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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 2008 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 2008 together with the comparative figures.

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>4,388,443</b>	4,417,195
Cost of sales		<u>(2,664,108)</u>	<u>(2,687,137)</u>
Gross profit		<b>1,724,335</b>	1,730,058
Other income and gains	4	<b>211,507</b>	112,618
Selling and distribution costs		<b>(481,450)</b>	(483,263)
Administrative expenses		<b>(1,120,283)</b>	(909,834)
Changes in fair value of investment properties		<b>(70,609)</b>	13,947
Other expenses		<b>(22,435)</b>	–
Finance costs	5	<b>(12,013)</b>	(32,713)
Share of profits and losses of:			
Jointly-controlled entities		<b>61,009</b>	248,751
Associates		<b>(42,339)</b>	67,702
PROFIT BEFORE TAX	6	<b>247,722</b>	747,266
Tax	7	<b>(75,062)</b>	(120,626)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>172,660</b>	626,640

**CONSOLIDATED INCOME STATEMENT (continued)**

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 HK\$'000	2007 HK\$'000
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		172,660	626,640
<b>DISCONTINUED OPERATION</b>			
Profit for the year from/gain on disposal of a discontinued operation	8	<u>428,139</u>	<u>94,272</u>
PROFIT FOR THE YEAR		<u><b>600,799</b></u>	<u><b>720,912</b></u>
Attributable to:			
Equity holders of the parent		531,309	633,974
Minority interests		<u>69,490</u>	<u>86,938</u>
		<u><b>600,799</b></u>	<u><b>720,912</b></u>
DIVIDENDS	9		
Interim		113,907	170,861
Special interim		170,861	–
Proposed final		<u>56,954</u>	<u>170,861</u>
		<u><b>341,722</b></u>	<u><b>341,722</b></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK CENTS)	10		
Basic			
– For profit for the year		9.33	11.13
– For profit from continuing operations		<u>1.88</u>	<u>9.80</u>
Diluted			
– For profit for the year		N/A	11.12
– For profit from continuing operations		<u>N/A</u>	<u>9.79</u>

**CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2008

	<i>Note</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,163,769</b>	4,418,186
Investment properties		<b>762,470</b>	200,049
Prepaid land lease payments		<b>3,074,804</b>	3,036,028
Goodwill		<b>1,244,769</b>	1,244,769
Other intangible assets		<b>37,419</b>	2,168
Interests in jointly-controlled entities		<b>1,154,076</b>	1,176,160
Interests in associates		<b>333,997</b>	438,293
Available-for-sale investments		<b>18,033</b>	17,977
Held-to-maturity investments		<b>–</b>	15,691
Prepayments		<b>45,654</b>	–
Deferred tax assets		<b>581</b>	250
		<hr/>	<hr/>
Total non-current assets		<b>11,835,572</b>	10,549,571
<b>CURRENT ASSETS</b>			
Inventories		<b>25,565</b>	18,377
Trade receivables	<i>11</i>	<b>230,845</b>	283,823
Tax recoverable		<b>3,926</b>	2,967
Prepayments, deposits and other receivables		<b>319,234</b>	370,878
Pledged time deposits		<b>49,782</b>	11,169
Cash and cash equivalents		<b>1,794,879</b>	2,272,346
Amount due from the immediate holding company		<b>28,222</b>	28,230
Amounts due from fellow subsidiaries		<b>32,526</b>	21,676
		<hr/>	<hr/>
		<b>2,484,979</b>	3,009,466
Assets of a disposal group classified as held for sale		<b>–</b>	995,260
		<hr/>	<hr/>
Total current assets		<b>2,484,979</b>	4,004,726

