

INTERIM RESULTS

The Board of Directors ("the Board") of China Travel International Investment Hong Kong Limited ("the Company") is pleased to present 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	2	1,293,592	993,764
Cost of sales		(742,082)	(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	2	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)	8	5.00	5.00

Condensed Consolidated Balance Sheet

30 June 2002

	Notes	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Restated) (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		5,749,779	5,183,045
Properties under development		38,099	586,273
Goodwill:			
Goodwill		1,367,051	1,385,944
Negative goodwill		(197,478)	(199,548)
Interests in jointly controlled entities		1,138,069	1,028,713
Interests in associates		456,122	434,903
Long term investments	9	21,979	88,070
		8,573,621	8,507,400
CURRENT ASSETS			
Short term investments	9	67,509	1,900
Property held for sale		92,000	92,000
Inventories		18,629	16,736
Trade receivables	10	235,673	217,319
Tax recoverable		1,061	479
Other receivables		143,856	101,075
Pledged time deposits		2,624	3,302
Cash and cash equivalents		1,368,846	1,643,853
Amount due from ultimate holding company		35,359	52,523
Amounts due from fellow subsidiaries		6,317	1,805
		1,971,874	2,130,992
CURRENT LIABILITIES			
Trade payables	11	377,546	316,889
Tax payable		69,250	75,000
Other payables and accruals		433,540	434,441
Interest-bearing bank and other borrowings		274,091	369,723
Amounts due to fellow subsidiaries		729	3,156
		1,155,156	1,199,209
NET CURRENT ASSETS		816,718	931,783
TOTAL ASSETS LESS CURRENT LIABILITIES		9,390,339	9,439,183
NON-CURRENT LIABILITIES AND DEFERRED INCOME			
Deferred income		63,647	55,577
Interest-bearing bank and other borrowings		779,478	1,019,959
Lease and hire purchase contract payables		—	722
Deferred tax		9,762	9,558
		852,887	1,085,816
MINORITY INTERESTS		(379,516)	(353,003)
		8,157,936	8,000,364
CAPITAL AND RESERVES			
Share capital	12	422,206	422,023
Reserves	13	7,524,627	7,409,532
Proposed dividends		211,103	168,809
		8,157,936	8,000,364

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2002*

	Note	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Total shareholders' equity at 1 January		8,008,300	6,418,227
Prior year adjustment – Note 1		(7,936)	(7,936)
As restated		8,000,364	6,410,291
Reclassification of a long term investment to interests in a subsidiary		–	122,000
Exchange differences arising on translation of the financial statements of foreign entities	13	4,011	1,207
Underaccrual of proposed final dividends	13	(74)	(16,226)
Net gains not recognised in the profit and loss account		3,937	106,981
Net profit attributable to shareholders		320,214	380,299
Dividends paid		(168,809)	(97,533)
Issue of new shares		2,230	607,385
Realisation of reserves on disposal of an associate		–	15,541
Total shareholders' equity at 30 June		8,157,936	7,422,964

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June 2002*

	For the six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH INFLOW FROM OPERATING ACTIVITIES	307,143	277,968
CASH OUTFLOW FROM INVESTING ACTIVITIES	(64,384)	(402,078)
CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(513,100)	586,265
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(270,341)	462,155
Cash and cash equivalents at beginning of period	1,639,187	801,646
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,368,846</u>	<u>1,263,801</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	397,889	952,104
Time deposits	970,957	311,697
	<u>1,368,846</u>	<u>1,263,801</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**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 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 results of the Group's business segments for the six months ended 30 June.

Group

	Passenger transportation services 2002 HK\$'000	Tourist attraction operations 2002 HK\$'000	Freight forwarding and trans- portation services 2002 HK\$'000	Hotel operations 2002 HK\$'000	Travel and travel- related operations 2002 HK\$'000	Golf club operations 2002 HK\$'000	Power generation 2002 HK\$'000	Corporate and others 2002 HK\$'000	Eliminations 2002 HK\$'000	Consolidated 2002 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
Finance costs										(19,040)
Share of profits and losses of:										
Jointly controlled entities	-	-	(1,125)	-	-	-	127,300	-	-	126,175
Associates	22,664	-	(105)	-	-	-	-	-	-	22,559
Profit before tax										414,596
Tax										(51,068)
Profit before minority interests										363,528
Minority interests										(43,314)
Net profit from ordinary activities attributable to shareholders										320,214

