



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)
(Stock Code: 00308)

ANNOUNCEMENT OF 2007 FINAL RESULTS

The Board of Directors (the “Board”) of China Travel International Investment Hong Kong Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007 together with the comparative figures (as restated).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	4,417,195	4,062,251
Cost of sales		(2,687,137)	(2,565,133)
Gross profit		1,730,058	1,497,118
Other income and gains	5	112,618	122,246
Selling and distribution costs		(483,263)	(447,047)
Administrative expenses		(909,834)	(840,227)
Net gain from a fair value adjustment in investment properties		13,947	6,887
Impairment of goodwill		–	(16,591)
Finance costs	6	(32,713)	(77,793)
Share of profits and losses of:			
Jointly-controlled entities		248,751	133,354
Associates		67,702	57,588
PROFIT BEFORE TAX	7	747,266	435,535
Tax	8	(120,626)	(102,352)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		626,640	333,183

CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000 (Restated)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		626,640	333,183
DISCONTINUING OPERATION	9		
Profit for the year from a discontinuing operation		<u>94,272</u>	<u>82,834</u>
PROFIT FOR THE YEAR		<u>720,912</u>	<u>416,017</u>
Attributable to:			
Equity holders of the parent		633,974	333,452
Minority interests		<u>86,938</u>	<u>82,565</u>
		<u>720,912</u>	<u>416,017</u>
DIVIDENDS	10		
Interim		170,861	113,907
Proposed final		170,861	56,954
Adjustments to 2005 final dividend		<u>-</u>	<u>15,809</u>
		<u>341,722</u>	<u>186,670</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CENTS)	11		
Basic			
- For profit for the year		11.13	6.10
- For profit from continuing operations		<u>9.80</u>	<u>4.90</u>
Diluted			
- For profit for the year		11.12	N/A
- For profit from continuing operations		<u>9.79</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		4,418,186	4,255,187
Investment properties		200,049	240,085
Prepaid land lease payments		3,036,028	3,056,985
Goodwill		1,244,769	1,244,769
Passenger service licences		2,168	–
Interests in jointly-controlled entities		1,176,160	1,151,917
Interests in associates		438,293	418,996
Available-for-sale investments		17,977	18,898
Held-to-maturity investments		15,691	15,547
Deferred tax assets		250	525
Total non-current assets		10,549,571	10,402,909
CURRENT ASSETS			
Inventories		18,377	17,831
Trade receivables	12	283,823	704,253
Tax recoverable		2,967	2,974
Prepayments, deposits and other receivables		370,878	356,255
Pledged time deposits		11,169	4,176
Cash and cash equivalents		2,272,346	2,157,297
Amount due from the immediate holding company		28,230	23,202
Amounts due from fellow subsidiaries		21,676	3,279
		3,009,466	3,269,267
Assets of a disposal group classified as held for sale		995,260	–
Total current assets		4,004,726	3,269,267
CURRENT LIABILITIES			
Trade payables	13	402,841	731,617
Tax payable		69,203	45,093
Other payables and accruals		858,975	822,234
Interest-bearing bank and other borrowings		5,385	179,733
Amount due to the immediate holding company		902	1,421
Amounts due to fellow subsidiaries		2,623	3,138
		1,339,929	1,783,236
Liabilities directly associated with the assets classified as held for sale		473,546	–
Total current liabilities		1,813,475	1,783,236
NET CURRENT ASSETS		2,191,251	1,486,031
TOTAL ASSETS LESS CURRENT LIABILITIES		12,740,822	11,888,940
NON-CURRENT LIABILITIES AND DEFERRED INCOME			
Deferred income		148,108	149,002
Interest-bearing bank and other borrowings		578,949	504,843
Deferred tax liabilities		373,435	371,073
Total non-current liabilities and deferred income		1,100,492	1,024,918
Net assets		11,640,330	10,864,022

CONSOLIDATED BALANCE SHEET (Continued)*AS AT 31 DECEMBER 2007*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	569,536	569,536
Reserves	10,365,589	9,794,050
Proposed final dividend	170,861	56,954
	11,105,986	10,420,540
Minority interests	534,344	443,482
Total equity	<u>11,640,330</u>	<u>10,864,022</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2007

1. CORPORATE INFORMATION

China Travel International Investment Hong Kong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- travel agency and related operations
- theme park operations
- hotel operations
- resort operations
- passenger transportation services
- golf club operations
- power generation (conducted through a jointly-controlled entity)
- freight forwarding and transportation services (to be discontinued in 2008)
- investment holding

In the opinion of the directors, the immediate holding company of the Group is China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”), which is incorporated in Hong Kong, and the ultimate holding company is China National Travel Service (HK) Group Corporation, a PRC state-owned enterprise under the supervision of the State Council.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain equity investments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation adopted in the preparation of the consolidated financial statements are the same as those used in the audited financial statements for the year ended 31 December 2006, except in relation to the changes in accounting policies as detailed in note 3 and the new and revised HKFRSs as detailed below.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on the financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has not early adopted the amendments, new standards and interpretations issued by HKICPA that are not yet effective for the year ended 31 December 2007, and is in the process of assessing their impact on future accounting periods.