**CONSOLIDATED BALANCE SHEET (continued)**

AS AT 31 DECEMBER 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables	12	331,587	402,841
Tax payable		64,032	69,203
Other payables and accruals		861,403	858,975
Interest-bearing bank and other borrowings		244,652	5,385
Amount due to the immediate holding company		400	902
Amounts due to fellow subsidiaries		4,006	2,623
		<u>1,506,080</u>	<u>1,339,929</u>
Liabilities directly associated with the assets classified as held for sale		<u>–</u>	<u>473,546</u>
Total current liabilities		<u>1,506,080</u>	<u>1,813,475</u>
<b>NET CURRENT ASSETS</b>		<u>978,899</u>	<u>2,191,251</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,814,471</u>	<u>12,740,822</u>
<b>NON-CURRENT LIABILITIES AND DEFERRED INCOME</b>			
Deferred income		164,408	148,108
Interest-bearing bank and other borrowings		179,068	578,949
Deferred tax liabilities		417,635	373,435
Total non-current liabilities and deferred income		<u>761,111</u>	<u>1,100,492</u>
Net assets		<u><u>12,053,360</u></u>	<u><u>11,640,330</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		569,536	569,536
Reserves		10,888,157	10,365,589
Proposed final dividend		56,954	170,861
		<u>11,514,647</u>	<u>11,105,986</u>
Minority interests		<u>538,713</u>	<u>534,344</u>
Total equity		<u><u>12,053,360</u></u>	<u><u>11,640,330</u></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In the opinion of the directors, the immediate holding company of the Company 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 group held for sale is stated at the lower of its carrying amount and fair value 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 2007, except in relation to 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 interpretations and amendments to HKFRSs for the first time for the current year's financial statements. The adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The Group has not early adopted the amendments, new standards and interpretations issued by HKICPA that are not yet effective for year ended 31 December 2008, and is in the process of assessing their impact on future accounting periods.

## 3. 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 2008 and 2007.

Year ended 31 December 2008	Continuing operations										Discontinued operation	
	Travel agency and related operations	Hotel operations	Theme park operations	Resort operations	Passenger transportation services	Golf club operations	Power generation	Corporate and others	Eliminations	Total	Freight forwarding and transportation services	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	2,498,536	683,504	485,916	340,235	299,414	56,659	-	24,179	-	4,388,443	1,256,254	5,644,697
Intersegment revenue	9,036	5,804	4,011	6,579	1,347	-	-	24,810	(51,587)	-	-	-
Other income and gains	15,942	14,161	473	66,452	10,540	-	12,635	46,281	-	166,484	8,102	174,586
<b>Total</b>	<b>2,523,514</b>	<b>703,469</b>	<b>490,400</b>	<b>413,266</b>	<b>311,301</b>	<b>56,659</b>	<b>12,635</b>	<b>95,270</b>	<b>(51,587)</b>	<b>4,554,927</b>	<b>1,264,356</b>	<b>5,819,283</b>
Segment results	71,228	101,237	169,290	(62,117)	9,006	(49,721)	6,825	(49,706)	-	196,042	36,703	232,745
Excess over the cost of a business combination	-	521	-	-	-	-	-	-	-	521	-	521
Gain on disposal of a discontinued operation	-	-	-	-	-	-	-	-	-	-	397,440	397,440
Interest income	-	-	-	-	-	-	-	-	-	44,502	460	44,962
Finance costs	-	-	-	-	-	-	-	-	-	(12,013)	(1,794)	(13,807)
Share of profits and losses of:												
Jointly-controlled entities	4,056	-	-	-	-	-	58,539	(1,586)	-	61,009	-	61,009
Associates	-	-	-	-	(42,134)	-	-	(205)	-	(42,339)	-	(42,339)
Profit before tax										247,722	432,809	680,531
Tax										(75,062)	(4,670)	(79,732)
<b>Profit for the year</b>										<b>172,660</b>	<b>428,139</b>	<b>600,799</b>

