

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 2003

INTERIM RESULTS

The Board of Directors (the "Board") of China Travel International Investment Hong Kong Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 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 2003

To the six months chaca 30 June 2003	Fo Notes	r the six months 2003 (Unaudited) HK\$'000	ended 30 June 2002 (Unaudited and restated) HK\$'000
TURNOVER	2	889,066	1,293,592
Cost of sales		(554,004)	(714,677)
Gross profit Other revenue and gains Distribution costs Administrative expenses Other operating expenses Revaluation deficit of investment properties, hotel properties and impairment of fixed assets and goodwill	3	335,062 24,855 (19,196) (300,320) (41,253) (388,603)	578,915 63,955 (12,127) (306,684) (39,157)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES Finance costs Share of profits and losses of: Jointly controlled entities Associates	<i>4 5</i>	(389,455) (11,257) 165,346 (13,420)	284,902 (19,040) 126,175 22,559
PROFIT/(LOSS) FROM OPERATING ACTIVITIES BEFORE TAX Tax	6	(248,786) (45,529)	414,596 (53,165)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS Minority interests		(294,315) 3,386	361,431 (43,314)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(290,929)	318,117
EARNINGS/(LOSS) PER SHARE (HK CENTS) Basic Diluted	7	(6.89) (6.90)	7.54 7.21
DIVIDEND PER SHARE (HK CENTS)		_	5.00

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 2002 except for the adoption of SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 30 June 2003 and 31 December 2002 by HK\$2,441,000 and HK\$11,740,000, respectively, and a decrease in the Group's share of net assets from an associate by HK\$8,352,000 as at 30 June 2003 and 31 December 2002. As a consequence, the Group's net loss attributable to shareholders for the period ended 30 June 2003 has been increased by HK\$2,441,000, the net profit attributable to shareholders for the period ended 30 June 2002 has been decreased by HK\$2,097,000, and the consolidated retained profits at 1 January 2003 and 2002 have been reduced by HK\$20,092,000 and HK\$15,897,000, respectively.

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:

The following tables present revenue and results of the Group's business segments for the six months

Group	Passenger transportation services 2003 HK\$'000	Tourist attraction operations 2003	Freight forwarding and trans- portation services 2003 HKS'000	Hotel operations 2003 HK\$'000	Travel and travel-related operations 2003	Golf club operations 2003 HKS'000	Power generation 2003	Corporate and others 2003 HKS'000	Eliminations 2003	Consolidated 2003
Segment revenue: Sales to external customers Intersegment revenue Other revenue and gains Total	47,054 1,506 1,318 49,878	120,109 442 2,579 123,130	109,447 309 1,823 111,579	97,371 2,610 1,905 101,886	499,853 2,970 4,790 507,613	14,973 - 127 15,100	382	259 3,611 951 4,821	(11,448)	889,066 13,875 902,941
Segment results	(2,882)	(7,208)	7,159	(128,463)	(160,605)	(83,502)	382	(25,316)	_	(400,435)
Interest income and unallocated ga Loss from operating activities Finance costs Share of profits and losses of: Jointly controlled entities Associates	- (13,419)	- -	(1,400) (1)	- -	- -	- -	166,746	- -	- -	10,980 (389,455) (11,257) 165,346 (13,420)
Loss from operating activities before Tax	ore tax									(248,786) (45,529)
Loss before minority interests Minority interests										(294,315) 3,386
Net loss from ordinary activities attributable to shareholders										(290,929)

	Отоир			forwarding		Travel and					
		Passenger	Tourist	and trans-		travel-					
	tran	sportation	attraction	portation	Hotel	related	Golf club	Power	Corporate	Elimin-	Consolid-
		services	operations	services	operations	operations	operations	generation	and others	ations	ated
		2002	2002	2002	2002	2002	2002	2002	2002	2002	2002
		HK\$'000	HK\$'000	HK\$'000 (Restated)							
	Segment revenue:										,
	Sales to external customers	56,777	205,818	131,058	145,610	734,949	19,270	-	110	(15.502)	1,293,592
	Intersegment revenue	734	187	143	7,070	3,748	-	-	3,621 928	(15,503)	10 127
	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 Unallocated expenses										45,828 (372)
	Profit from operating activities Finance costs Share of profits and losses of:										284,902 (19,040)
	Jointly controlled entities	-	-	(1,125)	-	-	-	127,300	-	-	126,175
	Associates	22,664	-	(105)	-	-	-	-	-	-	22,559
	Profit from operating activities before ta	IX									414,596
	Tax										(53,165)
	Profit before minority interests										361,431
	Minority interests										(43,314)
	Net profit from ordinary activities attributable to shareholders										318,117
Ъ)	Geographical segments										

