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)

(Stock Code: 308)

2004 RESULTS ANNOUNCEMENT

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 2004 are as follows:

	Notes	2004 HK$'000	2003 HK$'000
TURNOVER	2	**4,802,021**	3,300,916
Cost of sales		**(3,513,713)**	(2,397,847)
Gross profit		**1,288,308**	903,069
Other revenue and gains	3	**105,682**	57,867
Selling and distribution costs		**(68,015)**	(49,730)
Administrative expenses		**(667,367)**	(592,613)
Other operating expenses, net		**(75,443)**	(153,575)
Revaluation surplus/(deficit) of hotel properties and impairment of fixed assets and goodwill, net		**238,321**	(387,111)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	**821,486**	(222,093)
Finance costs	5	**(29,873)**	(28,066)
Share of profits and losses of :			
Jointly-controlled entities		**294,654**	278,996
Associates		**58,114**	3,854
PROFIT BEFORE TAX		**1,144,381**	32,691
Tax	6	**(174,865)**	(37,976)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**969,516**	(5,285)
Minority interests		**(67,862)**	(34,525)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**901,654**	(39,810)
EARNINGS/(LOSS) PER SHARE (HK CENTS)	7		
Basic		**21.21**	(0.94)
Diluted		**20.52**	–
DIVIDEND PER SHARE (HK CENTS)			
Interim		**5**	–
Final		**5**	4

NOTES:–

1. Impact of recently issued Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS"), herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far preliminarily concluded that the adoption of Statement of Standard Accounting Practice ("SSAP") Interpretation 23 "The Appropriate Policies for Hotel Properties", HKAS 40 "Investment Property" and HKFRS 3 "Business Combinations" may have a significant impact on its consolidated accounts as set out below:

(a) At present, the Group records its hotel properties at valuation in accordance with SSAP 17 "Property, Plant and Equipment". No depreciation is provided on the hotel properties as they are maintained in a continuous state of sound repair so that their residual values are not currently diminished by the passage of time. For the financial year beginning 1 January 2005, the Group will adopt the requirements of SSAP Interpretation 23 and apply them retrospectively. The Group's hotel properties will be stated at valuation less accumulated depreciation and impairment, if any. Additional depreciation will be provided for the hotel properties and the leasehold land on which they are situated. Annual valuation will be performed by the Group on the hotel properties at each year end date.

(b) At present, surpluses or deficits arising on the annual revaluation of the Group's investment properties are recognised in the investment property revaluation reserve. On adoption of the new HKAS 40, the Group's investment properties will continue to be stated at fair values. However, any revaluation movements will be taken directly to the profit and loss account for that period, instead of the revaluation reserve.

(c) At present, the Group has adopted SSAP 30 "Business Combinations" for negative goodwill arising on acquisition since 2001, which requires the negative goodwill amount be carried in the consolidated balance sheet and amortised into the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. On adoption of the HKFRS 3, for the financial year beginning 1 January 2005, the Group will discontinue amortising such negative goodwill and the remaining unamortised negative goodwill amount should be derecognised on 1 January 2005, with a corresponding adjustment to the opening balance of retained profits. The Group's net assets would be increased by HK$165,390,000.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

2. Segment Information

The Company is an investment holding company and the Group principally operates in eight business segments as described below. The analysis of the Group's revenue and results by business segments and geographical segments are as follows:

(a) Business segments

The following tables present revenue and profit/(loss) for the Group's business segments:

Group

	Passenger transportation services 2004 *HK$'000*	Tourist attraction operations 2004 *HK$'000*	Freight forwarding and trans- portation services 2004 *HK$'000*	Hotel operations 2004 *HK$'000*	Travel and travel- related operations 2004 *HK$'000*	Golf club operations 2004 *HK$'000*	Power generation 2004 *HK$'000*	Corporate and others 2004 *HK$'000*	Eliminations 2004 *HK$'000*	Consolidated 2004 *HK$'000*
Segment revenue:										
Sales to external customers	213,166	379,514	1,857,028	372,488	1,935,272	42,933	–	1,620	–	4,802,021
Intersegment revenue	3,164	2,531	109	8,877	88,925	–	–	28,841	(132,447)	–
Other revenue and gains	2,732	10,200	16,127	4,076	8,728	385	22,670	19,528	–	84,446
Total	219,062	392,245	1,873,264	385,441	2,032,925	43,318	22,670	49,989	(132,447)	4,886,467
Segment results	40,238	136,080	55,258	350,389	226,621	(12,149)	21,399	(17,586)	–	800,250
Interest income and unallocated gains										21,236
Profit from operating activities										821,486
Finance costs										(29,873)
Share of profits and losses of:										
Jointly-controlled entities	–	–	(670)	–	5,585	–	289,739	–	–	294,654
Associates	58,054	115	(2)	–	(2)	–	–	(51)	–	58,114
Profit before tax										1,144,381
Tax										(174,865)
Profit before minority interests										969,516
Minority interests										(67,862)
Net profit from ordinary activities attributable to shareholders										901,654

Group

	Passenger transportation services 2003 HK$'000	Tourist attraction operations 2003 HK$'000	Freight forwarding and trans–portation services 2003 HK$'000	Hotel operations 2003 HK$'000	Travel and travel–related operations 2003 HK$'000	Golf club operations 2003 HK$'000	Power generation 2003 HK$'000	Corporate and others 2003 HK$'000	Eliminations 2003 HK$'000	Consolidated 2003 HK$'000
Segment revenue:										
Sales to external customers	127,416	294,686	1,284,969	255,464	1,307,896	29,802	–	683	–	3,300,916
Intersegment revenue	4,241	1,451	280	11,776	7,327	–	–	22,335	(47,410)	–
Other revenue and gains	2,582	6,461	2,928	3,835	20,451	207	377	154	–	36,995
Total	134,239	302,598	1,288,177	271,075	1,335,674	30,009	377	23,172	(47,410)	3,337,911
Segment results	11,726	66,149	27,062	(150,763)	(61,107)	(98,523)	(1,172)	(34,051)	–	(240,679)
Interest income and unallocated gains										20,872
Unallocated expenses										(2,286)
Loss from operating activities										(222,093)
Finance costs										(28,066)
Share of profits and losses of:										
Jointly-controlled entities	–	–	(2,068)	–	405	–	280,659	–	–	278,996
Associates	3,669	185	–	–	–	–	–	–	–	3,854
Profit before tax										32,691
Tax										(37,976)
Loss before minority interests										(5,285)
Minority interests										(34,525)
Net loss from ordinary activities attributable to shareholders										(39,810)

(b) *Geographical segments*

The following table presents revenue information for the Group's geographical segments.

Group	**Hong Kong**		**PRC**		**Overseas**		**Eliminations**		**Consolidated**	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**1,600,456**	1,240,973	**2,781,445**	1,766,861	**420,120**	293,082	–	–	**4,802,021**	3,300,916
Other revenue and gains	**18,705**	25,281	**59,143**	6,971	**6,598**	4,743	–	–	**84,446**	36,995
	1,619,161	1,266,254	**2,840,588**	1,773,832	**426,718**	297,825	–	–	**4,886,467**	3,337,911

3. Other Revenue and Gains

	2004	2003
	HK$'000	*HK$'000*
Gross rental income	**13,412**	13,512
Interest income	**21,189**	20,825
Reinvestment tax credit	**37,563**	–
Dividend income from listed investments	**47**	47
Gain on disposal of fixed assets, net	**3,941**	533
Exchange gains, net	**8,514**	5,607
Write-back of long outstanding items	**8,908**	–
Gain on changes in fair value of short term investments	**248**	–
Gain on disposal of short term investments	**66**	–
Gain on disposal of a jointly-controlled entity	**1,936**	–
Gain on disposal of associates	**–**	236
Others	**9,858**	17,107
	105,682	57,867

4. Profit/(Loss) from Operating Activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2004	2003
	HK$'000	*HK$'000*
Depreciation	**141,821**	134,488
Goodwill amortisation for the year *	**34,377**	37,951
Negative goodwill recognised as income during the year **	**(3,658)**	(4,314)

* *The amortisation of goodwill for the year is included in "Other operating expenses, net" on the face of the consolidated profit and loss account.*

