



香港中旅國際投資有限公司 CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001

RESULTS

The Board of Directors of China Travel International Investment Hong Kong Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001 are as follows:

| | Notes | 2001 HK\$'000 | 2000 HK\$'000 |
|--|-------|--|--|
| TURNOVER | 2 | 2,329,235 | 2,751,390 |
| Including: Continuing operations Power generating operations reclassified as a jointly controlled entity in December 2000 | | 2,329,235 | 1,311,749 |
| Cost of sales | | (1,297,282) | (1,516,032) |
| Gross profit | | 1,031,953 | 1,235,358 |
| Other revenue and gains Distribution costs Administrative expenses Other operating expenses Provision for doubtful debts and bad debts written off | 3 | 181,186 (41,003) (530,951) (73,141) (5,031) | 130,729 (32,440) (375,669) (54,026) (37,155) |
| PROFIT FROM OPERATING ACTIVITIES | 2, 5 | 563,013 | 866,797 |
| Including: Continuing operations Power generating operations reclassified as a jointly controlled entity in December 2000 | | 563,013 | 307,687 |
| Finance costs | 4 | (66,579) | (151,831) |
| Provision for impairment in an associate Gain on disposal/(Loss) on deemed disposal of an associate | | — | (56,152) |
| Write-back of provisions/(Provisions) for diminutions in values of interests in jointly controlled entities and associates | | 3,383 | (13,131) |
| Share of profits and losses of: Jointly controlled entities Associates | | 245,282 34,009 | 5,566 (52,855) |
| PROFIT BEFORE TAX | | 832,151 | 535,627 |
| Tax | 6 | (103,364) | (104,446) |
| PROFIT BEFORE MINORITY INTERESTS | | 728,787 | 431,181 |
| Minority interests | | (77,821) | (280,262) |
| NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | 650,966 | 150,919 |
| TRANSFER FROM/(TO) RESERVES | 7 | 61,866 | (82,112) |
| EARNINGS PER SHARE (HK CENTS) | 8 | 17.85 | 4.64 |
| Basic | | 17.85 | 4.64 |
| Diluted | | 16.57 | N/A |
| DIVIDEND PER SHARE (HK CENTS) | | 9 | 4 |

Notes:-

1. Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic re-measurement of hotel properties, investment properties and certain equity investments.

2. Segment Information

(i) Turnover and contribution to profit/(loss) from operating activities of the Group is as follows:

| | Turnover | | Contribution to profit/(loss) from operating activities | |
|--|------------------|------------------|---|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Continuing operations: | | | | |
| Hotel income | 250,693 | 225,927 | 16,325 | 35,381 |
| Travel and travel-related income | 1,218,269 | 243,270 | 276,655 | 86,198 |
| Passenger transportation | 96,422 | 77,982 | 13,220 | 11,820 |
| Freight income | 299,721 | 297,911 | 20,671 | (5,072) |
| Golf club income | 38,378 | 33,926 | 1,719 | (7,136) |
| Theme parks income | 425,570 | 432,733 | 155,181 | 155,809 |
| Others | 182 | — | (14,619) | (16,930) |
| | 2,329,235 | 1,311,749 | 469,152 | 260,070 |
| Operations reclassified to a jointly controlled entity Sales of electricity | — | 1,439,641 | — | 559,110 |
| | 2,329,235 | 2,751,390 | 469,152 | 819,180 |
| Interest income | | | 93,861 | 47,617 |
| | | | 563,013 | 866,797 |

Note: Due to a change in control of the board of directors of Shaanxi Weihe Power Co., Ltd., the Group's interests in the power generating operations have been accounted for as interests in a jointly controlled entity since December 2000.

(ii) Geographical segments

| | Turnover | | Contribution to profit/(loss) from operating activities | |
|---------------------------------|------------------|------------------|---|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Originating in: | | | | |
| The People's Republic of China: | | | | |
| Hong Kong | 1,463,661 | 769,873 | 283,344 | 104,392 |
| Elsewhere | 599,942 | 1,981,517 | 185,300 | 714,788 |
| Overseas | 265,632 | — | 500 | — |
| | 2,329,235 | 2,751,390 | 469,152 | 819,180 |
| Interest income | | | 93,861 | 47,617 |
| | | | 563,013 | 866,797 |

3. Other Revenue and gains

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Hotel revaluation surplus | 652 | 16,638 |
| Gain on disposal of fixed assets | 621 | 4,098 |
| Gain on disposal of investments | — | 10,763 |
| Compensation income | 8,876 | 3,083 |
| Exchange gains, net | 5,378 | 6,667 |
| Interest income | 93,861 | 56,121 |
| Write-back of long outstanding payables | 39,743 | 3,286 |
| Rental income | 21,436 | 15,841 |
| Gain on changes in fair value of short term investments | 551 | — |
| Others | 10,068 | 14,232 |
| | 181,186 | 130,729 |