### 3. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

Year ended 31 December 2008	Continuing operations									Discontinued operation	
	Travel agency and related operations	Hotel operations	Theme park operations	Resort operations	Passenger transportation services	Golf club operations	Power generation	Corporate and others	Total	Freight forwarding and transportation services	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,450,978	4,660,084	644,808	2,655,285	135,360	338,549	14,131	84,115	10,983,310	-	10,983,310
Interests in jointly-controlled entities	58,963	-	-	-	(249)	-	1,088,240	7,122	1,154,076	-	1,154,076
Interests in associates	(4,353)	-	-	-	337,722	-	-	628	333,997	-	333,997
Unallocated assets									1,849,168	-	1,849,168
Total assets									<u>14,320,551</u>	<u>-</u>	<u>14,320,551</u>
Segment liabilities	618,890	110,608	106,674	222,875	29,438	234,115	496	38,708	1,361,804	-	1,361,804
Unallocated liabilities									905,387	-	905,387
Total liabilities									<u>2,267,191</u>	<u>-</u>	<u>2,267,191</u>
Other segment information:											
Capital expenditure	24,532	1,196,620	118,519	250,375	25,395	65,928	-	11,618	1,692,987	-	1,692,987
Depreciation and amortisation	56,216	102,592	74,362	153,353	29,930	31,635	-	3,011	451,099	-	451,099
Impairment losses/(reversal of impairment loss) recognised in the income statement	4,528	1,140	(29)	2,568	5,780	1,431	-	(32)	15,386	-	15,386
Other non-cash expenses	-	-	-	-	-	15,054	-	-	15,054	-	15,054
Changes in fair value of investment properties	(5,560)	(70,749)	-	-	-	-	-	5,700	(70,609)	-	(70,609)
	<u>(5,560)</u>	<u>(70,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>(70,609)</u>	<u>-</u>	<u>(70,609)</u>

  

Year ended 31 December 2007	Continuing operations									Discontinued operation		
	Travel agency and related operations	Hotel operations	Theme park operations	Resort operations	Passenger transportation services	Golf club operations	Power generation	Corporate and others	Eliminations	Total	Freight forwarding and transportation services	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	2,714,968	502,274	464,900	354,474	294,267	56,838	-	29,474	-	4,417,195	3,517,957	7,935,152
Intersegment revenue	9,961	6,333	5,727	13,958	2,649	-	-	32,373	(71,001)	-	-	-
Other income and gains	14,774	5,392	686	15,440	7,878	-	-	8,252	-	52,422	15,827	68,249
Total	<u>2,739,703</u>	<u>513,999</u>	<u>471,313</u>	<u>383,872</u>	<u>304,794</u>	<u>56,838</u>	<u>-</u>	<u>70,099</u>	<u>(71,001)</u>	<u>4,469,617</u>	<u>3,533,784</u>	<u>8,003,401</u>
Segment results	<u>113,464</u>	<u>110,763</u>	<u>153,347</u>	<u>8,155</u>	<u>34,330</u>	<u>(5,532)</u>	<u>(1,587)</u>	<u>(9,610)</u>		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										<u>626,640</u>	<u>94,272</u>	<u>720,912</u>

### 3. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

Year ended 31 December 2007	Continuing operations									Discontinued operation	Consolidated HK\$'000
	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Theme park operations HK\$'000	Resort operations HK\$'000	Passenger tran- sportation services HK\$'000	Golf club operations HK\$'000	Power generation HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Freight forwarding and trans- portation services HK\$'000	
Segment assets	2,768,127	3,368,878	609,678	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									<u>13,559,037</u>	<u>995,260</u>	<u>14,554,297</u>
Segment liabilities	670,331	59,604	102,282	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									<u>2,440,421</u>	<u>473,546</u>	<u>2,913,967</u>
Other segment information:											
Capital expenditure	32,570	34,960	64,388	189,718	27,773	15,753	-	1,022	366,184	9,762	375,946
Depreciation and amortisation	49,802	74,816	69,553	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)
Changes in fair value of investment properties	<u>13,107</u>	<u>840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,947</u>	<u>7,304</u>	<u>21,251</u>