3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Impact of change in the accounting policy for hotel properties

In accordance with HKAS 16 Property, Plant and Equipment, hotel properties can either be accounted for using the cost model or the valuation model and the Group has accounted for its hotel properties using the revaluation model in previous years.

Given the fact that most of the hotel properties held by listed companies in the hotel industry in Hong Kong are accounted for using the cost model, during the year, the Group aligned its accounting policy with the industry norm and stated its hotel properties at cost less accumulated depreciation and any impairment losses. The Group's hotel properties are not expected to be sold in the normal course of business, instead, the future economic benefits embodied in their properties will be recovered principally through use in the Group's operation. In the opinion of the directors, this change in the accounting policy enables the Group to provide more relevant information in the financial statements about its performance.

The effects of this change in the accounting policy on the results for the Group for the current and prior years are as follows:

(i) Consolidated income statement for the year ended 31 December

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Decrease in cost of sales	20,142	16,097
Decrease/(increase) in tax expense	1,351	(3,143)
Increase in administrative expenses	(38,343)	(38,486)
Decrease in net gain from a fair value adjustment in hotel properties	<u>(8,284)</u>	<u>(16,020)</u>
	<u><u>(25,134)</u></u>	<u><u>(41,552)</u></u>
Decrease in basic earnings per share (cents)	<u><u>(0.44)</u></u>	<u><u>(0.76)</u></u>

3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Impact of change in the accounting policy for hotel properties (continued)

The cumulative effects as at 1 January and 31 December are summarised below:

(ii) Consolidated balance sheet and statement of changes in equity at 1 January

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Decrease in property, plant and equipment	(208,964)	(168,267)
Decrease in deferred tax assets	(11,314)	(13,338)
Increase in deferred tax liabilities	(9,107)	(4,474)
	<u>(229,385)</u>	<u>(186,079)</u>
Decrease in hotel property revaluation reserve	(183,703)	(181,019)
Increase in exchange fluctuation reserve	930	–
Decrease in retained profits	(46,612)	(5,060)
	<u>(229,385)</u>	<u>(186,079)</u>

(iii) Consolidated balance sheet and statement of changes in equity at 31 December

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Decrease in property, plant and equipment	(236,779)	(208,964)
Decrease in deferred tax assets	(11,624)	(11,314)
Increase in deferred tax liabilities	(7,781)	(9,107)
	<u>(256,184)</u>	<u>(229,385)</u>
Decrease in hotel property revaluation reserve	(182,785)	(183,703)
Increase/(decrease) in exchange fluctuation reserve	(1,653)	930
Decrease in retained profits	(71,746)	(46,612)
	<u>(256,184)</u>	<u>(229,385)</u>

3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Impact of changes in presentation of the income statement

In prior years, a subsidiary engaged in travel agency and related operations had included staff costs and other expenses incurred by the marketing department in cost of sales and administrative expenses, respectively. During the year, these expenses were recorded as selling and distribution costs. In the opinion of the directors, this change in classification of expenses results in a more appropriate presentation of the financial statements and provides more relevant information about the performance of the Group.

The effects of this change in presentation of the income statement for the current and prior years are as follows:

Consolidated income statement for the year ended 31 December

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Decrease in cost of sales	130,323	123,268
Increase in selling and distribution costs	(214,160)	(203,090)
Decrease in administrative expenses	83,837	79,822
	<u> </u>	<u> </u>
	 -	 -

4. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007	Continuing operations										Discontinuing operation	
	Travel agency and related operations HK\$'000	Theme park operations HK\$'000	Hotel operations HK\$'000	Resort operations HK\$'000	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Power generation HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Total HK\$'000	Freight forwarding and transportation services HK\$'000	Consolidated HK\$'000
Segment revenue:												
Sales to external customers	2,714,968	464,900	502,274	354,474	294,267	56,838	-	29,474	-	4,417,195	3,517,957	7,935,152
Intersegment revenue	9,961	5,727	6,333	13,958	2,649	-	-	32,373	(71,001)	-	-	-
Other income and gains	14,774	686	5,392	15,440	7,878	-	-	8,252	-	52,422	15,827	68,249
Total	2,739,703	471,313	513,999	383,872	304,794	56,838	-	70,099	(71,001)	4,469,617	3,533,784	8,003,401
Segment results	113,464	153,347	110,763	8,155	34,330	(5,532)	(1,587)	(9,610)	-	403,330	110,835	514,165
Interest income										60,196	2,259	62,455
Finance costs										(32,713)	(1,800)	(34,513)
Share of profits and losses of:												
Jointly-controlled entities	2,989	-	-	-	-	-	246,596	(834)	-	248,751	-	248,751
Associates	-	-	-	-	67,940	-	-	(238)	-	67,702	-	67,702
Profit before tax										747,266	111,294	858,560
Tax										(120,626)	(17,022)	(137,648)
Profit for the year										626,640	94,272	720,912
Segment assets	2,768,127	609,678	3,368,878	2,387,808	145,149	297,487	-	80,724	-	9,657,851	833,400	10,491,251
Interests in jointly-controlled entities	61,043	-	-	-	(249)	-	1,107,166	8,200	-	1,176,160	347	1,176,507
Interests in associates	(8,917)	-	-	-	446,441	-	-	769	-	438,293	-	438,293
Unallocated assets										2,286,733	161,513	2,448,246
Total assets										13,559,037	995,260	14,554,297
Segment liabilities	670,331	102,282	59,604	324,967	34,488	202,670	701	18,406	-	1,413,449	420,027	1,833,476
Unallocated liabilities										1,026,972	53,519	1,080,491
Total liabilities										2,440,421	473,546	2,913,967
Other segment information:												
Capital expenditure	32,570	64,388	34,960	189,718	27,773	15,753	-	1,022	-	366,184	9,762	375,946
Depreciation and amortisation	49,802	69,553	74,816	127,623	23,005	19,283	-	1,511	-	365,593	18,119	383,712
Impairment losses recognised in the income statement	-	853	-	-	-	-	-	-	-	853	-	853
Other non-cash expenses/ (income), net	642	-	(180)	-	(2,914)	204	-	-	-	(2,248)	(105)	(2,353)
Net gain from a fair value adjustment in investment properties	13,107	-	840	-	-	-	-	-	-	13,947	7,304	21,251

4. SEGMENT INFORMATION (Continued)

(a) Business segments (continued)

Year ended 31 December 2006	Continuing operations									Discontinuing operation		Consolidated HK\$'000 (Restated)
	Travel agency and related operations HK\$'000	Theme park operations HK\$'000	Hotel operations HK\$'000 (Restated)	Resort operations HK\$'000 (Restated)	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Power generation HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Total HK\$'000 (Restated)	Freight forwarding and transportation services HK\$'000	
Segment revenue:												
Sales to external customers	2,554,308	414,703	423,381	332,203	270,345	49,993	-	17,318	-	4,062,251	2,917,295	6,979,546
Intersegment revenue	13,227	3,809	4,885	1,756	958	-	-	30,339	(54,974)	-	-	-
Other income and gains	15,000	1,100	4,301	(1,288)	5,382	1,873	13,779	12,948	-	53,095	2,421	55,516
Total	2,582,535	419,612	432,567	332,671	276,685	51,866	13,779	60,605	(54,974)	4,115,346	2,919,716	7,035,062
Segment results	89,021	136,459	59,836	(74,324)	39,361	(6,768)	12,488	(2,838)	-	253,235	95,428	348,663
Interest income										69,151	2,010	71,161
Finance costs										(77,793)	(1,768)	(79,561)
Share of profits and losses of:												
Jointly-controlled entities	2,815	-	-	-	-	-	130,539	-	-	133,354	723	134,077
Associates	-	-	-	-	58,002	-	-	(414)	-	57,588	(155)	57,433
Profit before tax										435,535	96,238	531,773
Tax										(102,352)	(13,404)	(115,756)
Profit for the year										333,183	82,834	416,017
Segment assets	2,770,688	578,544	3,301,514	2,081,278	122,966	283,565	-	99,351	-	9,237,906	698,385	9,936,291
Interests in jointly-controlled entities	50,092	-	-	-	-	-	1,100,207	1,415	-	1,151,714	203	1,151,917
Interests in associates	(7,642)	-	-	-	425,705	-	-	933	-	418,996	-	418,996
Unallocated assets										2,001,511	163,461	2,164,972
Total assets										12,810,127	862,049	13,672,176
Segment liabilities	638,755	85,558	50,252	299,937	27,477	194,701	929	24,388	-	1,321,997	389,572	1,711,569
Unallocated liabilities										1,060,448	36,137	1,096,585
Total liabilities										2,382,445	425,709	2,808,154
Other segment information:												
Capital expenditure	55,781	60,298	48,996	78,229	24,593	4,571	-	2,316	-	274,784	38,479	313,263
Depreciation and amortisation	42,275	65,977	72,448	149,008	22,273	17,970	-	3,072	-	373,023	16,159	389,182
Impairment losses recognised in the income statement	-	299	-	-	-	-	-	16,591	-	16,890	-	16,890
Other non-cash expenses	2,543	-	-	-	391	1,997	-	504	-	5,435	1,541	6,976
Net gain from a fair value adjustment in investment properties	4,340	-	1,325	-	-	-	-	1,222	-	6,887	4,629	11,516