4. Finance Costs

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Interest expenses on: Bank loans, overdrafts and other loans wholly repayable within five years | 86,070 | 165,839 |
| Finance lease and hire purchase contracts | 348 | 388 |
| Amortization of deferred borrowing costs | 6,116 | 14,075 |
| Total finance costs | 92,534 | 180,302 |
| Less: Interest capitalized | (25,955) | (28,471) |
| | 66,579 | 151,831 |

5. Profit from Operating Activities

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| The Group's profit from operating activities is arrived at after charging/(crediting): | | |
| Depreciation | 117,463 | 451,541 |
| Amortization of goodwill | 27,015 | — |
| Negative goodwill recognized | (3,231) | — |
| | 141,247 | 451,541 |

6. Tax

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Group: | | |
| The People's Republic of China: | | |
| Hong Kong | (56,143) | (14,135) |
| Elsewhere | (30,534) | (58,843) |
| Overseas | (1,645) | — |
| Over/(under) provisions in prior years | 2,650 | (19,625) |
| Deferred tax | (316) | (9,231) |
| | (85,988) | (101,834) |
| Jointly controlled entities | (12,339) | (937) |
| Associates | (5,037) | (1,675) |
| | (17,376) | (2,612) |
| | (103,364) | (104,446) |

Hong Kong profits tax has been provided for at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Transfer from/to Reserves

| | 2001 HK\$'000 | 2000 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Enterprise expansion reserve fund | (10,332) | (9,914) |
| Capital reserve | 72,198 | (72,198) |
| | 61,866 | (82,112) |

The 2000 amount represented transfer to capital reserve upon deemed disposal of interests in an associate. Current year's amount represented the release from capital reserve into retained profits upon disposal of this associate during the year.

8. Earnings Per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$650,966,000 (2000: HK\$150,919,000), and weighted average number of 3,647,613,303 (2000: 3,251,115,027) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$671,138,450, after adjustment for the interest saved upon deemed conversion of all convertible notes at the beginning of the year and convertible bonds during the year. The weighted average number of ordinary shares used in the calculation are 3,647,613,303 shares (2000: 3,251,115,027 shares) in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 403,904,523 shares (2000: 427,272,727 shares) assumed to have been issued at no consideration on the deemed exercise of the share option granted on 15 November 2000 and the bonus warrants allotted on 16 May 2001, and the deemed conversion of all of the convertible bonds and convertible notes at the beginning of the year, or the date of issue, whichever is later.

No diluted earnings per share for the year ended 31 December 2000 have been presented because the conversion of the convertible notes would have an anti-dilutive effect and the Company's share options did not have a dilutive effect on that year.

9. Comparative figures

Certain comparative figures have been re-classified to conform with current year's presentation.

FINAL DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK\$4 cents (2000: final dividend of HK\$1 cent and special dividend of 2 cents) per ordinary share for the year ended 31 December 2001.

Subject to the approval of the shareholders with regard to the proposed payment of the dividends at the forthcoming Annual General Meeting to be held on Monday, 3 June 2002, the proposed dividends will be paid on Wednesday, 19 June 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 May 2002 (Wednesday) to 3 June 2002 (Monday), both days inclusive, for the purposes of determining entitlement to the proposed final dividends. In order to qualify for the proposed dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road Central, Hong Kong not later than 4:00 p.m. on Tuesday, 28 May 2002. Warrant holders who wish to convert their warrants into shares in order to qualify for the proposed final dividend must lodge the duly completed subscription form together with the relevant warrant certificates accompanied by the subscription monies with the Company's Registrar not later than 4:00 p.m. on Tuesday, 28 May 2002.

BUSINESS REVIEW

The year 2001 witnessed the significant development made by the Group. The Board of Directors' reaffirmed the travel business as its core business as the future direction for the Group's operation and development. During the year, the Group had acquired China Travel Service (Hong Kong) Limited ("CTSHK") and its overseas branches, China Travel Net Limited ("CTNet") and Hotel Grandeur Macau for HK\$1.18 billion in cash and HK\$600 million in convertible bonds, thus strengthening the earnings base from the travel business. At the same time, the Group had disposed of its non-core interests in property, road and bridge investments. Furthermore, the Group has increased its efforts in the expansion of travel network in Hong Kong, the PRC and overseas. A wholly-owned travel agency was established in Beijing and two new branches were added in Hong Kong. Overseas branches were revamped and preparatory work was undertaken to prepare the Group for future mergers and acquisitions of travel agencies in the PRC. These measures have reinforced the travel business concept of the Group and laid down the conditions for continuous development in the future.