#### (b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Hong Kong		Mainland China (including Macau)		Overseas		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:								
Sales to external customers	1,796,051	2,004,196	3,385,953	5,294,415	462,693	636,541	5,644,697	7,935,152
Other income and gains	84,704	45,069	86,817	19,949	3,065	3,231	174,586	68,249
Attributable to a discontinued operation	<u>(46,006)</u>	<u>(123,479)</u>	<u>(1,182,063)</u>	<u>(3,270,809)</u>	<u>(36,287)</u>	<u>(139,496)</u>	<u>(1,264,356)</u>	<u>(3,533,784)</u>
Revenue from continuing operations	<u>1,834,749</u>	<u>1,925,786</u>	<u>2,290,707</u>	<u>2,043,555</u>	<u>429,471</u>	<u>500,276</u>	<u>4,554,927</u>	<u>4,469,617</u>
Other segment information:								
Segment assets	6,582,885	7,059,128	7,467,733	6,900,231	269,933	594,938	14,320,551	14,554,297
Capital expenditure	<u>1,208,572</u>	<u>80,670</u>	<u>482,015</u>	<u>293,950</u>	<u>2,400</u>	<u>1,326</u>	<u>1,692,987</u>	<u>375,946</u>



#### 4. 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:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Travel agency and related operations	2,498,536	2,714,968
Hotel operations	683,504	502,274
Theme park operations	485,916	464,900
Resort operations	340,235	354,474
Passenger transportation services	299,414	294,267
Golf club operations	56,659	56,838
Others	24,179	29,474
	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement	4,388,443	4,417,195
Freight forwarding and transportation services attributable to a discontinued operation ( <i>note 8</i> )	1,256,254	3,517,957
	<hr/>	<hr/>
	<b>5,644,697</b>	<b>7,935,152</b>
	<hr/>	<hr/>
<b>Other income</b>		
Interest income	44,502	60,196
Gross rental income	7,001	6,393
Reinvestment tax credit	37,735	–
Others	22,201	17,941
	<hr/>	<hr/>
	<b>111,439</b>	<b>84,530</b>
	<hr/>	<hr/>
<b>Gains</b>		
Foreign exchange differences, net	99,547	27,956
Excess over the cost of a business combination	521	–
Gain on disposal of items of property, plant and equipment, net	–	132
	<hr/>	<hr/>
	<b>100,068</b>	<b>28,088</b>
	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement	211,507	112,618
Attributable to a discontinued operation	8,562	18,086
	<hr/>	<hr/>
	<b>220,069</b>	<b>130,704</b>
	<hr/>	<hr/>

## 5. FINANCE COSTS

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	22,311	34,916
Less: Interest capitalised	<u>(8,504)</u>	<u>(403)</u>
	<b><u>13,807</u></b>	<b><u>34,513</u></b>
Attributable to continuing operations reported in the consolidated income statement	12,013	32,713
Attributable to a discontinued operation ( <i>note 8</i> )	<u>1,794</u>	<u>1,800</u>
	<b><u>13,807</u></b>	<b><u>34,513</u></b>

## 6. PROFIT BEFORE TAX

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

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	384,073	317,069
Amortisation of prepaid land lease payments	67,026	66,643
Changes in fair value of investment properties	<u>70,609</u>	<u>(21,251)</u>

## 7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate has become effective from the year of assessment 2008/2009, and so was applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. 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.

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Group:		
The People's Republic of China:		
Current – Hong Kong		
Charge for the year	<b>67,561</b>	74,200
Underprovision/(overprovision) in prior years	<b>(5,140)</b>	11,981
Current – Elsewhere		
Charge for the year	<b>37,341</b>	30,644
Underprovision/(overprovision) in prior years	<b>3,048</b>	(127)
Overseas – Current tax charge for the year	<b>609</b>	626
Deferred tax	<b>(28,357)</b>	3,302
	<u>                    </u>	<u>                    </u>
Total tax charge for the year	<b><u>75,062</u></b>	<b><u>120,626</u></b>

The share of tax attributable to jointly-controlled entities and associates amounting to tax charge of HK\$13,208,000 (2007: tax charge of HK\$41,009,000) and tax credit of HK\$8,311,000 (2007: tax charge of HK\$8,810,000), respectively, is included in “Share of profits and losses of jointly-controlled entities and associates” on the face of the consolidated income statement.