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	Hong Kong		Mainland China (including Macau)		Overseas		Consolidated	
	2007 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000	2006 HK\$'000 (Restated)
Segment revenue:								
Sales to external customers	2,004,196	1,835,767	5,294,415	4,670,639	636,541	473,140	7,935,152	6,979,546
Other income and gains	45,069	30,337	19,949	20,061	3,231	5,118	68,249	55,516
Attributable to a discontinuing operation	(123,479)	(116,352)	(3,270,809)	(2,592,232)	(139,496)	(211,132)	(3,533,784)	(2,919,716)
Revenue from continuing operations	<u>1,925,786</u>	<u>1,749,752</u>	<u>2,043,555</u>	<u>2,098,468</u>	<u>500,276</u>	<u>267,126</u>	<u>4,469,617</u>	<u>4,115,346</u>
Other segment information:								
Segment assets	7,059,128	6,478,573	6,900,231	6,645,243	594,938	548,360	14,554,297	13,672,176
Capital expenditure	<u>80,670</u>	<u>88,566</u>	<u>293,950</u>	<u>222,830</u>	<u>1,326</u>	<u>1,867</u>	<u>375,946</u>	<u>313,263</u>

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Revenue		
Travel agency and related operations	2,714,968	2,554,308
Theme park operations	464,900	414,703
Hotel operations	502,274	423,381
Resort operations	354,474	332,203
Passenger transportation services	294,267	270,345
Golf club operations	56,838	49,993
Others	29,474	17,318
	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement	4,417,195	4,062,251
Freight forwarding and transportation services attributable to a discontinuing operation (<i>note 9</i>)	3,517,957	2,917,295
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	7,935,152	6,979,546
	<hr/>	<hr/>
Other income		
Interest income	60,196	69,151
Gross rental income	6,393	8,349
Reinvestment tax credit	–	14,636
Others	17,941	14,051
	<hr/>	<hr/>
	84,530	106,187
	<hr/>	<hr/>
Gains		
Foreign exchange differences, net	27,956	12,532
Write-back of long outstanding payables	–	2,604
Gain on disposal of items of property, plant and equipment, net	132	923
	<hr/>	<hr/>
	28,088	16,059
	<hr/>	<hr/>
Other income and gains		
Attributable to continuing operations reported in the consolidated income statement	112,618	122,246
Freight forwarding and transportation services attributable to a discontinuing operation	18,086	4,431
	<hr/>	<hr/>
	130,704	126,677
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6. FINANCE COSTS

	Group	
	2007	2006
	HK\$'000	HK\$'000
		(Restated)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	34,916	79,561
Less: Interest capitalised	(403)	—
	<u>34,513</u>	<u>79,561</u>
Attributable to a discontinuing operation (<i>note 9</i>)	1,800	1,768
Attributable to continuing operations reported in the consolidated income statement	32,713	77,793
	<u>34,513</u>	<u>79,561</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2007	2006
	HK\$'000	HK\$'000
		(Restated)
Depreciation	317,069	328,786
Amortisation of prepaid land lease payments	66,643	60,396
Net gain from a fair value adjustment in investment properties	(21,251)	(11,516)
	<u>(21,251)</u>	<u>(11,516)</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
Group:		
The People's Republic of China:		
Current – Hong Kong		
Charge for the year	74,200	68,246
Underprovision in prior years	11,981	2,317
Current – Elsewhere		
Charge for the year	30,644	27,897
Overprovision in prior years	(127)	(401)
Overseas – Current tax charge for the year	626	940
Deferred tax	3,302	3,353
	<u>120,626</u>	<u>102,352</u>
Total tax charge for the year	<u>120,626</u>	<u>102,352</u>

The share of tax attributable to jointly-controlled entities and associates amounting to HK\$41,009,000 (2006: HK\$28,133,000) and HK\$8,810,000 (2006: HK\$5,619,000), respectively, is included in “Share of profits and losses of jointly-controlled entities and associates” on the face of the consolidated income statement.

9. DISCONTINUING OPERATION

On 1 November 2007, the Company announced the decision of its board of directors to dispose of its entire interest in China Travel Service (Cargo) Hong Kong Limited (“CTS Cargo”) and Common Well Limited (collectively the “Cargo Business”). CTS Cargo engages in freight forwarding and transportation services. The Group has decided to cease its freight forwarding and transportation business because it plans to focus its resources on its tourism and hotel related businesses. The disposal of the Cargo Business is expected to complete in 2008. As at 31 December 2007, certain conditions for the sale were not fulfilled and hence, the Cargo Business was classified as a disposal group held for sale.

The results of the Cargo Business for the year are presented below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	3,517,957	2,917,295
Expenses	(3,404,863)	(2,819,289)
Finance costs	(1,800)	(1,768)
	<hr/>	<hr/>
Profit before tax	111,294	96,238
Tax	(17,022)	(13,404)
	<hr/>	<hr/>
Profit for the year	94,272	82,834
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the parent	75,967	65,771
Minority interests	18,305	17,063
	<hr/>	<hr/>
	94,272	82,834
	<hr/> <hr/>	<hr/> <hr/>

10. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim – HK3 cents (2006: HK2 cents) per ordinary share	170,861	113,907
Proposed final – HK3 cents (2006: HK1 cent) per ordinary share	170,861	56,954
Adjustments to 2005 final dividend	–	15,809
	<hr/>	<hr/>
	341,722	186,670
	<hr/> <hr/>	<hr/> <hr/>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share amount is presented for the year ended 31 December 2006 as the Company's bonus warrants, which would have an anti-dilutive effect on the basic earnings per share, had been either exercised or expired on 31 May 2006.