The audited net profit attributable to shareholders of the Group for the year ended 31 December 2001 was HK\$651 million, which is an increase of 331% as compared with last year. By excluding the non-operational gain of HK\$53 million and write-offs last year, the operating profit has increased by 55%. The weighted average earnings per share increased by 285% to HK\$0.1785. The net asset value of the Group increased by 25%, from HK\$6.41 billion last year to HK\$8 billion as at 31 December 2001. Overall, the financial conditions of the Group is very good with strong operating cash flows.

TOUR OPERATION AND LEISURE BUSINESS

During the year, CTSHK received approximately 3.5 million of tourists. In the nine months after the acquisition by the Group, CTSHK and its subsidiaries contributed HK\$1.035 billion in turnover and HK\$175 million in profit to the Group. After the refinement of its performance-based incentive remuneration policy, CTSHK's operation, management and quality of services have shown marked improvement. In recognition of its outstanding achievements, CTSHK was awarded the Quality Summit for Excellence and Business Prestige by Business Initiative Directions. With respect to the on-line travel business, more on-line products were added to the travel website and the turnover from on-line transactions accounted for 23.9% of the on-line travel business' turnover. The number of visitors to the travel website reached 110,000 per month in the latter half of the year.

China Travel (HK & Macau Tour) Management Hong Kong Limited ("HK & Macau Tour") received approximately 213,522 Mainland visitors in 2001, which is a slight increase from last year. However, as a result of the sharp reduction in tour package fares, the profit of HK & Macau Tour has decreased by 34% and accounted for only 8% of the Group's operating profit for the year. Although from the beginning of last year HK & Macau Tour has started to implement initiatives to control the expenditure on tour guides and coach fleet, to develop conference travel business starting from the beginning of last year, these measures could not offset the adverse impact from the reduction of tour package fares.

The three national "quadruple A" rated theme parks of the Group in Shenzhen attracted approximately 4.48 million visitors in 2001. Affected by the rainy weather during the Chinese New Year and summer, and coupled with the September 11th event, the number of visitors dropped slightly by 2%. Despite the drop, the contribution of profit to the Group by the three theme parks reached HK\$69.40 million, which is an increase of 3% over the equally strong results of last year. The increase was attributable to the effective measures such as the introduction of new games and attractions like Amazon Bobkart Slide, Fuji Mountain 4D Cylinder Surround Digital Cinema and Global Stage the provision of management services for other theme parks and the decrease in operating costs. During the extended Labor Day and National Day holidays in the PRC, the turnover of Window of the World achieved a number one ranking among all theme parks in the PRC.

In 2001, Shenzhen Tycoon Golf Club achieved an increase in turnover of 13% and recorded a profit for the first time due to the further tightening up of management control, strengthening of membership sales and cost reduction initiatives.

HOTEL OPERATION

The average occupancy rate of the three hotels of the Group in Hong Kong, namely Hotel Concourse, The Metropole Hotel and Hotel New Harbour, was 83.6% in 2001, which is a slight decrease of 3% as compared with last year. Due to the depression of the Hong Kong market and fierce price competition, the average room rate decreased by 5.6%. The Group's Metropark Hotel in Causeway Bay, a four-star business hotel with sea view, was completed and commenced soft opening towards the end of 2001. The opening of The Metropark Hotel has helped to expand the source of business travelers of the Group. Hotel Grandeur Macau, a four-star hotel in Macau, had also performed well in 2001. In the nine months after its, Hotel Grandeur Macau produced the best ever performance with average occupancy rate increased 7% to 80%, and the average room rate increased by 2.2%.

PASSENGER TRANSPORTATION AND FREIGHT FORWARDING

The bus transportation business continued to expand in a highly competitive market. During the year, China Travel Tours Transportation Services Hong Kong Limited and its subsidiary China Travel Express Limited ("CT Tours") bought 12 coaches and acquired the coach fleet from HK & Macau Tour. With a fleet of over 80 coaches, CT Tours ranked among the largest non-franchised coach operator in Hong Kong. In 2001, the number of passengers carried by CT Tours increased by 22%. The turnover and profit have increased by 24% and 15%, respectively. The load factors of the routes between Hong Kong International Airport and various Mainland cities, and between Shenzhen and Zhuhai have also increased substantially. The number of safety mileage recorded has also achieved new height.

During the year, Shun Tak-China Travel Shipping Investments Limited had implemented effective cost control measures which contributed to an increase in profit by 82%. The aggregate contribution to profit from the coach and ferry transportation businesses amounted to approximately HK\$40 million, which is an increase of 58% over last year.

With respect to the freight forwarding business, the turnover increased slightly by 1% to HK\$299 million in 2001. The Group's export freight volume through railway in Hong Kong decreased by 18% but the Group's freight and airfreight volume increased by 29% and 21%, respectively. In the PRC, the turnover of the freight forwarding business increased by 23%. Both the sea freight and airfreight volume increased sharply and the upward trend will continue. During the year, the total profit of the freight forwarding business in Hong Kong and the PRC increased by 37% to reach HK\$20.1 million.