** *The movements in negative goodwill recognised in the profit and loss account for the year are included in "Other operating expenses, net" on the face of the consolidated profit and loss account.*

5. Finance Costs

	2004	2003
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**(10,888)**	(20,216)
Finance lease and hire purchase contracts	**(4)**	(41)
Amortisation of deferred borrowing costs	**(7,207)**	(2,907)
Accretion of premium on convertible bonds, net	**(11,774)**	(4,902)
Total finance costs	**(29,873)**	(28,066)

6. Tax

	2004	2003
	HK$'000	*HK$'000*
Group:		
The People's Republic of China:		
Current-Hong Kong		
Charge for the year	**(56,407)**	(45,840)
Overprovision in prior years	**3,929**	298
Current-Elsewhere	**(35,665)**	(12,876)
Overseas-charge for the year	**(680)**	(329)
Deferred tax	**(37,688)**	65,923
	(126,511)	7,176
Share of tax attributable to:		
Jointly-controlled entities	**(43,461)**	(42,559)
Associates	**(4,893)**	(2,593)
	(48,354)	(45,152)
Total tax charge for the year	**(174,865)**	(37,976)

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$901,654,000 (2003: loss of HK$39,810,000), and the weighted average of 4,251,613,372 (2003: 4,227,324,010) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the net profit from ordinary activities attributable to shareholders for the year of HK$901,654,000. The weighted average number of ordinary shares used in the calculation is the 4,251,613,372 ordinary shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 142,962,367 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all bonus warrants outstanding during the year. The Company's convertible bonds outstanding during the year had an anti-dilutive effect on the basis earnings per share for the year.

Diluted loss per share amount for the year ended 31 December 2003 has not been disclosed, as the Company's convertible bonds and bonus warrants outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2004, the audited consolidated turnover of the Group was HK$4,802 million, which is an increase of 45% as compared with HK$3,301 million of last year, and the profit attributable to shareholders was HK$902 million. The net profit from operation was HK$662 million, which is an increase of 91% as compared with HK$347 million of last year. The growth was mainly attributable to the full recovery and further development of the Group's core travel businesses.

Mainland China remains the most important source of tourists for the Group. During the year, the management strengthened the Mainland travel agency network further by establishing joint venture travel agencies in Taiyuan, Suzhou and Korla City in Xinjiang and studied the possibilities of establishing travel agencies in Zhejiang and Yunnan in 2005. In addition, the Group established a new overseas travel agency in Christchurch in New Zealand. At the same time, the Group integrated its three travel agencies in Beijing and implemented centralized management. Overall, the Group's Mainland travel agency network started to contribute positive earnings. To strengthen the integration and coordination of the travel agency network in Hong Kong, Mainland China and overseas, the Group established the Coordination Centre of Travel Agencies, which coordinated the Group's travel agencies to organize large scale outbound tours to the 2004 Athens Olympics and virgin tours to Europe. Besides, the Coordination Centre of Travel Agencies established a new incentive system, strengthened internal control and unified the brandname of the Group's travel agencies, thus enhancing the competitiveness of the Group's travel agencies. Taking into account the integrated nature of travel resources of the Group, the management devised the 5-year Development Plan addressing issues such as direction of development, focuses, complement of resources, sources of funds and internal revamp, etc., which lays down a solid foundation for further enhancing the core competitiveness of the Group's travel businesses.