The calculations of basic earnings per share are based on:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Restated)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	558,007	267,681
From a discontinuing operation (<i>note 9</i>)	75,967	65,771
	<u>633,974</u>	<u>333,452</u>
	Number of shares	
	2007	2006
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation		
	5,695,355,525	5,465,769,483
Effect of dilution – weighted average number of ordinary shares:		
Share options	5,302,605	–
	<u>5,700,658,130</u>	<u>5,465,769,483</u>

12. TRADE RECEIVABLES

The Group allows an average credit period from 30 to 90 days to its trade debtors. As the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions for impairment for doubtful debts, is as follows:

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 3 months	198,571	646,101
3 to 6 months	63,084	45,586
6 to 12 months	14,569	7,968
1 to 2 years	3,184	3,932
Over 2 years	4,415	666
	<u>283,823</u>	<u>704,253</u>

13. TRADE PAYABLES

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

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	343,156	660,489
3 to 6 months	18,487	35,393
6 to 12 months	15,784	8,025
1 to 2 years	14,197	13,273
Over 2 years	11,217	14,437
	<u>402,841</u>	<u>731,617</u>

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

14. POST BALANCE SHEET EVENT

On 4 March 2008, Chadwick Developments Limited (“Chadwick”), a wholly-owned subsidiary of the Company, together with Northwest China Grid Company Limited (“Xibei Power”) and Shaanxi Qinlong Electronic Power Co., Ltd. (“Shaanxi Qinlong”) entered into agreements to replace the shareholders agreement and articles of association in respect of Xianyang Guanzhong Hotspring Company Limited (“Guanzhong Hotspring”), pursuant to which Chadwick, Xibei Power, Shaanxi Qinlong agreed to increase (i) the registered capital of Guanzhong Hotspring from RMB100 million to RMB301 million; and (ii) the total investment amount of Guanzhong Hotspring from RMB300 million to RMB855 million. As the full amount of the increase in registered capital will be contributed in cash by Chadwick solely, upon completion of such increase, the Group’s interest in Guanzhong Hotspring will increase from 51% to approximately 83.72%, and the interests of Xibei Power and Shaanxi Qinlong will be diluted from 30% and 19% to approximately 9.97% and 6.31% respectively. For details, please refer to the announcement issued by the Company on 4 March 2008.

15. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 3, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year’s presentation and accounting treatment. In addition, the comparative income statement has been re-presented as if the operation classified as a discontinuing operation during the current year had been discontinued at the beginning of the comparative period (note 9).

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2007, the Group's consolidated turnover generated from the continuing operations was HK\$4,417 million, which represented an increase of 8.74% from HK\$4,062 million of last year. The profit attributable to shareholders was HK\$634 million, which greatly increased by 90.39% from HK\$333 million (as restated) of last year. The significant increase of the profit was attributable to the growing economy in China, which encouraged travellers to make further consumption, pushed the number of visitors to Hong Kong to a new high and enhanced the consumption ability of the public. Moreover, with the great emphasis on "stability, high quality services, innovation, cost saving, efficiency enhancement", each business segment of the Group endeavored to produce innovative and advanced travel products, intensify marketing activities and market development, and constantly enlarge the scale of its core travel business. These were also beneficial to the increase in the profit of the core travel business. During the year, the profits of the Group's travel agency and related operations, theme park operations and hotel operations comprehensively increased by a total of HK\$92 million. China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("Zhuhai OSR") turned into profit with a profit growth of HK\$82 million from last year. The share of profits of Shaanxi Weihe Power Co. Ltd. ("Weihe Power") also increased by a total of HK\$116 million by way of cost saving. Furthermore, during the year, the Group entered into agreements to acquire hotel assets from a principal controlling shareholder, China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") and dispose the freight forwarding and transportation operation of its non-core travel business which revealed the Group's confidence in and determination of the development of the core travel business.

Tour Operation and Leisure Business

The Group's tour operation and leisure business comprised travel agency and related operations, resorts, theme parks, a golf club and arts performance operations. In 2007, the turnover of the Group's tour operation and leisure business increased by 7.48% to HK\$3,620 million from HK\$3,368 million of last year, which represented about 81.96% of the Group's consolidated turnover generated from the continuing operations during the year. The operating profit of the tour operation and leisure business increased by 91.61% to HK\$274 million from HK\$143 million of last year, representing about 67.99% of the Group's consolidated operating profit generated from the continuing operations during the year.