INFRASTRUCTURE

The performance from Shaanxi Weihe Power Plant, which is 51%-owned by the Group, improved significantly in terms of the operating level of its power generating units. Operating from a safety conscious working environment, the management had achieved earnings growth of 14% through self-disciplines and effective cost control measures. During the year, Weihe Power Plant had repaid all shareholders' loans owed to the Group and continued to contribute substantial cash flows to the Group.

PROSPECTS

After the September 11th event, the world order was unsettled and the economic environment and conditions have further complicated. Following the opening up of the global market, competition is intensifying in all businesses. The Group will continue to strengthen its operation and corporate management, consolidate internal resources, and leverage on its background and set-up in order to achieve the competitive edge. The Group will strengthen its cooperation with PRC travel agencies and speed up the expansion of the travel network. In order to broaden its earnings base, the Group will selectively develop and construct large-scale resorts and natural attractions with emphasis on travel, entertainment and conference activities in the PRC. The Group will form strategic alliances and develop its overseas travel agencies with an emphasis on expanding the business traveler base. The Group aims to double the turnover of its overseas travel agencies over the next three years. At present, the PRC government is increasing its effort to regulate the tourism market and the tourism industry and, as a result, the operation of travel agencies in Hong Kong and the PRC should become more disciplined in due course. Favorable events such as the entry of China into the World Trade Organisation, the stimulation of internal consumption and the rapid development of the tourism industry in Hong Kong and Macau will bring about tremendous business opportunities and prospects of further development to the tourism industry.

CAPITAL STRUCTURE

During the year, China Travel Service (Holdings) Hong Kong Ltd converted HK\$1,070,295,890 worth of convertible bonds and notes into 958,132,199 ordinary shares of the Company and two of the Directors had also exercised the rights to subscribe for 10,000,000 ordinary shares of the Company under the Company's share option scheme. Together with the exercise of subscription rights by certain warrant holders, the number of issued share capital of the Company has been increased from 3,251,115,027 shares to 4,220,233,742 shares as at 31 December 2001.

FINANCIAL POSITION

As at 31 December 2001, the Group's total interest-bearing secured bank loans and other borrowings amounted to HK\$1.39 billion, which was HK\$0.29 billion higher than the balance of last year. As at 31 December 2001, the total amount of cash and cash equivalents of the Group, which was not restricted to use, was HK\$1.64 billion and the current ratio was 1.78.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited throughout the year, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

PUBLICATION OF FINANCIAL INFORMATION

A full audited annual results announcement containing all the information required by paragraphs 45(1) to 45(3) in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website at <http://www.hkex.com.hk> as soon as possible.

By Order of the Board
Shen Zhuoying
Managing Director

Hong Kong, 10 April 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Travel International Investment Hong Kong Limited ("the Company") will be held at the Ballroom, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Monday, 3 June 2002 at 2:30 p.m. for the following purposes:-

- To receive and consider the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 2001.
- To declare a final dividend.
- To re-elect Directors and to fix the remuneration.
- To re-appoint Auditors and to authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, pass, with or without amendments, the following resolution as ordinary resolutions:

- "THAT:**
 - subject to paragraph (b) of this ordinary resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase (i) shares of HK\$0.10 each ("Shares") in the share capital of the Company and (ii) warrants conferring rights to subscribe for Shares pursuant to the bonus issue of warrants by the Company the particulars of which was set out in the Company's circular dated 16 May 2001 ("Warrants"), on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
 - the aggregate nominal amount of securities which may be repurchased pursuant to the approval in paragraph (a) of this ordinary resolution shall (i) in the case of Shares, not exceed 10% of the aggregate nominal amount of Shares in issue as at the date of the passing of this ordinary resolution and (ii) in the case of Warrants, not exceed 10% of the aggregate nominal amount of Warrants in issue and remain exercisable as at the date of the passing of this ordinary resolution, and the approval pursuant to paragraph (a) of this ordinary resolution shall be limited accordingly; and
 - for the purposes of this ordinary resolution:
 - "Relevant Period" means the period from the passing of this ordinary resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
 - the date on which the authority given under this ordinary resolution is revoked or varied by ordinary resolution of the shareholders in general meeting."

- "THAT:**
 - subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
 - the approval in paragraph (a) of this ordinary resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
 - the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this ordinary resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (ii) the Warrants or the exercise of rights of subscription or conversion under any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Memorandum and Articles of Association of the Company, shall not exceed the aggregate of (aa) 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this ordinary resolution and (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this ordinary resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this ordinary resolution), and the said approval shall be limited accordingly; and