

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 would like to announce that the Group has recorded an audited consolidated net profit attributable to shareholders of HK\$375 million for the year ended 31 December 2006, representing a decrease of 38.8% as compared to HK\$613 million in 2005. Without taking the effect of the non-recurring revaluation surplus of investment properties and hotel properties, impairment of goodwill and the fair value gains on convertible bonds, the net profit attributable to shareholders decreased by 18% as compared to last year. The decrease in net profit was mainly due to the enormous set up costs and promotional expenses incurred for the operations of the two new businesses – Mangocity.com on-line travel consolidator and Zhuhai Ocean Spring Resort. Having said, the Group still recorded a growth in operating profits in its core businesses. As at 31 December 2006, the Group's consolidated net asset value was HK\$11,093 million, representing an increase of 12.5% as compared to HK\$9,863 million in last year. The Board has recommended the payment of a final dividend of HK1 cent per ordinary share, which is expected to be paid on 28 June 2007 following the approval at the Annual General Meeting.

The economy in Mainland China and Hong Kong continued to grow rapidly in 2006, leading to the prosperous development of the tourism industry. The pace of growth in Mainland China's domestic and outbound travel sectors remained strong, while Hong Kong's travel sector achieved a steady growth, registering a substantial increase in both the travelers' spending amount and the number of tourist arrivals in Hong Kong during the year. The tourism industry is a sunrise industry with vast dynamics and potentials in the Greater China Region. During the year, the Group strived for devoting more resources into its key tourism projects, so as to enhance overall core competitiveness in the sector. Meanwhile, the Group was able to maintain its leading position in the tourism industry in both Mainland China and Hong Kong by fully capitalizing on its existing travel agency network with an aim to explore the markets proactively. In 2006, the benefits of Group's efforts to integrate internal resources of tourism and related sectors began to be realized, resulting in a sustained and steady growth in its operations such as travel agency, hotel, passenger transport, theme park and performing arts, while the logistics operations continued to grow in a fast pace.

Zhuhai Ocean Spring Resort, a key investment of the Group in 2006, commenced operation smoothly in January 2006, and its operating scale, class and facilities rank top amongst the industry players. Zhuhai Ocean Spring Resort not only enriched the travel products of the Group, but will also become a new profit centre of the Group's core tourism business.



Zhang Xuewu | *Chairman*

An online electronic trading platform for travelers - "Mangocity.com" - also officially commenced operation at the end of March 2006. In merely nine months since operation commenced, it was able to build up the brand rapidly with registered members of over 1.6 million, thus becoming a fresh driving force in China's online travel industry.

The lookout for the economy of Mainland China and Hong Kong in 2007 will continue its growth momentum. The move of the State-owned Assets Supervision and Administration Commission to accelerate the restructuring of national enterprises under the Central Government will offer a scarce opportunity for the Group to achieve great-leap development. However, competition is set to further intensify with the full deregulation of the Chinese domestic tourism market. Mainland China's intensified measures on the macro-economy management policy and uncertainties on the global economy will also pose potential threats to the Group's business. In view of this, the Board believes that the Group must closely monitor market changes, exploit on every opportunity, set a clear direction and manage risk. In addition, the Company has formulated a number of development strategies and plans to manage these potential opportunities and risks together with the support of a committed management team and sound financial position of the Company, it is expected that we will be able to lay a solid foundation for the Group's sustainable growth in 2007.

Finally, I would like to extend my heart-felt gratitude to all the members of the Board for their invaluable contributions to the Group in the past year, and to all our staff for their diligence. I would also like to deeply appreciate our shareholders for their unwavering support for the Company and their trust in the Board.

By Order of the Board

Zhang Xuewu

Chairman

Hong Kong, 12 April 2007