Travel agency and related operations

The Group has travel agency and related operations across Hong Kong, Mainland China and overseas countries. Last year, the Group also established an on-line travel consolidator, Mangocity.com, which has provided a platform for electronic transactions. In 2007, the turnover of the travel agency and related operations increased by 6.30% to HK\$2,715 million from HK\$2,554 million of last year, which represented about 61.47% of the Group's consolidated turnover generated from the continuing operations during the year. The operating profit of the travel agency and related operations increased by 26.97% to HK\$113 million from HK\$89 million of last year, representing about 28.04% of the Group's consolidated operating profit generated from the continuing operations during the year. In

which, apart from ensuring a stable visa business, the Group also attracted a wide range of overseas travellers, assured the quality of its travel team and develop special travel products for its travel agency and related business in Hong Kong. Its tour business recorded a double-digit growth with an increasing market share despite the strong competition in the market. The ten travel agencies in Mainland China including Beijing, Shanghai, Suzhou, Hangzhou and Shandong fully utilized their internal tourism resources to develop outbound, inbound, corporate and MICE (meetings, incentives, conference, and events) travel products and served over 1 million person time of visitors during the year. Moreover, with their respective unique advantages, the overseas branches made flexible resource allocation for their inbound and outbound travel business and recorded superior business results. The membership of the Group's on-line travel consolidator, Mangocity.com, increased to over 2.5 million from more than 1.6 million of last year. It has entered into contracts which are subject to agreed quota with about 4,500 inland hotels and has entered into contracts with over 80 airlines. It has also produced more than a thousand of travel package products. The network of Mangocity.com has covered over a hundred of inland and overseas popular travel destinations. These further enhanced the comprehensiveness of the Group's travel network.

Resorts

The revenue of Zhuhai OSR mainly came from room sales and ticket sales. In 2007, the turnover of Zhuhai OSR increased by 6.63% to HK\$354 million from HK\$332 million of last year, which represented about 8.01% of the Group's consolidated turnover generated from the continuing operations during the year. Zhuhai OSR commenced its operation in early 2006. Despite the great initial investment, Zhuhai OSR turned into profit during the year. It recorded an operating profit of HK\$8 million this year, as compared with a loss of HK\$74 million last year. Zhuhai OSR maintained as the "leading" hot spring resort in China and was awarded as the first "National Demonstration Base of Vacation Tourism" in China by China National Tourism Administration in April 2007. During the year, Zhuhai OSR also completely undertook the seminar for central enterprises organized by the State-owned Assets Supervision and Administration Commission, which was firstly held outside Beijing. The hot spring construction and development of Zhuhai OSR were then greatly respected and well-recognized in the travel market. Apart from emphasizing on effective advertisements, Zhuhai OSR also seized each opportunity to improve its projects and develop new products, so as to meet the market demand. For example, Zhuhai OSR newly produced series of golf products and developed conference and MICE market, which attracted many well-known enterprises to hold their conferences at Zhuhai OSR and Zhuhai OSR was then strongly publicized in the market.

Xianyang Guanzhong Hotspring Company Limited ("Guanzhong Hotspring") is yet another main investment in the hot spring resort industry after Zhuhai OSR. Guanzhong Hotspring is a sino-foreign equity joint venture company. In March 2008, the Group increased the total investment of Guanzhong Hotspring from RMB300 million to RMB855 million. The hot spring center of Guanzhong Hotspring measures a construction area of about 46,000 square meters. The main construction of Guanzhong Hotspring was already completed on 10 December 2007. It is expected that Guanzhong Hotspring will commence business operation before the National Day in October 2008. We believe that Guanzhong Hotspring will strengthen our business of spring products.

Theme parks

Shenzhen The World Miniature Co., Ltd. (“Window of the World”) and Shenzhen The Splendid China Development Co., Ltd. (“Splendid China”) endeavored to develop new projects, strictly control its overall cost and provide distinctive theme activities at different festivals. Under the strong competition among theme parks in China, both Window of the World and Splendid China still recorded steady growth. In 2007, the turnover of these theme parks in Shenzhen increased by 12.05% to HK\$465 million from HK\$415 million of last year, which represented about 10.53% of the Group’s consolidated turnover generated from the continuing operations during the year. The operating profit of these theme parks in Shenzhen increased by 12.50% to HK\$153 million from HK\$136 million of last year, representing about 37.97% of the Group’s consolidated operating profit generated from the continuing operations during the year. These theme parks in Shenzhen served a total of 4 million person time in 2007. The “Snowy World” in Window of the World was unveiled on 7 July 2007 and successfully organized many theme skiing activities with high appreciation in the market. During the year, with its target to provide a theme park of Chinese culture for the new generation, Splendid China constantly upgraded its product categories and improved the effect of its performances, so as to attract travellers in higher consumption level.