(a) *Business segments (continued)**Group*

	Passenger transportation services	Tourist attraction operations	Freight	Hotel operations	Travel and	Golf club operations	Power generation	Corporate and others	Eliminations	Consolidated
			forwarding and trans- portation services		related operations					
	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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
Finance costs										(36,962)
Gain on disposal of an associate										53,043
Share of profits and losses of:										
Jointly controlled entities	-	-	(512)	-	-	-	120,360	-	-	119,848
Associates	13,385	-	27	-	-	-	-	-	-	13,412
Profit before tax										479,576
Tax										(56,711)
Profit before minority interests										422,865
Minority interests										(42,566)
Net profit from ordinary activities attributable to shareholders										380,299

2. Segment Information (Continued)

(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	<u>817,994</u>	<u>667,440</u>	<u>342,718</u>	<u>293,650</u>	<u>151,007</u>	<u>45,703</u>	<u>1,311,719</u>	<u>1,006,793</u>
Segment results	<u>136,562</u>	<u>130,659</u>	<u>97,069</u>	<u>105,996</u>	<u>5,815</u>	<u>368</u>	<u>239,446</u>	<u>237,023</u>

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
	<u>63,955</u>	<u>106,241</u>

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	2001
	(Unaudited)	(Unaudited)
	HK\$'000	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
	<u>1,279</u>	<u>62</u>

5. Finance Costs

	For the six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	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)
	<u>(19,873)</u>	<u>(49,029)</u>
Total finance costs	(19,873)	(49,029)
Less: Interest capitalised	833	12,067
	<u>(19,040)</u>	<u>(36,962)</u>

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	2001
	(Unaudited)	(Unaudited)
	HK\$'000	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
	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>
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>

8. 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.

9. Investments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Long term investments		
Unlisted equity investments outside Hong Kong:		
Unlisted shares, at fair value	<u>21,949</u>	<u>21,947</u>
Unlisted equity and debt investments in Hong Kong:		
Unlisted shares, at fair value	30	123
Unlisted convertible bonds, at fair value	<u>—</u>	<u>66,000</u>
	<u>30</u>	<u>66,123</u>
	<u>21,979</u>	<u>88,070</u>
Short term investments		
Unlisted debt investments in Hong Kong:		
Unlisted convertible bonds, at fair value	66,000	—
Listed equity investments in Hong Kong at market value	<u>1,509</u>	<u>1,900</u>
	<u>67,509</u>	<u>1,900</u>

The market value of the Group's short term listed investments at the date of approval of these interim financial statements was approximately HK\$1,042,000.

10. Trade Receivables

The Group allows an average credit period ranging from 30 to 90 days to its trade debtors. The aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, net of provisions for doubtful debts, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Outstanding balances with ages:		
Less than 1 month	98,385	119,876
Within:		
1-3 months	102,793	49,005
4-6 months	6,706	20,764
7-12 months	7,996	9,811
1-2 years	4,929	2,025
Over 2 years	14,864	15,838
	<u>235,673</u>	<u>217,319</u>

11. Trade Payables

The aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Less than 1 month	218,891	211,690
Within:		
1-3 months	126,244	46,473
4-6 months	8,238	39,962
7-12 months	7,633	7,077
1-2 years	5,106	2,255
Over 2 years	11,434	9,432
	<u>377,546</u>	<u>316,889</u>

12. Share Capital

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised: 7,000,000,000 ordinary shares of HK\$0.10 each	<u>700,000</u>	<u>700,000</u>
Issued and fully paid: 4,222,061,439 (2001: 4,220,233,742) ordinary shares of HK\$0.10 each	<u>422,206</u>	<u>422,023</u>

A summary of the movements in the issued share capital of the Company during the period is as follows:

	Number of shares in issue	Issued and fully paid (Unaudited) HK\$'000
At 1 January 2002	4,220,233,742	422,023
Shares issued on exercise of bonus warrants	<u>1,827,697</u>	<u>183</u>
At 30 June 2002	<u>4,222,061,439</u>	<u>422,206</u>

On 28 June 2001, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the Register of Members on 1 June 2001, resulting in 758,394,899 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$1.22 per share, payable in cash and subject to adjustment, from the date of issue to 30 June 2003.

During the period, 1,827,697 warrants were exercised for 1,827,697 shares of HK\$0.10 each at a subscription price HK\$1.22 per share. At the balance sheet date, the Company had 755,580,686 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 755,580,686 additional shares of HK\$0.10 each in the Company, for gross proceeds of approximately HK\$921,808,000.

