

# Chairman's Statement



**CHE SHUJIAN**  
*Chairman*

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 would like to announce that the Group has recorded an audited consolidated net profit attributable to shareholders of HK\$613 million for the year ended 31 December 2005, which is a decrease of 4.17% as compared with last year net profit attributable to shareholders of HK\$639 million restated according to the new accounting standard. As at 31 December 2005, the Group's consolidated net asset value was HK\$9,863 million, representing an increase of 15.73% over last year consolidated net asset value of HK\$8,522 million restated according to the new accounting standard. The Board has resolved to recommend the payment of a final dividend of HK3 cents per ordinary share, which is expected to be paid on 26 May 2006 following the approval at the Annual General Meeting.

In recent years, the tourism industry in Mainland China has been growing rapidly and has become an emerging industry with vigor and vast potentials. In 2005, the number of inbound tourists and domestic travelers in Mainland China registered double digits growth. In Hong Kong, the tourism industry sustained growth momentum and the number of tourist arrivals in Hong Kong reached 23.36 million in 2005 as stimulated by the Individual Visit Scheme travelers. The Group focuses on the investment of complementary services like resort and electronic platform to go in line with the trend of travel industry development. At the same time, by adopting measures such as leveraging on its advantages in travel agency network and resources, strengthening internal management and stepping up market development efforts, the Group maintained its leading position in the tourism industry in Mainland China and Hong Kong.

In 2005, the Group continued to expand its travel agency network in Mainland China and established travel agency and retails outlets in the strategic cities. At the same time, the travel business started to develop premier customers with high-end travel products. In addition, the Group continued to strengthen the travel

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related businesses, like passenger transportation and hotels in order to increase the economies of scale and economics benefits. The leading position of passenger transportation in Hong Kong market is the typical example of the success. The development of other travel related businesses like entertainment operation was also significant and fast. In 2005, Zhuhai Ocean Spring Resort, a major investment of the Group, was completed. Its operating scale, standard and facilities are the top amongst the industry players. Zhuhai Ocean Spring Resort not only enriched the travel products of the Group, but also uplifted the core competence of the Group, which is going to facilitate the profit growth of the core travel business.

The electronic platform "Mangocity.com" has soft-launched at the end of 2005 and the operation system will be streamlined continually. The commencement of operation of Mangocity will have significant impacts on the integration of the Group's travel resources and bring new business model to the Group.

In addition, the Group's freight forwarding and cargo transportation services in Mainland China and Hong Kong achieved substantial progress. In particular, CTS International Transportation Company Limited, with headquarter in Shanghai and focus in Yangtze River Delta, continued to grow rapidly and ranked highly among the 100 Best China International Freight Forwarders in terms of various freight forwarding businesses.

In 2006, the economy in Mainland China and Hong Kong shall maintain its growth momentum, thus providing favorable opportunities for the Group to grow its core travel businesses to achieve the vision of leading market player. However, market competition will continue to intensify as the Mainland travel market liberalizes further. Together with other negative factors such as the spread of Avian Flu, they pose certain potential threats to the Group's core travel businesses. At the same time, due to the uncertainty of coal and oil prices in year 2006, the power generation operations and passenger transportation operations will be affected. The Board considers the Group must closely monitor the market changes and increase the capability to deal with adverse events, focus on the brand building and resources integration and strengthen the corporate management and control, in order to maximize the shareholders' benefits.

On behalf of the Board, I would like to thank our Independent Non-Executive Directors, Dr. Yeh Meou Tsen, Geoffrey, Mr. Yeh V Nee, Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter and Mr. Sze, Robert Tsai To for their invaluable contributions to the Group. I would also like to thank all our staff for their hard work and dedication during the year.

By Order of the Board,

**Che Shujian**

*Chairman*

Hong Kong, 28 March 2006