



香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(Incorporated in Hong Kong with limited liability)

**SUMMARISED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2002**

INTERIM RESULTS

The Board of Directors (“the Board”) 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 2002 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 Account
For the six months ended 30 June 2002

	Notes	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER			
Cost of sales	2	1,293,592 (742,082)	993,764 (499,328)
Gross profit		551,510	494,436
Other revenue and gains	3	63,955	106,241
Distribution costs		(12,127)	(12,237)
Administrative expenses		(279,279)	(232,208)
Other operating expenses		(39,157)	(25,997)
PROFIT FROM OPERATING ACTIVITIES	2, 4	284,902	330,235
Finance costs	5	(19,040)	(36,962)
Gain on disposal of an associate		-	53,043
Share of profits and losses of:			
Jointly controlled entities		126,175	119,848
Associates		22,559	13,412
PROFIT FROM OPERATING ACTIVITIES BEFORE TAX		414,596	479,576
Tax	6	(51,068)	(56,711)
PROFIT BEFORE MINORITY INTERESTS		363,528	422,865
Minority interests		(43,314)	(42,566)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		320,214	380,299
EARNINGS PER SHARE (HK CENTS)	7		
Basic		7.59	11.29
Diluted		7.25	10.27
DIVIDEND PER SHARE (HK CENTS)		5.00	5.00

Notes:

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 31 December 2001 except that disclosed below.

The following recently issued and revised SSAPs are effective for the first time in the preparation of the current period’s condensed consolidated financial statements:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 34	: Employee benefits

There is no impact to the financial results and the financial position of the Group by the adoption of the above new or revised SSAPs, except in relation to SSAP 34.

SSAP 34 prescribes the accounting and disclosure requirements for employee benefits. The adoption of the SSAP has resulted in a prior year adjustment in one of the Group’s associates to recognise a liability for employee benefits. The effect of this adjustment has been to decrease the Group’s interests in associates and retained profits at 1 January 2001 and 31 December 2001 by HK\$7,936,000.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. Segment Information

The Company is an investment holding company and the Group principally operates in seven 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 results of the Group’s business segments for the six months ended 30 June.

Group	Passenger transportation services	Tourist attraction operations	Freight forwarding and transportation services	Hotel operations	Travel and travel-related operations	Golf club operations	Corporate and others	Eliminations	Consolidated
	2001	2001	2001	2001	2001	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:									
Sales to external customers	56,777	205,818	131,058	145,610	734,949	19,270	110	-	1,293,592
Intersegment revenue	734	187	143	7,070	3,748	-	3,621	(15,503)	-
Other revenue and gains	1,509	3,602	3,542	2,292	6,254	-	928	-	18,127
Total	59,020	209,607	134,743	154,972	744,951	19,270	4,659	(15,503)	1,311,719
Segment results	6,815	82,157	14,185	12,764	139,017	(1,909)	(13,583)	-	239,446
Interest income and unallocated gains									45,828
Unallocated expenses									(372)
Profit from operating activities									284,902

	Passenger transportation services	Tourist attraction operations	Freight forwarding and transportation services	Hotel operations	Travel and travel-related operations	Golf club operations	Corporate and others	Eliminations	Consolidated
	2001	2001	2001	2001	2001	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:									
Sales to external customers	46,551	210,580	138,212	115,861	462,678	19,882	-	-	993,764
Intersegment revenue	829	-	3,240	6,900	15,075	-	1,688	(27,732)	-
Other revenue and gains	1,107	1,476	3,405	2,110	1,643	1,795	1,493	-	13,029
Total	48,487	212,056	144,857	124,871	479,396	21,677	3,181	(27,732)	1,006,793
Segment results	6,977	87,246	13,980	7,129	134,324	1,270	(13,903)	-	237,023
Interest income and unallocated gains									93,212
Unallocated expenses									-
Profit from operating activities									330,235

(b) Geographical segments

The following table presents revenue and results of the Group’s geographical segments for the six months ended 30 June.

Group	Hong Kong		PRC		Overseas		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	817,994	667,440	342,718	293,650	151,007	45,703	1,311,719	1,006,793
Segment results	136,562	130,659	97,069	105,996	5,815	368	239,446	237,023
Interest income and unallocated gains							45,828	93,212
Unallocated expenses							(372)	-
Profit from operating activities							284,902	330,235

3. Other Revenue and Gains

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Write-back of provision for doubtful debts	7,675	-
Compensation income	-	9,397
Exchange gains, net	1,105	2,623
Gain on disposal of fixed assets	2,150	-
Interest income	11,017	53,540
Management fee income	973	1,565
Rental income	6,235	3,207
Write-back of long outstanding payables	27,136	30,275
Gain on changes in fair value of short term investments	-	1,563
Others	7,664	4,071
Total	63,955	106,241

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	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	58,449	53,788
Amortisation of goodwill	18,893	10,303
Negative goodwill recognised	(2,070)	(1,571)
Loss on disposal of fixed assets	224	-
Loss on disposal of a subsidiary	372	-
Provision for doubtful debts	1,279	62

5. Finance Costs

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	(17,670)	(45,098)
Finance lease and hire purchase contracts	(131)	(160)
Amortisation of deferred borrowing costs	(2,072)	(3,771)
Total finance costs	(19,873)	(49,029)
Less: Interest capitalised	833	12,067
Profit from operating activities	(19,040)	(36,962)

6. Tax

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
The People's Republic of China:		
Hong Kong	(25,794)	(27,526)
Elsewhere	(16,133)	(17,366)
Overprovision in prior years	13,036	–
Deferred tax	(204)	–
	<u>(29,095)</u>	<u>(44,892)</u>
Share of tax attributable to:		
Jointly controlled entities	(19,943)	(11,219)
Associates	(2,030)	(600)
	<u>(21,973)</u>	<u>(11,819)</u>
Tax charge for the period	<u>(51,068)</u>	<u>(56,711)</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 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. Earnings Per Share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2002 are based on the following data:

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Earnings		
Net profit attributable to shareholders for the period for the purpose of basic earnings per share	320,214	380,299
Interest saved upon deemed conversion of all convertible bonds and notes at the beginning of the period	–	11,995
Net profit attributable to shareholders for the period for the purpose of diluted earnings per share	<u>320,214</u>	<u>392,294</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,220,832,015	3,367,764,305
Effect of dilutive potential ordinary shares:		
Bonus warrants	193,026,551	–
Share options	–	121,599
Convertible bonds and notes	–	450,724,564
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,413,858,566</u>	<u>3,818,610,468</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operation

Following the acquisition of China Travel Service (Hong Kong) Limited and the establishment of a wholly-owned travel agency in Beijing last year, the Group focused on the merger and acquisition of travel agencies in PRC and successfully acquired a 70% interest in COSCO International Travel Inc., a travel agency established in Beijing. COSCO International Travel Inc. has established joint venture travel agencies in Dalian, Qingdao, Xiamen and Shanghai, and it owns a fleet of 133 small and large passenger vehicles. At the moment, it is undergoing business integration with China Travel International Limited in Beijing. In the western region of the PRC, the Group has set up joint venture travel agencies with controlling interest in Chengdu and Xinjiang. Furthermore, a group of travel agencies and air service companies in the PRC, which focus mainly on business travelers, are still in negotiation with the Group regarding merger and acquisition opportunities.

The Group recorded a consolidated turnover of HK\$1.29 billion for the six months ended 30 June 2002, which is an increase of 30.2% as compared with the same period last year. The consolidated net profit attributable to shareholders amounted to HK\$320 million, representing a decrease of 15.8%. The decline was mainly caused by the absence of the gain on disposal of the roads and bridges project of HK\$53.04 million recorded in the first half of last year, the expiry of the tax holiday enjoyed by Weihe Power Plant, the decrease in on-grid electricity sales and the decrease in profit margin of Hong Kong & Macau Tour business in the first half of the year. Yet the consolidated profit from operating activities after accounting for these factors is comparable with the same period last year.

The financial position of the Group is sound with a total interest-bearing debt to equity ratio of merely 12.9%. The Group is in a net cash position with strong cash reserves.

1. Tour Operation and Leisure Business

Tour operation and leisure business includes travel and travel related operations, tourist attraction operations and golf club operations.

In the first half of the year, the number of visitors served by China Travel Service (Hong Kong) Limited and its overseas branches was approximately 1.93 million, representing an increase of 2.3%. And the turnover of China Travel Service (Hong Kong) Limited increased by 2.5%. With the number of local branches and offices increased to 40, China Travel Service (Hong Kong) Limited is the travel agency with the largest branch network in Hong Kong. The percentage of on-line transactions of China Travel Net Limited increased from 17.4% to 30.9% and the monthly average number of visitors to the website reached 130,000 for the first six months, which is an increase of 55% for the same period last year. Affected by the sharp reduction in tour package fares and mal-practices in the tour market, the turnover of HK and Macau Tour decreased by 43.6% despite of an increase in the number of tourists received of 5%.

The business operation of China Travel International Limited, which was established by the end of last year, has been developing smoothly. Shortly after the commencement of operation, China Travel International Limited procured the exclusive ticketing agency right of the World Cup in the PRC and received wide acclaim. The overseas branches of China Travel Service (Hong Kong) Limited strove hard to enlarge customer base and tighten internal management control. After financial restructuring, the overseas branch in Singapore has returned to profitability.

Due to the fierce competition from surrounding theme parks, the number of visitors received by the three theme parks of the Group in Shenzhen recorded a slight decrease of 0.9% as compared with the same period last year. Among the three theme parks, Window of the World maintained its competitiveness amid fierce competition. The number of visitors received and the turnover increased by 8.7% and 2%, respectively. In the first half of the year, the number of visitors attracted by Splendid China Miniature Scenic Spot and China Folk Culture Villages decreased by 12%. In response, Shenzhen The Splendid China Development Co., Ltd. implemented measures to develop customer base from overseas and large enterprises aggressively, carry out improvement work on hardware, and strengthen management and cost controls. Together with the opening of the immense theatre of the China Folk Culture Villages in October this year, hopefully it will turn around the falling number of tourists received.

The turnover of Shenzhen Tycoon Golf Club recorded a minor decrease of 3.1%. In order to enhance its competitiveness, Shenzhen Tycoon Golf Club will undergo improvement work on lighting and the golf course to attract members. The Bureau of Foreign Trade and Economic Cooperation in Shenzhen (深圳市對外貿易經濟合作局) has approved the Group to acquire the remaining 20% interest in Shenzhen Tycoon Golf Club from its Chinese joint venture partner. After the completion of the acquisition, Shenzhen Tycoon Golf Club will become a wholly-owned subsidiary of the Group.

2. Hotel Operation

The average occupancy rate of the four hotels of the Group in Hong Kong was 87%, which is an increase of 9.3% as compared with the same period last year. However, the average room rate decreased. Metropark Hotel, a four-star business hotel with sea view, commenced soft opening at the end of last year and has been operating smoothly since then, with an average occupancy rate of 82.1%. Hotel Grandeur Macau, a four-star hotel in Macau, recorded an increase in the average occupancy rate of 4.6%. In the first half of the year, the turnover of the Group's hotels increased by 12.8% as compared with the same period last year.

3. Passenger Transportation and Freight Forwarding

The bus transportation business continued to develop, with increase in turnover and profit before tax by 22% and 42.9%, respectively. The cross border and the PRC bus operation received a total of 352,000 passengers, which is an increase of 14% as compared with the same period last year. The number of safety mileage reached over 4 million kilometers in the first half of the year. During the period, the Hong Kong Airport Authority has granted the 3-year operating right of bus service running between Hong Kong International Airport and the Mainland, and the acquisition of 80% equity interests in two cross-boarder bus companies is expected to complete in the third quarter this year.

With respect to the freight forwarding business, the export and import freight volume through railway in Hong Kong handled by China Travel Service (Cargo) Hong Kong Limited decreased slightly by 3.9% and 2.1%, respectively, whereas the air freight and sea freight volume increased by 48.3% and 98.4%, respectively. The network of the PRC freight operation, which is based in Shanghai, is expanding continuously, with rapid increase in sales volume and profit in both air freight and sea freight business. The contribution to consolidated profit from the freight forwarding business of the Group increased by 34.7% as compared with same period last year.

4. Infrastructure

In the first half of the year, due to the increase in generation of hydro-electricity and the decrease in generation of coal-fired electricity in Shaanxi, the amount of on-grid electricity sold by Weihe Power Plant decreased by 6.3%. Further aggravated by the expiry of the preferential tax holiday, the profit of Weihe Power Plant decreased by 3%. However, various technical, management and safety benchmarks of the power plant have been improved during the period under review.

Prospects

The recovery of the economy in the United States and Hong Kong is slow and the stock markets are volatile. However, the economy of the PRC continues to prosper. The number of domestic and outbound tourists increased significantly, but the competition in customer base and pricing intensified viciously. Every business segment of the Group is faced with challenges and opportunities. In response to these new circumstances, the Group will accelerate the pace of internal reform, strive to control operating costs, recruit competent personnel and develop new markets. The Group will equip itself well to capture the opportunities brought about by the anticipated opening of the Disney theme park in Hong Kong, in order to enforce and develop core business. At the same time, the Group will selectively acquire or merge with travel agencies in the PRC, set up more overseas branches, and to complete the basic foundation of the travel network in the PRC within the next two years. Following the trend towards leisure holidays by holiday makers, the Group will accelerate the development of the spa resort in Zhuhai, and make it a first class travel destination in the PRC that combines spa, entertainment and recreation. The Board of Directors is confident in the future development of the Group.

Financial Position

As at 30 June 2002, the Group's total interest-bearing bank and other borrowings amounted to HK\$1,054 million, which was HK\$336 million lower than the balance as at 31 December 2001.

As at 30 June 2002, the total amount of cash and cash equivalents of the Group, which was not restricted to use, was HK\$1,369 million and after total interest-bearing bank and other borrowings gave rise to a net cash position of the Group of HK\$315 million.

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, 1,827,697 bonus warrants were exercised for 1,827,697 shares of HK\$0.10 each at an exercise price of HK\$1.22 per share. Accordingly, the number of issued share capital of the Company has been increased from 4,220,233,742 shares to 4,222,061,439 shares as at 30 June 2002.

Number and Remuneration of Employee

As at 30 June 2002, the Group has 5,995 employees of whom 2,352 are based in Hong Kong, 209 are based in overseas countries and 3,434 are based in mainland China.

The employees are remunerated based on their work performance, professional experiences 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.

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 complied with the Code of Best Practice ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") 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 subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company's Audit Committee was established in accordance with the requirements of the Code in 1999 and comprises two Independent Non-Executive Directors of the Company. The present Committee members are Mr. Wong Man Kong, Peter and Mr. Yeh V-Nee (Alternate Director to Dr. Yeh Meou Tsen, Geoffrey).

The Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2002.

INTERIM DIVIDENDS

The Directors have resolved to declare an interim dividend of HK5 cents (2001: HK5 cents) per share for the period ended 30 June 2002. The interim dividends will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 11 September 2002. The interim dividends will be paid on or around Monday, 16 September 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 9 September 2002 to Wednesday, 11 September 2002, 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 Friday, 6 September 2002. Warrant holders 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 Friday, 6 September 2002.

PUBLICATION OF FINANCIAL INFORMATION

A detailed interim results announcement of the Group for the six months ended 30 June 2002 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> in due course.

By Order of the Board
Shen Zhuying
Managing Director

Hong Kong, 20 August 2002