



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)

SUMMARISED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2001

INTERIM RESULTS

The Board of Directors ("the Directors") of China Travel International Investment Hong Kong Limited ("the Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2001 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

Condensed Consolidated Profit and Loss Statement For the six months ended 30 June 2001

		For the six months ended 30 June	
	Notes	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	(2)	993,764	1,405,116

Including: Continuing operations	993,764	636,893
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Power generating operations reclassified as a jointly controlled entity in December 2000	-	768,223
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Cost of sales		<u>(499,328)</u>	<u>(757,842)</u>
Gross profit		494,436	647,274
Other revenue	(3)	106,241	61,118
Distribution costs		(12,237)	(31,874)
Administrative expenses		(232,208)	(202,957)
Other operating expenses		(25,935)	(31,126)
Provision for doubtful debts and bad debts written off		<u>(62)</u>	<u>(16,000)</u>
PROFIT FROM OPERATING ACTIVITIES	(2), (4)	330,235	426,435

Including:			
Continuing operations		330,235	142,256
Power generating operations reclassified as a jointly controlled entity in December 2000		-	284,179

Finance costs	(5)	(36,962)	(88,822)
Loss on deemed disposal of an associate		-	(34,521)
Gain on disposal of an associate		53,043	-
Share of profits and losses of :			
Jointly controlled entities		119,848	(478)
Associates		<u>13,412</u>	<u>18,287</u>
PROFIT BEFORE TAX		479,576	320,901
Tax	(6)	<u>(56,711)</u>	<u>(44,581)</u>
PROFIT BEFORE MINORITY INTERESTS		422,865	276,320
Minority interests		<u>(42,566)</u>	<u>(156,247)</u>

NET PROFIT FROM ORDINARY ACTIVITIES

ATTRIBUTABLE TO SHAREHOLDERS		<u>380,299</u>	<u>120,073</u>
TRANSFER FROM/(TO) RESERVES	(7)	<u>69,874</u>	<u>-</u>
EARNINGS PER SHARE (HK CENTS)	(8)		
Basic		11.29	3.69
Diluted		<u>10.27</u>	<u>3.59</u>
DIVIDEND PER SHARE (HK CENTS)		<u>5.00</u>	<u>1.00</u>

Notes:

1. Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2000, except in relation to SSAP 9 (revised) "Events after the Balance Sheet Date", SSAP 14 (revised) "Leases" and SSAP 30 "Business Combinations".

Following the adoption of SSAP 9 (revised), whereby dividends proposed after the balance sheet date should not be recognised as a liability at the balance sheet date, the final dividend proposed for the year ended 31 December 2000 of HK\$97.53 million, classified as a current liability at 31 December 2000, has been reclassified and shown under the shareholders' equity. There is no impact on the profit and loss account because of this change.

The Group has complied with SSAP 14 (revised) for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 December 2000 are extracted from the Group's audited financial statements for that year.

The principal impact of adopting SSAP 30 has been the disclosure of goodwill/negative goodwill as an asset in the balance sheet and the amortisation/release of this goodwill/negative goodwill over its estimated useful life to the profit and loss account.

2. Segment Information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations is as follows:

	Turnover		Contribution to profit from operating activities	
	For the six months ended 30 June		For the six months ended 30 June	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Originating in the People's Republic of China ("PRC")				
Hong Kong:				
Hotel operations	103,006	101,351	5,112	3,046
Tour operations	462,678	118,188	175,731	45,143
Passenger transportation	34,056	25,677	4,637	3,906
Freight forwarding and transportation services	105,930	113,489	4,475	(10,334)
Treasury operations	-	-	3,088	(5,588)
	<u>705,670</u>	<u>358,705</u>	<u>193,043</u>	<u>36,173</u>
Elsewhere:				
Hotel operations	12,855	-	3,555	-
Passenger transportation	12,495	10,050	2,783	1,281
Freight forwarding and transportation services	32,282	44,178	13,277	21,364
Tourist attraction operations	210,580	211,450	90,841	85,630
Power generating operations (Note)	-	768,223	-	284,179
Golf club management and				

membership sale	<u>19,882</u>	<u>12,510</u>	<u>2,035</u>	<u>(5,493)</u>
	<u>288,094</u>	<u>1,046,411</u>	<u>112,491</u>	<u>386,961</u>
	<u>993,764</u>	<u>1,405,116</u>	305,534	423,134
Interest income less unallocated				
Corporate administrative expenses			<u>24,701</u>	<u>3,301</u>
			<u>330,235</u>	<u>426,435</u>

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.