## 8. DISCONTINUED OPERATION

On 1 November 2007, the Company announced the decision of its board of directors to dispose of its entire interests in China Travel Service (Cargo) Hong Kong Limited (“CTS Cargo”) and Common Well Limited (collectively the “Cargo Business”). The Cargo Business engages in freight forwarding and transportation services. The disposal of the Cargo Business was completed on 9 May 2008.

The results of the Cargo Business for the year (up to the date of disposal) are presented below:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	<b>1,256,254</b>	3,517,957
Expenses	<b>(1,219,091)</b>	(3,404,863)
Finance costs	<b>(1,794)</b>	(1,800)
	<hr/>	<hr/>
Profit before tax	<b>35,369</b>	111,294
Tax	<b>(4,670)</b>	(17,022)
	<hr/>	<hr/>
Profit for the year	<b>30,699</b>	94,272
Gain on disposal of a discontinued operation	<b>397,440</b>	–
	<hr/>	<hr/>
Profit for the year from a discontinued operation	<b>428,139</b>	94,272
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the parent	<b>424,202</b>	75,967
Minority interests	<b>3,937</b>	18,305
	<hr/>	<hr/>
	<b>428,139</b>	94,272
	<hr/> <hr/>	<hr/> <hr/>

## 9. DIVIDENDS

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim – HK2 cents (2007: HK3 cents) per ordinary share	<b>113,907</b>	170,861
Special interim – HK3 cents (2007: Nil) per ordinary share	<b>170,861</b>	–
Proposed final – HK1 cent (2007: HK3 cents) per ordinary share	<b>56,954</b>	170,861
	<hr/>	<hr/>
	<b>341,722</b>	341,722
	<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.

## 10. 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.

A diluted earnings per share amount for the year ended 31 December 2008 has not been disclosed, as the share options outstanding during the year had no diluting effect on the basic earnings per share for the year, and the share options had been cancelled in December 2008.

The calculations of basic and diluted earnings per share are based on:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	107,107	558,007
From a discontinued operation ( <i>note 8</i> )	424,202	75,967
	<u>531,309</u>	<u>633,974</u>
	<b>Number of shares</b>	
	<b>2008</b>	2007
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	5,695,355,525	5,695,355,525
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	5,302,605
	<u>5,695,355,525</u>	<u>5,700,658,130</u>

## 11. 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 the provision for impairment of trade receivables, is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>206,050</b>	198,571
3 to 6 months	<b>17,927</b>	63,084
6 to 12 months	<b>6,868</b>	14,569
1 to 2 years	-	3,184
Over 2 years	-	4,415
	<u>230,845</u>	<u>283,823</u>

## 12. TRADE PAYABLES

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

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>275,677</b>	343,156
3 to 6 months	<b>18,608</b>	18,487
6 to 12 months	<b>5,386</b>	15,784
1 to 2 years	<b>18,292</b>	14,197
Over 2 years	<b>13,624</b>	11,217
	<u>331,587</u>	<u>402,841</u>

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

## 13. POST BALANCE SHEET EVENT

There are no events to cause material impact on the Group from the balance sheet date to the date of this announcement.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business review

In 2008, negative factors such as natural disasters in Mainland China and sharp contraction of global economy depressed both business and leisure travel spending, which inevitably brought significantly adverse impacts on the Group's overall performance. In response to the stiff economic situation, the Group continuously focused on its core travel businesses, promptly reinforced cost control measures by reducing budgeted overhead expenses by 7% and freezing expenditure, discreetly reviewed all investment plans to reduce capital expenditures and strengthened financial management. Through adopting these measures, the Group was able to maintain stable operations and healthy financial position in the unprecedented volatile global markets.

For the year ended 31 December 2008, the Group's audited consolidated turnover from continuous operations was HK\$4,388 million, representing a decrease of 0.65% from last year. The profit attributable to shareholders was HK\$531 million, a decrease of 16.2% from last year. Basic earnings per share was 9.33 Hong Kong Cents, a decrease of 16.2% from last year. As at 31 December 2008, the equity attributable to shareholders was HK\$11,515 million, representing an increase of 3.7% from last year. Although the Group's overall consolidated turnover of travel business declined, the theme park operations and hotel operations sustained sound growth. The decline in the profit attributable to shareholders was also partly attributable to a sharp decrease of share of profit from the power generation business and a share of loss from the ferry operations.