13. Reserves

	Share premium account <i>(Unaudited)</i> HK\$'000	Capital reserve <i>(Unaudited)</i> HK\$'000	Hotel property revaluation reserve <i>(Unaudited)</i> HK\$'000	Enterprise expansion reserve funds <i>(Unaudited)</i> HK\$'000	Exchange fluctuation reserve <i>(Unaudited)</i> HK\$'000	Retained profits <i>(Unaudited)</i> HK\$'000	Total <i>(Unaudited)</i> HK\$'000
At 1 January 2002	5,919,433	160,658	259,568	55,012	(2,397)	1,025,194	7,417,468
Prior year adjustment - Note 1	-	-	-	-	-	(7,936)	(7,936)
As restated	5,919,433	160,658	259,568	55,012	(2,397)	1,017,258	7,409,532
Exchange realignments	-	-	-	-	4,011	-	4,011
Premium on issue of new shares on exercise of bonus warrants	2,047	-	-	-	-	-	2,047
Net profit for the period	-	-	-	-	-	320,214	320,214
Underaccrual of 2001 final dividends	-	-	-	-	-	(74)	(74)
Proposed 2002 interim dividends	-	-	-	-	-	(211,103)	(211,103)
Transfer from retained profits	-	-	-	7,399	-	(7,399)	-
At 30 June 2002	5,921,480	160,658	259,568	62,411	1,614	1,118,896	7,524,627

14. Pledge of Assets

As at 30 June 2002, the following assets of the Group were pledged to secure against the Group's credit facilities:

- (a) The Group's bank deposits of approximately HK\$2,624,000 (2001: HK\$3,302,000) were pledged to banks to secure certain bank guarantee given in lieu of utility and visa application deposits.
- (b) Certain hotel properties and land and buildings held by the Group were pledged to secure certain of the Group's bank borrowings. As at 30 June 2002, the Group's bank borrowings secured by these properties amounted to HK\$1,004,774,000 (2001: HK\$1,305,010,000)

15. Contingent Liabilities

At the balance sheet date, the Group had the following material contingent liabilities:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by an associate	106,550	107,762
Guarantees given to suppliers in connection with facilities granted to and utilised by a jointly controlled entity	1,888	1,885
	<u>108,438</u>	<u>109,647</u>

16. Commitments

At the balance sheet date, the Group had the following commitments:

(i) Capital commitments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Land and buildings:		
Contracted, but not provided for	38,168	–
Authorised, but not contracted for	3,856	–
	<u>42,024</u>	<u>–</u>
Leasehold improvements:		
Contracted, but not provided for	3,238	2,632
Properties under development:		
Contracted, but not provided for	25,282	29,944
Authorised, but not contracted for	–	91,743
	<u>25,282</u>	<u>121,687</u>
Unpaid capital contribution to jointly controlled entities:		
Contracted, but not provided for	4,987	4,987
Others:		
Contracted, but not provided for	35,563	385
Authorised, but not contracted for	31,006	–
	<u>66,569</u>	<u>385</u>

16. Commitments (Continued)*(ii) Commitments under operating leases*

The Group leases certain of its office properties and plant and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 18 years, and those for plant and machinery for terms ranging from 1 to 5 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Land and buildings:		
Within one year	52,428	32,807
In the second to fifth years, inclusive	57,810	79,102
After five years	62,300	159,880
	<u>172,538</u>	<u>271,789</u>
Plant and machinery:		
Within one year	79	1,111
In the second to fifth years, inclusive	157	2,580
	<u>236</u>	<u>3,691</u>

(iii) The Group's share of capital commitments of a jointly controlled entity is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised, but not contracted for	<u>-</u>	<u>18,027</u>

17. Related Party Transactions

The Group had the following material transactions with related parties during the period which also constituted connected transactions as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited:

China Travel Service (Holdings) Hong Kong Limited or its subsidiaries

Name of company	Nature of transaction	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
<i>Paid or payable to:</i>			
1. China Travel Hip Kee Godown Hong Kong Limited	Car parking fee	1,075	971
2. China Travel Building Contractors Hong Kong Limited	Decoration expenses	544	1,690
3. China Travel Insurance Advisers Hong Kong Limited	Insurance charges	3,421	3,115
4. Tai Sun Services Company Limited	Coolie charges	1,151	1,162
5. China Travel Hotel Management Services Hong Kong Limited	Hotel management fees	1,050	1,577
6. China Travel Hotel Management Services Hong Kong Limited	Management service fees	1,014	747
7. China Travel Service (Hong Kong) Limited	Train and boat tickets	–	4,454
8. Sociedade De Fomento Predial Fu Wa (Macau) Limitada	Macau tour charges	–	1,527
9. Sociedade De Fomento Predial Fu Wa (Macau) Limitada	Hotel room charges	–	897
10. China Travel Service (Holdings) Hong Kong Limited	Office rental	7,109	1,514
11. China Travel Service (Holdings) Hong Kong Limited	Convertible notes interest	–	14,280
12. China Travel Computer Service H.K. Limited	Computer maintenance fees	–	8,490