Tour Operation and Leisure Business

The tour operation and leisure business of the Group, include CTSHK, CT Net, three theme parks, a golf club in Shenzhen and Zhuhai Ocean Hotspring Resort. During the year, the turnover of the Group's travel and travel related operation reached approximately HK$1,935 million, representing an increase of 48% as compared with last year. The total number of tourists received increased by 20% and the number of tourists received by China Travel Service (Hong Kong) Limited increased by 19%. The reservation of transportation tickets, hotel rooms increased by 25% and 11% respectively. The special tour business including day tour for Individual Visit Scheme ("IVS") travelers, exhibition and conference tour and study tour achieved encouraging results. The aggregate turnover of the Group's three travel agencies in Beijing increased by 88.5% and they possessed the rare capability of organizing outbound tour group of several thousand tourists at one time. After three years of development, the Group's three travel agencies in Beijing already ranked among the top five in the region. At the same time, the Group's overseas travel agencies developed further. The turnover of air-ticketing reservation of China Travel Service (Australia) Pty. Ltd. exceeded HK$400 million. The coach tour of five European countries developed by China Travel & Trading (Deutschland) GmbH is expected to commence operation in May 2005. China Travel Service (U.K.) Ltd. was voted the top 10 best tour operators in England in 2004. During the year, the gross profit of China Travel Net Hong Kong Limited increased by 68% and the number of website visitors and number of members increased by 30% and 40% respectively, making China Travel Net the most visited travel website in Hong Kong. With high technology and comprehensive functions, the Centralized Platform in development will provide online and offline hotel and air-ticketing reservation services to business and individual clients and will be instrumental in integrating the Group's reservation resources, enlarging the Group's market share and reducing the operating costs of the Group's ground travel agency network. The Group will leverage on its competitive advantages developed through the years to accelerate the development of the Centralized Platform and strive to launch it by the end of 2005.

In 2004, Window of the World, Splendid China and China Folk Culture Villages received a total of 3.73 million visitors, representing an increase of 34% over last year. During the year, Window of the World achieved a pre-tax profit of over RMB100 million. It launched the "International Dance Festival", "International Beer Festival" and "Pop Music Festival" as well as completed the renovation of the park. A new mega evening art performance "Long Heritage" has been in rehearsal and will be launched in the first half of 2005. By strengthening marketing efforts and launching the well-received "Pasture Festival" of Xinjiang, Xishuangbanna and Inner Mongolia, Splendid China succeeded in reversing the trend of declining profits and recorded a profit growth of 200%.

After producing various successful art performance programs such as "Fantastic Lijiang", China Heaven Creation International Performance Art Co., Ltd. ("China Heaven"), in which the Group holds a controlling interest, launched another successful program namely, "Legend of Martial Art" in Beijing. The program won high acclaims from domestic and international tourists and attracted the attention of a large international performance agency which decided to bring the program overseas in 2005. The development of China Heaven will definitely strengthen the entertainment operation of the Group.

After the rebuilding of the "C" course and the installation of night light facilities, the number of golfers and the turnover of Tycoon Golf Club increased by 50% and 44% respectively in 2004. Tycoon Golf Club was voted "Best Landscape Golf Club" by the magazine "China Golf".

The construction of the Zhuhai Ocean Hotspring Resort has been making steady progress. The construction work of the Conference Hotel, the twelve blocks of Villa Hotel and the two wings of the Main Hotel was completed whereas the construction work of the Hotspring Centre, Fisherman's Wharf, Theatre, Theme Park and the lagoons and canals have been carried out rapidly. At the same time, preparation work for the opening of the resort was undertaken. It is expected that phase one of the Zhuhai Ocean Hotspring Resort will be completed in October 2005 and the soft opening will follow. With its unique ocean hotspring resources, the Zhuhai Ocean Hotspring Resort is expected to capture the growing demand of healthy and leisure holiday experiences and to be different from and complementary to the Hong Kong Disneyland. On the backdrop of economic growth of Pearl River Delta, improvement in transportation infrastructures and growing number of travelers visiting Hong Kong and Macau, the Zhuhai Ocean Hotspring Resort will bring contributions to the Group from 2006 and beyond.

Hotel Operation

Benefiting from the increase in number of travelers visiting Hong Kong and Macau brought by IVS, the average occupancy rate of the Group's four hotels in Hong Kong reached 90.5%, representing an increase of 29% over last year, and the average room rate increased by 27%. Whereas the average occupancy rate and average room rate of Hotel Grandeur in Macau increased by 8% and 30% respectively. During the year, the profit contributed by the Group's five hotels reached HK$308 million, which was the highest level since 1997.

Transportation

Regarding the passenger transportation operation, the number of passengers carried by China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries ("CT Tours") (excluding those 24 hours passage passengers carried by a joint venture of CT tours reached 1.4 million in 2004, representing an increase of 53% as compared with last year. Turnover increased by 68% to HK$213 million and the after-tax profit increased by 226%. Benchmark measures such as the number of passengers carried, number of safety mileages, turnover and profit all achieved new records. Not only did the business in Hong Kong grow rapidly, new businesses were developed in the Pan Pearl River Delta region including Macau, Guangdong, Guangxi and Zhejiang, etc. Hence CT Tours became a well-known cross-border bus company. On the backdrop of recovery in Macau tourism, the number of passengers carried, turnover and net profit of the joint venture passenger ferry operation of Shun-Tak China Travel Shipping Investments Limited recorded a remarkable increase.

Regarding the freight forwarding operation, the turnover and net profit increased by 45% and 214% to reach HK$1,857 million and HK$38 million respectively in 2004. CTS International Transportation Company Limited ("CTS International") in Shanghai, with its stronghold in Yangtse River Delta and the Eastern region, established branches in Nanjing, Wuxi and Nantong and these branches achieved profits in their first year of operation. In 2004, CTS International entered a stage of rapid development after strengthening its base over the past few years and the consolidated turnover and net profit increased by 48% and 70% respectively. Although the import and re-export freight volume through railway handled by China Travel Service (Cargo) Hong Kong Limited continued to decline, its logistics operation building on Hip Kee Godown (No. 3) began to take off, together with the contribution by Shenzhen operations, led the turnover to increase by 16%.

Infrastructure

Through taking measures to increase turnover and reduce costs, the Shaanxi Weihe Power Plant overcame the adversity brought by the substantial increase in coal cost. The technical benchmark measures of the Weihe Power Plant improved and the number of days of safety operation reached a new high of 650. The annual volume of electricity generated reached 7.597 billion MW, its highest level in history and the annual volume of on-grid electricity increased by 19.5%.

Number and Remuneration of Employee

At the end of 2004, the Group had approximately 6,824 employees.

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from pension funds and in-house training programs, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

Liquidity, Financial Resources and Capital Structure

The Board of Directors consider that financial position of the Group is strong. At the end of 2004, the cash and bank balance of the Group amounted to HK$1,786 million whereas the interest bearing bank debts and the convertible bonds amounted to HK$712 million and HK$808 million respectively. The interest bearing debt to equity ratio was 18.2%.

The net book value of the Group's fixed assets held under finance leases and hire purchase contracts included in the total amount of motor vehicles and furniture, fixtures and equipment at 31 December 2004 amounted to HK$1,324,167 (2003: HK$3,318,183).

During the year, 33,194,718 bonus warrants were exercised for 33,194,718 shares of HK$0.10 each at the subscription price of HK$1.508 per share and US$48.19 million of convertible bonds were converted into 204,265,355 shares of HK$0.10 each at the conversion price of HK$1.84 per share. Taking into account the repurchase of 2 million shares of HK$0.10 each by the Company during the year, the number of issued share capital of the Company increased from 4,232,198,475 shares at the end of 2003 to 4,467,658,548 shares at the end of 2004.

As at 31 December 2004, the Company had loan facilities, which were subject to, inter alia, a specific performance obligation on the controlling shareholder of the Company, CTS Holdings, during the tenure of such loan facilities. The specific performance obligation is that CTS Holdings shall maintain a holding of no less than 51% of the total issued share capital of the Company throughout the tenure of the loan facilities granted to the Company. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and repayable on demand by the relevant tenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amount outstanding as at 31 December 2004	**Final maturity of the loan facilities**
HK$700 million	30 October 2007
Nil	30 April 2005

Interest is charged on the outstanding balance at 0.5% per annum over the Hong Kong Interbank Offered Rate for the applicable loan period. The loans are secured by the corporate guarantee given by the Company.

Future Prospects

Amid the opening of the Hong Kong Disneyland, further extension of IVS and regional cooperation within the Pan Pearl River Delta (also known as "9+2"), Hong Kong tourism will continue to grow and the number of travelers visiting Hong Kong is expected to reach 22.9 million in 2005. In Mainland China, the economy is growing steadily and it will spur the travel spending of PRC tourists. Together with the favorable policies adopted by the PRC government to develop tourism and the opening of more countries with the Approved Destination Status for PRC tour groups, all these favorable developments will provide ample business opportunities for the travel businesses of the Group.