Golf club

In 2007, the turnover of Shenzhen Tycoon Golf Club Co., Ltd. (“Tycoon”) was HK\$57 million, which represented an increase of about 14.00% from HK\$50 million of last year. A total of about 85,000 person time of visitors were recorded at Tycoon during the year. Tycoon endeavored to innovate new services, extend sale network, fully utilize the resources of the golf course, broaden the sources of income and strictly control the costs. Moreover, the golf course of Tycoon is being reconstructed and expanded to an international level now.

Arts performance operations

China Heaven Creation International Performing Art Co., Ltd. (“China Heaven”) strived to become a highly effective and competitive arts performance segment in the commercial market. In 2007, “The Legend of Kung Fu” was supported by the Beijing Cultural And Creatively Industry Special Fund (北京市文化創意產業專項資金), and also received many rewards from the state competent authority by representing China in cultural exchange performances. “The White Snake”, a Beijing opera, was even designated by The Beijing Organizing Committee for the Games of the Olympiad (“BOCOG”) as one of the performances at Olympic Games. These were significantly beneficial to the development of the inland and overseas arts performance business of China Heaven.

Hotels

In 2007, the turnover of the Group’s five hotels in Hong Kong and Macau increased by 18.68% to HK\$502 million from HK\$423 million of last year, which represented about 11.37% of the Group’s consolidated turnover generated from the continuing operations during the year. The operating profit of the five hotels significantly increased to HK\$111 million from HK\$60 million (as restated) of last year,

representing about 27.54% of the Group's consolidated operating profit generated from the continuing operations during the year. In 2007, due to the growth of the overall travel and investment activities driven by the increasing number of visitors to Hong Kong and the rapid development of amusement industry and real estate industry in Macau, the Group also grasped the opportunities to develop new market when new hotels were completed one after another. After a comprehensive structural analysis on the source of clients, the Group implemented a flexible sale strategy. The average occupation rate of the hotels reached 90% and the average hotel room rate increased by 12%.

Passenger Transportation Services

Regarding the passenger transportation services, the turnover of China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries ("CTTT") increased by 8.89% to HK\$294 million in 2007 from HK\$270 million of last year, which represented about 6.66% of the Group's consolidated turnover of the continuing operations during the year. CTTT efficiently allocated its vehicle team to strive for the greatest results, improved the standard and quality of its services, undertook the transportation services in relation to celebration activities for the 10th anniversary of Hong Kong's handover to China, and manifested the quality passenger transportation services of "CTS". However, the operation of MTRC's Lok Ma Chau spur line, the renovation of the Shenzhen-Guangzhou Highway and the high oil price adversely affected the number of passengers and increased the operating cost of CTTT. During the year, the operating profit of CTTT was HK\$34 million, representing a decrease of 12.82% from HK\$39 million of last year.

Shun Tak-China Travel Shipping Investments Limited ("Shun Tak") is an associate of the Group. Due to the growth of the tourism market in Macau, the number of passengers of Hong Kong-Macau line constantly increased. Despite of the unexpected significant increase in the prices of fuel and oil, the Group shared the profit of Shun Tak reached HK\$68 million in 2007, which represented an increase of 17.24% from HK\$58 million of last year.

Infrastructure

Weihe Power is a jointly-controlled entity of the Group. In 2007, the attributable profit of Weihe Power was HK\$247 million, representing an increase of 88.55% from HK\$131 million of last year. The increase was mainly due to the raise of electricity consumption, the completion of the depreciation provision for certain fixed assets, and the strict implementation of cost saving and efficiency enhancement, which resulted in good control in consumption rate of fuel and oil and other expenses.

Disposal and acquisition

On 7 December 2007, upon the approval on extraordinary general meeting, China Travel Service (Cargo) Hong Kong Limited and its subsidiaries ("CTS Cargo"), together with Common Well Limited and the net amount of shareholder's loan owed by Common Well to the Group were sold to CTS (Holdings), at a consideration of approximately HK\$854 million. Meanwhile, the Group acquired the shares of three hotels from CTS (Holdings) in Shanghai, Beijing and Yangzhou, CTS H.K. Metropark Hotels Management Company Limited and the respective shareholder's loans owed by the abovementioned

companies at a consideration of approximately HK\$1,107 million. The disposal and acquisition will be settled entirely by cash on completion date. For detailed information, please refer to the circular dated 21 November 2007. As at the date of the report, the disposal and acquisition have not been completed. CTS Cargo is separately disclosed as a discontinuing operation.

Discontinuing operation – Freight Forwarding and Transportation Services

In 2007, the turnover of CTS Cargo was HK\$3,518 million, which represented an increase of 20.60% from HK\$2,917 million of last year. The operating profit of CTS Cargo was HK\$111 million, representing an increase of 16.84% from HK\$95 million of last year. During the year, the operation of CTS Cargo was similar with that of last year. Despite the significant growth in the supply of freight forwarding and transportation services and there was excessive supply in the market, CTS Cargo still increased its market share by the measure of small profit but quick turnover during the year.

Number and remuneration of employee

As at 31 December 2007, the Group had approximately 12,600 employees. The employees were remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees were periodically reviewed by the management. Apart from the pension funds and in-house training programs, discretionary bonuses and share options were awarded to certain employees according to the assessment of individual performance.