3. Other Revenue

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Compensation income	9,397	-
Exchange gains, net	2,623	5,321
Gain on disposal of fixed assets	-	2,631
Interest income	53,540	37,534
Management fee income	1,565	719
Write-back of long outstanding receipts in advance	8,536	-
Rental income	3,207	2,306
Service fee income	-	4,984
Write-back of long outstanding unclaimed other payables	21,739	-
Gain on changes in fair value of short term investments	1,563	495
Others	<u>4,071</u>	<u>7,128</u>

106,241 61,118

4. Profit from Operating Activities

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

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	53,788	295,115
Amortisation of goodwill	10,303	-
Negative goodwill recognised	<u>(1,571)</u>	<u>-</u>

5. Finance Costs

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans		
wholly repayable within five years	(45,098)	(97,482)
Finance lease and hire purchase contracts	(160)	(228)
Amortisation of deferred borrowing costs	<u>(3,771)</u>	<u>(4,496)</u>
Total finance costs	(49,029)	(102,206)
Less: Interest capitalised	<u>12,067</u>	<u>13,384</u>
	<u>(36,962)</u>	<u>(88,822)</u>

6. Tax

**For the six months
ended 30 June**

	2001 (Unaudited) HK\$'000	2000 (Unaudited) <i>HK\$'000</i>
Group:		
PRC:		
Hong Kong	(27,526)	(7,382)
Elsewhere	<u>(17,366)</u>	<u>(34,733)</u>
	<u>(44,892)</u>	<u>(42,115)</u>
Jointly controlled entities	(11,219)	-
Associates	<u>(600)</u>	<u>(2,466)</u>
	<u>(11,819)</u>	<u>(2,466)</u>
Tax charge for the period	<u><u>(56,711)</u></u>	<u><u>(44,581)</u></u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) <i>HK\$'000</i>
Enterprise expansion reserve funds	(2,324)	-
Capital reserve	<u>72,198</u>	<u>-</u>
	<u><u>69,874</u></u>	<u><u>-</u></u>

8. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$380,299,000 (2000: HK\$120,073,000) and the weighted average number of 3,367,764,305 shares (2000: 3,251,115,027 shares) in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$392,294,000 (2000: HK\$131,917,000), after adjustment for the interest saved upon deemed conversion of all convertible notes and convertible bonds at the beginning of the period. The weighted average number of shares used in the calculation are 3,367,764,305 shares (2000: 3,251,115,027 shares) in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 450,846,163 shares (2000: 427,272,727 shares) assumed to have been issued at the beginning of the period on the deemed conversion of all the convertible notes, convertible bonds and share options granted in year 2000. The Company's share options granted in year 1997 which the exercise prices are HK\$3.568 and HK\$3.58 and the Company's bonus warrants which will not be exercisable until 3 July 2001 did not have a dilutive effect and, accordingly, were not included in the calculation of the diluted earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operation

The continuous growth of the economy and the travel industry in the PRC and the further recovery of the economy in Hong Kong created a favorable environment for the development of the Group in the first half of 2001. With the strong support of its controlling shareholder, China Travel Service (Holdings) Hong Kong Limited ("CTSH"), the Group successfully completed the acquisition of China Travel Service (Hong Kong) Limited ("CTSHK"), China Travel Net Limited ("CT Net") and Hotel Grandeur Macau during the period. Concurrently, the Group also succeeded in disposing of non-core businesses, which included 389 million shares of Vision Century Corporation Limited (formerly known as Hing Kong Holdings Limited) and a 40% interest in China Travel Roads and Bridges JV Investment Limited, at reasonable prices. At the same time, the management have been seeing local and overseas investors to promote the transparency of the Group. This series of major measures helped the Group to sharpen its travel concept, consolidate and broaden its earnings' base, thus

creating favorable conditions for continuous development in the future.

