



Chairman's Statement

On behalf of the Board of Directors (the “Board”) 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 achieved its highest profit since its listing and recorded an audited consolidated profit attributable to shareholders of HK\$901.7 million for the year ended 31 December 2004 (the impact of SARS and property revaluation deficits had led to a loss of approximately HK\$40 million in 2003). At the end of 2004, the Group’s market capitalization exceeded the HK\$10 billion threshold to reach HK\$11.2 billion and the Group’s net asset value reached HK\$8,348 million, representing an increase of 15% over the previous year. The Board has resolved to recommend the payment of a final dividend of HK5 cents, which is expected to be paid on Friday, 24 June 2005 following the approval at the Annual General Meeting.



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Amid the continuation of rapid growth of the economy of Mainland China, the further opening of cities in the Individual Visit Scheme (“IVS”) and the implementation of measures undertaken by the Hong Kong SAR Government to foster tourism, the tourism industry in Hong Kong and Mainland China recovered totally from the SARS epidemic. The Group has seized the opportunities to develop its markets and to enhance the earning power and competitiveness of its core travel businesses, thus reinforcing its leading position among its peers in Hong Kong and Mainland China.

In 2004, the Group continued to develop and integrate its travel agency network in Hong Kong, Mainland China and overseas. Besides establishing more travel agencies in Mainland China and overseas, the Group created a new travel unit in Hong Kong to provide hotel and air-ticketing reservation service and short tour service to IVS travelers. The Mainland travel agency network established in recent years started to contribute earnings to the Group. The cross-border bus operation achieved its highest profit and number of passenger carried in its history. The hotel operation achieved its highest profit in five years. And the operations of three theme parks and golf club in Shenzhen rebounded.

To achieve sustainable and continuous development, the Group has been striving to undertake new projects with earnings growth potentials. The large-scale integrated Zhuhai Ocean Hotspring Resort has been making smooth and steady progress and is expected to commence operation in October 2005. The master planning of the Centralized Platform, an on-line and off-line hotel and air-ticketing reservation platform, was completed and the Group has started to restructure and integrate its relevant travel operations such as online platform, reservation call centres, hotel and air-ticketing reservation units into the Centralized Platform. The Group has also engaged in commercial negotiations to acquire external reservation platforms. The Centralized Platform is expected to commence operation by the end of 2005. The success of the leisure destination resort and the reservation platform will enhance the competitiveness of the Group's core travel businesses and will propel the Group to a new era of development.

Besides, the freight forwarding and power generation operations have performed well.

In 2005, the economy in Hong Kong and Mainland China will continue to prosper. The further opening of IVS cities and the opening of the Hong Kong Disneyland in September 2005 will bring more travelers to Hong Kong. The addition of more countries with the "Approved Destination Status" for Mainland tour groups will spur further growth in outbound tourism in Mainland China. All these positive developments will prove



CHE SHUJIAN

Chairman



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beneficial to the Group's core travel businesses. At the same time, the Board realizes that the substantial rise in fuel and coal prices will affect the cross-border passenger transportation and power generation operations of the Group. Overall the positive developments prevail and the Board is confident in the future prospects of the Group.

On behalf of the Board, I would like to extend a warm welcome to our newly appointed Independent Non-Executive Director, Mr. Sze, Robert Tsai To. Besides, I would like to thank our other 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, and to thank all our staff for their hard work and dedication during the year.

By Order of the Board,

Che Shujian

Chairman

Hong Kong, 11 April 2005