Freight

The following table presents revenue of the Group's geographical segments for the six months ended 30

Group

H01	ig Kong	PKC		U	Overseas		sonaatea
2003	2002	2003	2002	2003	2002	2003	2002
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
473,712	808,875	296,811	337,316	118,543	147,401	889,066	1,293,592
7,638	9,119	4,498	5,402	1,739	3,606	13,875	18,127
481,350	817,994	301,309	342,718	120,282	151,007	902,941	1,311,719
	2003 HK\$'000 473,712 7,638	HK\$'000 HK\$'000 473,712 808,875 7,638 9,119	2003 2002 2003 HK\$'000 HK\$'000 HK\$'000 473,712 808,875 296,811 7,638 9,119 4,498	2003 2002 2003 2002 HK\$'000 HK\$'000 HK\$'000 HK\$'000 473,712 808,875 296,811 337,316 7,638 9,119 4,498 5,402	2003 2002 2003 2002 2003 HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000 473,712 808,875 296,811 337,316 118,543 7,638 9,119 4,498 5,402 1,739	2003 2002 2003 2002 2003 2002 HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000 HK\$'000 473,712 808,875 296,811 337,316 118,543 147,401 7,638 9,119 4,498 5,402 1,739 3,606	2003 2002 2003 2002 2003 2002 2003 2002 2003 2002 2003 2002 2003 4000 <th< td=""></th<>

For the six months ended 30 June

For the six months ended 30 June

3. Other Revenue and Gains

	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) HK\$'000
Interest income	10,980	11,017
Rental income	5,115	6,235
Gain on disposal of listed equity investments	360	_
Gain on changes in fair value of short term investments	383	_
Management fee income	1,204	973
Exchange gains, net	343	1,105
Gain on disposal of fixed assets	178	2,150
Write-back of long outstanding payables	_	27,136
Write-back of provision for doubtful debts	_	7,675
Others	6,292	7,664
	24,855	63,955

Profit/(Loss) from Operating Activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting): For the six months ended 30 June

	TOT THE SIX IIIOHTHS	chucu 30 June
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$</i> '000
Depreciation	64,914	58,449
Amortisation of goodwill	20,478	18,893
Negative goodwill recognised	(2,070)	(2,070)
Loss/(gain) on disposal of fixed assets, net	(178)	224
Loss on disposal of a subsidiary	`	372
Loss on disposal of an associate	117	_
Impairment of depreciable investment properties	4,389	_
Revaluation deficit of other investment properties	25,200	_
Impairment of fixed assets	83,560	_
Hotel property revaluation deficit	492,813	_
Goodwill impairment	150,475	_
Realisation of goodwill from capital reserve upon impairment		
of underlying assets	13,061	_
Recognition of negative goodwill from capital reserve upon impairment		
of underlying assets	(371,342)	_
Recognition of negative goodwill upon impairment of underlying assets	(9,553)	_
Provision for doubtful debts	233	1,279

Finance Costs

	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable		
within five years	(10,488)	(17,670)
Finance lease and hire purchase contracts	(26)	(131)
Amortisation of deferred borrowing costs	(743)	(2,072)
Total finance costs	(11,257)	(19,873)
Less: Interest capitalised	`	833
	(11,257)	(19,040)

	For the six months ended 30 June 2003			
	2003 (Unaudited)			
	(Chauditeu)	(Unaudited and restated)		
	HK\$'000	HK\$'000		
Group:				
The People's Republic of China:				
Hong Kong	(8,968)	(25,794)		
Elsewhere	(6,371)	(16,133)		
Overseas	(149)	-		
Over/(under)provision in prior years	(938)	13,036		
Deferred tax	(2,441)	(1,866)		
	(18,867)	(30,757)		
Share of tax attributable to:				
Jointly controlled entities	(24,922)	(19,943)		
Associates	(1,740)	(2,465)		
	(26,662)	(22,408)		
Tax charge for the period	(45,529)	(53,165)		

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

No recognition of the potential deferred tax assets relating to tax losses of certain subsidiaries has been made as the recoverability of the potential deferred tax assets is uncertain.

7. Earnings/(Loss) Per Share

The calculation of basic and diluted earnings/(loss) per share for the six months ended 30 June 2003 are based on the following data:

	For the six months 2003 (Unaudited)	2002 (Unaudited and restated)
	HK\$'000	HK\$'000
Earnings/(Loss)		
Net profit/(loss) attributable to shareholders for the period for the purpose of basic and diluted earnings/(loss) per share	(290,929)	318,117
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share Effect of dilutive potential ordinary shares:	4,223,033,876	4,220,832,015
Bonus warrants	(7,748,582)	193,026,551
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	4,215,285,294	4,413,858,566

8. Comparative Amounts

As explained in note 1 to the condensed consolidated financial statements, due to the adoption of revised SSAP during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operation

During the first half of the year, Hong Kong was adversely affected by SARS for more than a hundred days and the Tourism industry of Hong Kong has suffered seriously. The tour and tour- related operations of the Group were significantly affected, resulting in a sharp decrease in its operating results. During that period, the Group has undertaken a number of cost control measures and the Group has continued the acquisitions of travel agencies in mainland China. Preparation work for the acquisition of China Travel International Shanghai Limited and the establishment of a wholly owned travel agency in Northern Europe have come to the final stage. The preliminary preparation for the establishment of the travel agencies in Qingdao and Xian, PRC, has been completed. In order to fully utilize the internal resources of the Group, operation of different entities within the Group are integrated.

Comparing with last year, the consolidated turnover of the Group for the six months ended 30 June 2003 declined by HK\$404 million to HK\$890 million, representing a decrease of 31%. Notwithstanding the effects of SARS on the tourist related operations, hotel operations, theme parks and passenger transportation business of the Group, the operating results of the Group for the first half year reported a profit of HK\$97.67 million. The net loss attributable to shareholder of HK\$291 million for the first half year was mainly attributed to the provision for devaluation of investment properties, impairment of assets and goodwill of HK\$389 million. The provisions however do not have any impact on the cash flow of the Group.

The Group still has a strong financial position with HK\$860 million cash on hand while the net interest bearing debt to equity ratio was only 3.8%.

Tour Operations and Leisure Business

The consolidated net profit for the first quarter increased by over 10% when compared with the same period of last year but recorded a significant decrease in the second quarter because of SARS. During the first half of the year, the total number of tourists received by the Group was about 1.41 million, representing a decrease of 27% as compared with the same period of last year, while the operating profit decreased by 74%. During the period affected by SARS, China Travel Service (Hong Kong) Limited promptly switched to promote local and Macau tours in order to compete for the market share. The number of visitors received by China Travel (HK & Macau Tour) Management Hong Kong Limited decreased by 40% to 59,027 during the first half year when compared with the same period of last year. Having gone through a series of restructuring and integration processes, the wholly owned travel agency established in Beijing has fostered its business relationship with the travel agencies of the Group in mainland, laying a solid foundation for the future development.

During the first quarter in 2003, the turnover of China Travel Net Limited generated from online transactions increased from about 31.1% of its total turnover to about 40.7%. Notwithstanding the decrease in net profit during the first half year, China Travel Net Limited has completed the installation of a number of online automatic transactions services, including the PPS payment function and inter-agency credit function, etc. The number of visitors to the China Travel website has reached an average of 130,000 visits per month and the number of members was 40,845, representing an increase of 64%.

The number of visitors to the Window of the World decreased by 40% to 726,000, while the number of visitors to the Splendid China and the China Folk Culture Villages dropped by 55% to 389,000. Window of the World still reported a profit during the first half of the year but Splendid China reported a loss for the first time since its operation. Window of the World had launched some new attractions during the first half of the year including the Underground Adventure and the Roman Plaza etc., and were well received by the visitors. Splendid China had also carried out some renovation works to the Water Market , the Miao Village and the Zhuang Village in order to attract more visitors.

During the first half of the year, the number of the golfers in Shenzhen Tycoon Golf Club has decreased by 12%, resulting in the decrease of turnover by 22% as compared with last year. It was mainly due to the traffic jam caused by the renovation work done on the Hezhou-highway and the renovation carried out on one of the three courses. The renovation work for the 9-hole golf course will be completed by October this year and will greatly enhance the facility of the Club.

The master planning of the Zhuhai Ocean Spring Resort has been completed and the design of the buildings and other components will be completed by the end of August this year. The foundation treatment of the site had been commenced and is expected to be completed by the end of August this year.

Hotel Operation

The average occupancy rate of the four hotels of the Group in Hong Kong has decreased from 86.98% in the first half of last year to 51.71% in this year. All of them recorded operating losses. The average occupancy rate of Hotel Grandeur in Macau has dropped to 61% but it still recorded a small operating profit. During the period affected by SARS, there were not sufficient customers and all the hotels had implemented strict and effective cost reduction measures.

Passenger Transportation and Freight Forwarding

The turnover of China Travel Tours Transportation Services Hong Kong Limited decreased by 17%, while the number of passengers decreased by 22%. The number of passengers carried by the joint venture, Shun Tak-China Travel Shipping Investment Limited decreased resulting in a loss for the period.

With respect to the freight forwarding business, the turnover for the first half of the year has decreased by 16%. China Travel Service (Cargo) Hong Kong Limited has established agency relationship with other industry players in the US, Europe, Australia and other Asian countries. It has gradually built up an overseas agency network. CTS International Transportation Company Limited in Shanghai had promptly adjusted its operating strategy by gradually expanding the business from eastern and northern China and the coastal area to the inland China and this has helped to increase its market share.

Infrastructure

During the first half of the year, the total electricity generated by Shaanxi Weihe Power Plant has increased by 255 million kilowatt hour. The Group's profits from the Weihe Power Plant has increased by 37%. It was mainly due to the increase in the sales of on-grid electricity of 10.7% and the decrease in the operating costs because of lower consumption of coal.

Prospects

After the SARS epidemic, the tour-related operations of the Group have been recovering gradually. The numbers of tours, packages and hotel bookings have recorded a relatively large increase. The average occupancy rate of the five hotels of the Group in Hong Kong and Macau had increased from 15.5% in May to 73.7% in July. The number of visitors to the theme parks and the number of passengers carried have also been recovering swiftly. Because of the addition of new routes, the number of passengers carried by China Travel Tours Transportation Services Hong Kong Limited was about 138,400 in July, representing an increase of 118% when compared with July last year.

Recently, the Hong Kong Government has launched a series of policies to promote tourism in Hong Kong. In the past, only residents in Guangdong province are allowed to visit Hong Kong on an individual basis. The policy has extended such permitted visits to cover the residents from Beijing and Shanghai. The number of tourists visiting Hong Kong is expected to increase significantly and will have positive effects on the Group's business such as its hotel operations, passenger transportation and tour operations, etc. As the Group has gradually put in place a overseas and domestic travel network, the customer sources of the Group will be greatly increased and hence the competitive advantages of the Group will be enhanced. The bridge connecting Hong Kong, Zhuhai and Macau is expected to be built in few years' time and will have a very positive effect on the development of the Zhuhai Ocean Spring Resort. The operation of Weihe power plant was steady and producing favourable returns. The Group has overcome the hard time during the period of SARS. Although the mal-practices in the Hong Kong and Macau Tour tourism industry cannot be solved within a short period of time and there is instability in some countries and regions and these factors have certain impacts on the business of the Group, the overall sentiment remains positive and the Directors have full confidence in the future prospects of the Group.

Financial Position

The financial position of the Group is strong. As at 30 June 2003, the cash and bank balances of the Group amounted to HK\$860 million whereas the interest bearing debts from the bank amounted to HK\$1,136 million. The net interest bearing debt to equity ratio was at a low 3.8%.

Capital Structure

During the period, 9,466,636 bonus warrants were exercised for 9,466,636 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 4,222,731,839 shares to 4,232,198,475 shares as at 30 June 2003.

Number and Remuneration of Employees

As at 30 June 2003, the Group has 6,311 employees of whom 2,137 are based in Hong Kong, 205 are based in overseas countries and 3,969 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, 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 had 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 and subject only 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 2003.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend (2002: HK5 cents per share) for the period ended 30 June 2003.

PUBLICATION OF FINANCIAL INFORMATION

A detailed interim results announcement of the Group for the six months ended 30 June 2003 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