In the first half of the year, the Company participated in proposing the establishment of 廣東中旅股份有限公司 Guangdong China Travel Service Stock Limited ("廣東中旅 Guangdong CTS"), and held a 10% interest in 廣東中旅 Guangdong CTS. 廣東中旅 Guangdong CTS is expected to get listed in the mainland next year. At the same time, the Group is actively exploring the opportunities to establish a travel network in the mainland and there is encouraging progress.

The financial position of the Group is sound. The Group recorded a consolidated net profit attributable to shareholders of HK\$380 million for the six months ended 30 June 2001, which is an increase of 217% as compared with the same period last year. Earnings per share of the Group for the period amounted to HK11.29 cents, representing an increase of 206%. As at 30 June 2001, the shareholders' equity amounted to HK\$7,431 million, representing an increase of 15.78% as compared with the same time last year. As at 30 June 2001, the net debt to equity ratio of the Group was 7%.

1. Tour Operation and Leisure Business

The profit contribution of the tour operation and leisure business of the Group, which include CTSHK, HK and Macau Tour, CT Net, three theme parks and a golf club in Shenzhen, amounted to HK\$269 million for the six months ended 30 June 2001. The turnover of CTSHK and CT Net increased by approximately 15% as compared with the same period last year. The number of visitors received by HK and Macau Tour was approximately 94,000, representing a decrease of 6.5%. Regarding the theme parks, Window of the World, Splendid China and China Folk Culture Villages attracted approximately 2.1 million visitors in the first half of the year, representing a decrease of 4%. The decrease was due to the rainy weather in May and June of this year. However, the operating profit of the theme parks increased as a result of cost control. During the week of the Labour Day long holiday in the mainland, the turnover of Window of the World reached RMB20.74 million and ranked first among all pay scenic spots in the mainland. In the first half of the year, Shenzhen Tycoon Golf Club strengthened its management control further and as a result, the turnover increased by 59% and the administrative expenses decreased by 4%. It was the first time ShenZhen Tycoon Golf Club has recorded a profit.

2. Hotel Operation

In the first half of the year, the average occupancy rate of the three hotels of the Group in Hong Kong was approximately 80%, representing a decrease of 7% as compared with the same period last year. However, the average room rate increased by 9% during the same period. Coupled with the reduction of operating expenses, the net profit contribution of the three hotels in Hong Kong for the period increased by 41%. In Macau, Hotel Grandeur Macau, a four-star hotel acquired in March this year, recorded favorable operation. During the period, the average occupancy rate, the average room rate, and the food and beverage turnover all increased and the total revenue increased by 8.5%. The construction of Metropark Hotel, a four-star business hotel with seaview in Causeway Bay, will be completed and will commence operation in September this year. By that time, the total number of hotel rooms of the Group will increase by approximately 600 in comparison with last year.

3. Transportation

Passenger transportation business of the Group continued to grow substantially. Due to the increase in frequency of bus schedules and improvement of quality of service, the Hong Kong Airport express route managed to maintain its market share amid fierce market competition and recorded an increase in number of passengers of 56% over the same period last year. Regarding the express route between Shenzhen and Zhuhai, passenger volume increased by 17.3% over the same period last year as a result of augmentation of market development efforts. In the first half of the year, the earnings of passenger transportations increased by 43%.

As a result of the improvement of freight forwarding infrastructures and facilities in the mainland, re-export freight volume through railway and by sea handled by Hong Kong for the mainland contracted further during the period. On the other hand, airfreight, courier service, cross-border truck service and less than container load groupage service recorded a rather substantial increase. By actively developing logistics services, China Trading Service Co., Ltd. in Shanghai managed to have a significant increase in its operating profit.

4. Infrastructure

During the first half of the year, the 51% held Weihe Power Plant of the Group achieved encouraging results in various aspects such as generation of electricity, sale of on-grid electricity, containment of production cost and safety operation of power generating units. Due to the increase in sale of on-grid electricity of approximately 100 million kWh and the reduction of interest expenses, the profit has increased by approximately 20% as compared with the same period last year.

For the six months ended 30 June 2001, the consolidated net profit attributable to shareholders of the Group amounted to approximately HK\$380 million, the highest level achieved ever, and approximately HK\$53 million of which was derived from non-operating profit arising from the disposal of non-core road and bridge projects. It is evident that the business reorganisation and mergers and acquisitions of assets carried out in the first half of the year were instrumental in enlarging the earnings' base of the core business of the Group.

Future Prospect

Favourable events such as the entry of China into the WTO, the successful bid for the 2008 Olympic games, the anticipated Disney Theme Park in Hong Kong and the western region development in the mainland together will create ample room for development of the Group's travel business, travel peripherals and services. During the first half of the year, CTSHK, CT Net and Hotel Grandeur Macau, which were acquired in this year, contributed only three months of profit to the consolidated results of the Group. In the latter half of the year, their profit contribution will be reflected fully in the consolidated accounts of the Group, thus bringing in greater profit contribution. The progress of mergers and acquisitions of travel agencies in the mainland will expand the travel network of the Group, foster mutual reliance and closer link between businesses in Hong Kong, the mainland and overseas. With the completion of the immense theatres of Window of the World and Splendid China in the first half of the year and the commencement of operation and introduction of new programs in the second half of the year, the three theme parks will become even more attractive. As a result of the progressing internal reorganisation of travel businesses, revamp and enhancement of management standard, the overall competitive advantages will be exploited fully. Furthermore, operating costs could be lowered and competitiveness could be enhanced. The Board of Directors is

confident in the business development in the second half of the year and beyond.

Financial Position

As at 30 June 2001, the Group's total interest-bearing bank loans and other borrowings amounted to HK\$1,799 million, which was HK\$698 million higher than the balance as at 31 December 2000. The substantial increase was due to the drawdown of a new bank loan of HK\$800 million during the period.

As at 30 June 2001, the total amount of cash and cash equivalents of the Group, which was not restricted to use, was HK\$1,264 million, which gave rise to a net debt of the Group to HK\$535 million. The net debt to equity ratio was then resulted to a very healthy level of 7%.

In addition to the strong cash position, the Group has unutilised banking facilities of HK\$80 million as at 30 June 2001.

Three hotel properties held by the Group in Hong Kong namely the Metropole Hotel, Hotel New Harbour and Hotel Concourse were pledged to secure certain bank borrowings of the Group.

Capital Structure

During the period, CTSB had converted HK\$600,295,890 worth of convertible bonds into 530,859,472 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. Accordingly, the number of issued share capital of the Company has been increased from 3,251,115,027 shares to 3,791,974,499 shares as at 30 June 2001.

INTERIM DIVIDENDS

The Directors have resolved to declare an interim dividend of HK5 cents (2000: HK1 cent) per share for the period ended 30 June 2001. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on 6 September 2001 (Thursday). The interim dividend will be paid on or around 14 September 2001 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 September 2001 (Wednesday) to 6 September 2001 (Thursday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, 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 4 September 2001 (Tuesday). Warrantheolders who wish to convert their warrants into shares in order to qualify for the interim 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 4 September 2001 (Tuesday).

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 period.

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 accounting period covered by this interim report, 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

The Company's 2001 interim report which sets out all the information required by paragraphs 46(1) to 46(6) inclusive in Appendix 16 of the Listing Rules will be available for publication on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) as soon as possible.

By Order of the Board

China Travel International Investment Hong Kong Limited
Shen Zhuying
Managing Director

Hong Kong, 21 August 2001

"Please also refer to the published version of this announcement in the South China Morning Post"