On 9 July 2007, the Company granted 97,110,000 share options to qualified employees and directors at an exercise price of HK\$4.65 per share. The exercise period of those share options is from 9 July 2009 to 2 June 2012.

Liquidity, financial resources and capital structure

The financial position of the Group was strong. As at 31 December 2007, the cash and cash equivalents of the Group's continuing operations amounted to HK\$2,272 million whereas the interest bearing bank borrowings amounted to HK\$580 million. The debt to adjusted capital ratio was 16.91%.

As at 31 December 2007, the Group had bank 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 40% 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 utilized loan facilities are as follows:

Amount outstanding as at 31 December 2007
HK\$500 million

Final maturity date of the loan facilities
2 January 2009

Interest is charged on the outstanding balance at 0.25% per annum over the Hong Kong Interbank Offered Rate for the applicable loan period. The loans are secured by the corporate guarantee given by the Company.

As at 31 December 2007, the Group did not hold any material fixed assets in the form of finance lease and lease and purchase contract.

As at 31 December 2007, the Group has a pledged time deposit of approximately HK\$11 million and pledged assets of approximately HK\$86 million. The capital commitments of the Group were approximately HK\$1,013 million and the contingent liabilities were approximately HK\$15 million.

Future prospects

In 2008, China and Hong Kong Governments and people from all walks of life will actively develop and promote tourism and the hotel and tourism industries will be continuously benefited from the expected economic growth. However, uncertain factors and market risks have brought about many new challenges to the Group. These include worsening of the international economy as affected by the subprime mortgage credit crisis, implementation of macroeconomic measures by the Chinese government in view of its radical economic growth, the fluctuation in exchange rate and interest rate affected by currency policies, and the rapid increase in the fuel and raw materials prices. Nevertheless, the Olympic Games 2008 to be held in Beijing will certainly drive the tourism industry, the Group will seize this good opportunity to develop its business. Following the capital operation of disposing its non-core travel business in 2007, the Group will devote itself to develop core travel business, seek for suitable investment projects, make mergers and acquisitions and foster strategic cooperation.

Meanwhile, the Group will continue to introduce innovation to the operation and profit-making methods for its travel segment, actively accelerate the integration of internal tourism resources, give full play to the synergistic effect, enlarge the operation scale of its core travel business and enhance the profit-making ability and sustainable development ability. The Group will also further develop the mainland market, consolidate the Hong Kong market and modulate the overseas market, as well as readjust the overall arrangement of the travel agencies. With the construction of the Hong Kong-Zhuhai-Macau Bridge, the Group will accelerate the development of the Zhuhai OSR Phase II, and provide ancillary facilities for Zhuhai OSR Phase I. Furthermore, the Group will put greater emphasis on the reconstruction of Guanzhong Hotspring and golf course, so as to ensure the construction quality of these projects.

Besides, in 2008, apart from making acquisitions and mergers of suitable travel related projects, the Group will strengthen its competency, renovate its hotels, renew and reconstruct the scenic areas and scenic views, expand its golf courses and perfect the ancillary facilities of Zhuhai OSR. In the same time, the Group will further intensify its cost saving and efficiency enhancement to complete its year operation targets, so as to stride forward to the target of developing itself into one of the leading travel business groups in Mainland China as well as in Asia, and one of the most prominent companies in the world travel industry.

FINAL DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK3 cents (2006: final dividend of HK1 cent) per ordinary share for the year ended 31 December 2007.

Subject to shareholders' approval with regard to the proposed payment of the final dividends at the forthcoming annual general meeting to be held on Tuesday, 20 May 2008, the proposed dividends are expected to be paid on Monday, 16 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 15 May 2008 to Tuesday, 20 May 2008 (both dates inclusive), for the purposes of determining entitlements to the proposed final dividends. In order to qualify for the proposed dividends, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 May 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the accounting period for the year ended 31 December 2007 except for the following deviations:

With respect to code provision A.4.1, the Independent Non-executive Directors have not been appointed for any specific terms since they are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Memorandum and Articles of Association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries of all Directors who confirmed compliance with the required standard as set out in the Model Code during the period under review.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors of the Company, namely, Mr. Wong Man Kong, Peter (Chairman of the Audit Committee), Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee. The Audit Committee has reviewed with the management on the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the final results of the Company for the year ended 31 December 2007.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company's Annual Report for the year ended 31 December 2007, containing all the relevant information required by Appendix 16 of the Listing Rules, will be dispatched to shareholders and will be published on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

By Order of the Board
Xiong Weiping
Vice Chairman and General Manager

Hong Kong, 8 April, 2008

DIRECTORS

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Zhang Xuewu, Mr. Xiong Weiping, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Mao Jianjun, Mr. Fang Xiaorong, Mr. Zhang Fengchun and Mr. Xu Muhan

Independent Non-Executive Directors:

Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee