SARS crisis subsided and the avian influenza contained, the further extension of "Individual Traveler Permit Scheme", the estimate number of tourist visit Hong Kong in 2004 will exceed 20 million, representing an increase of 30% as compared to 2003. The development of the Group's travel, hotel and passenger transportation businesses will be fostered under the strong growth of the Mainland tourism market. The Group is confident in its future prospects.

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, 31 March 2004