17. Related Party Transactions (Continued)*China Travel Service (Holdings) Hong Kong Limited or its subsidiaries (Continued)*

Name of company	Nature of transaction	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
<i>Received or receivable from:</i>			
13. China Travel Service (Hong Kong) Limited	Admission tickets	–	10,281
14. China Travel Service (Hong Kong) Limited	Hotel room rental	–	3,907
15. China Travel Service (Holdings) Hong Kong Limited	Hotel room rental	371	1,624
16. China Travel Service (Holdings) Hong Kong Limited	Travel permit administration income	169,691	41,511
17. China Travel Computer Service H.K. Limited	Application Service Provider services	7,462	12,264
18. China Travel Service (Thailand) Co., Ltd	Sale of tourism services/products	929	360
19. China Travel System (M) Sdn Bhd	Sale of tourism services/products	643	206

The above transactions were carried out in accordance with the terms of agreements, if any, governing such transactions, at market price or, where no market price was available, at cost plus a percentage of profit mark-up.

18. Approval of the Interim Financial Report

These condensed interim financial statements were approved and authorised for issue by the Board of the Company on 20 August 2002.

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of China Travel International Investment Hong Kong Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 19.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the HKSA. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Group's interim financial report for the six months ended 30 June 2002.

Ernst & Young

Certified Public Accountants

Hong Kong, 20 August 2002

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 the 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 Hong Kong 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.

OTHER INFORMATION

Directors' Interest in Shares

At 30 June 2002, the interests of the Directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interest in Ordinary Shares

Name of Director	Number of shares held and nature of interest			
	Personal	Corporate	Other	Total
Mr. Chen Shoujie	20,000(i)	–	–	20,000
Mr. Shen Zhuying	2,500,000	–	–	2,500,000
Dr. Yeh Meou Tsen, Geoffrey	7,100,000	–	–	7,100,000
Dr. Fong Yun Wah	–	50,000(ii)	502,000(iii)	552,000

Interest in Warrants

Name of Director	Number of warrants held and nature of interest			
	Personal	Corporate	Other	Total
Dr. Yeh Meou Tsen, Geoffrey	200,000	–	–	200,000

Notes:

- (i) These shares are beneficially owned by certain connected persons of Mr. Chen Shoujie who is taken to be interested by virtue of the SDI Ordinance.
- (ii) These shares are beneficially owned by certain corporations in which Dr. Fong Yun Wah is taken to be interested by virtue of the SDI Ordinance.
- (iii) These shares are beneficially owned by certain charitable foundations in which Dr. Fong Yun Wah is the chairman and has non-beneficial interests.

Save as disclosed above, none of the Directors or their associates had any interest in the equity or debt securities of the Company or its associated corporations as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares

During the six months ended 30 June 2002, no rights were granted to the Directors, their respective spouse, or children under 18 years of age to subscribe for equity or debt securities of the Company. As at 30 June 2002, there were no share options outstanding which entitle any of the Directors of the Company to subscribe for shares in the Company.

Substantial Shareholders

At 30 June 2002, the register of shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest in 10% or more in the issued share capital of the Company:

Name	Number of issued shares held	Percentage holding
China Travel Service (Holdings) Hong Kong Limited	2,494,693,940	59.09%
China Travel Service Head Office of the PRC	2,494,693,940	59.09%

Note: The entire issued share capital of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") is beneficially owned by China Travel Service Head Office of the PRC ("CTS-PRC"). CTS (Holdings) is the direct holding company of the Company. Accordingly, the interests of CTS-PRC in the Company duplicate the interests of CTS (Holdings).

Save as disclosed above, the register of shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company at 30 June 2002.

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.

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.

Practice Note 19 of the Listing Rules

As at 30 June 2002, 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 lenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amount outstanding as at 30 June 2002

HK\$300 million
HK\$700 million

Final maturity of the loan facilities

15 December 2003
21 March 2006

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 dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 6 September 2002. Warrant holders who wish to convert their warrants into shares in order to qualify for the interim dividends 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.

By Order of the Board
Shen Zhuoying
Managing Director

Hong Kong, 20 August 2002