The Group will expand its travel agency network in Hong Kong, Mainland China and overseas by establishing new agencies. Through integration of operation of its travel agencies and centralized procurement, the Group aims to reduce operating costs and increase competitiveness. Leveraging on its extensive ground travel agency network and the technical edges of its Centralized Platform, the Group will develop core competitiveness in providing quality and comprehensive travel information, products and services to business, conference and leisure customers.

Seizing the opportunities brought by the opening of the Hong Kong Disneyland and the further extension of IVS, the Group will strengthen its internal integration and leverage on its brandname and resources to launch products and services targeting IVS travelers. In addition, the Group will augment its leisure and sightseeing tour operation to stimulate further developments of its theme parks, the Zhuhai Ocean Hotspring Resort, transportation and hotel operation.

The management is confident that positive developments in the Group's core travel businesses will prevail. However, the Group is facing a few challenges. The rise in coal and fuel prices will inevitably increase the costs of certain operations of the Group. The Zhuhai Ocean Hotspring Resort and the Centralized Platform are still in their development stage and their contributions will only be reflected in the following years. And the competition remains fierce in different travel businesses. Nevertheless, the competitiveness of the Group's core travel businesses have been enhanced through the past few years, which lays down a solid foundation for the continuous and rapid development of the Group. The management will continue to develop and innovate so as to bring better returns to the shareholders.

FINAL DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK5 cents (2003: final dividend of HK4 cents) per ordinary share for the year ended 31 December 2004.

Subject to shareholders' approval with regard to the proposed payment of the final dividends at the forthcoming annual general meeting to be held on Wednesday, 25 May 2005, the proposed dividends are expected to be paid on Friday, 24 June 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 23 May 2005 to Wednesday, 25 May 2005, 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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2005. Warrantholders 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 4:30 p.m. on Friday, 20 May 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 2,000,000 shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the details of which are set out below:

Month	Number of shares repurchased	Price per share Highest	Lowest	Total price paid
		HK$	*HK$*	*HK$*
September 2004	1,000,000	1.64	1.63	1,635,000
October 2004	1,000,000	1.91	1.91	1,910,000
	2,000,000			3,545,000

All of the repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares, of HK$3,345,000, has been charged to the retained profits. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year were effected by the Directors, pursuant to the mandate from shareholders granted to the Directors at the extraordinary general meeting dated 13 May 2004, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the Code of Best Practice as set out in the then effective Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the financial year covered by the annual report, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's articles of association.

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as defined in the Listing Rules. The Company, having made specific enquiry, confirms that all Directors of the Company complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

Written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and in compliance with the code provisions stipulated in the then effective Appendix 14 of the Listing Rules.

The Company's Audit Committee established in 1999 for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee comprises the three Independent Non-Executive Directors of the Company, namely, Mr. Wong Man Kong, Peter, Mr. Yeh V Nee (Alternate Director to Dr. Yeh Meou Tsen, Geoffrey) and Mr. Sze, Robert Tsai To.

PUBLICATION OF FINANCIAL INFORMATION

The Group's annual results announcement containing all the information required by paragraphs 45(1) to 45(3) in Appendix 16 to the Listing Rules (being the version that is applicable to financial year commencing prior to 1 July 2004) will be published on the Stock Exchange's website in due course.

DIRECTORS

As at the date of this announcement, the Executive Directors are Messrs. Che Shujian, Zhang Xuewu, Shen Zhuying, Zheng Heshui, Lo Sui On, Chen Shoujie, Zheng Hongqing, Zhang Fengchun, Ng Chi Man, Michael and Liu Li and the Independent Non-Executive Directors are Dr. Yeh Meou Tsen, Geoffrey (Mr. Yeh V Nee being the Alternate Director to Dr. Yeh Meou Tsen, Geoffrey), Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter and Mr. Sze, Robert Tsai To.

By Order of the Board
Shen Zhuying
Vice Chairman, General Manager

Hong Kong, 11 April 2005