### Travel agency and related operations

The turnover of the travel agency and related operations in 2008 was HK\$2,499 million, representing a decrease of 8% from last year. The segment result was HK\$71 million, a decrease of 37.2% from last year. Driven by the effect of the Beijing Olympics Game, the package tour operation rose by 30% over last year. However, the group tour operation to Mainland China saw a decline of approximately 20% affected by the impact of Sichuan Wehchuan earthquake and overall weakening market sentiment during the year. In 2008, the United States and Taiwan opened up group tours markets to Mainland China travelers. The Group's travel agencies in Mainland China seized these historic business opportunities to organize the first group tourists of Mainland China residents to the United States and Taiwan. China Travel Service (Hong Kong) Ltd. worked closely with Mainland China authorities and was granted the sole chartered franchise to organize designated Hong Kong Disneyland group tours operations for those eligible temporary residents in Shenzhen. All these new businesses had rapidly become the growth engines for our travel agency operations. Performance of Mangocity.com, the Group's on-line travel consolidator, sustained growth in a weak market. The productivity of Mangocity.com's sales team rose by 60% over last year, and its air ticketing business and web-based transaction volume also exhibited strong growth during the year.

## **Hotel operations**

The Group's hotel operations comprise CTS HK Metropark Hotels Management Company Limited ("CTS Metropark"), five hotels in Hong Kong and Macau and three hotels in Mainland China. The turnover of the hotel operations in 2008 was HK\$684 million, representing an increase of 36.1% from last year. The segment result was HK\$101 million, down 8.6% from last year. Excluding a reduction on revaluation of investment property, the segment result actually increased by 56.5% from last year. Performance of the Group's Hong Kong and Macau hotels was satisfactory. The revenue per available room (RevPAR) rose by 10% over last year. During 2008 Beijing Olympic Games, CTS Metropark was appointed by The Beijing Olympic Organizing Committee to manage athlete apartments in the Olympic Village, which significantly promoted Metropark's brand name. CTS Metropark was ranked the 51st in the "2008 top 300 global hotel management groups" by "HOTELS" magazine, the official publication of the International Hotel & Restaurant Association.

## **Theme park operations**

In 2008 Shenzhen The World Miniature Co., Ltd. ("Window of the World") and Shenzhen The Splendid China Development Co., Ltd. ("Splendid China") achieved a total turnover of HK\$486 million in 2008, up 4.5% from last year. The segment result was HK\$169 million, up 10.4% from last year. Total number of visitors amounted to 3.92 million in 2008, representing a slightly decrease from last year. During the year, the two theme parks implemented differentiated marketing strategies. Window of the World invested in new interactive attractions which brought fresh experience for the visitors. On the other hand, Splendid China positioned itself on the theme of Chinese folk and festival culture. They had launched a series of featured events and performances with a mixture of exhilarating themes throughout the year to boost the parks traffic and the visitors' average spending. Their active efforts harvested sound results despite adverse business environment.

## **Resort operations**

In 2008 the turnover of the Group's resort operations was HK\$340 million, representing a decrease of 4% from last year. The segment loss was HK\$62 million, attributable to a charge of start-up expenses of Xianyang Guanzhong Hot Spring Co., Ltd. ("Xianyang OSR") as well as the deteriorating business environment. To cope with weakening consumer confidence, Zhuhai Ocean Spring Resort ("Zhuhai OSR") boosted its sales and marketing efforts by introducing new leisure and entertaining attractions and promoting diversified tour packages to offer more choices to customers from early 2008. In order to grasp more MICE (meetings, incentives, conferences, events) business and provide high quality service for its MICE customers, Zhuhai OSR had expanded its conference facilities to be capable of hosting grand events.

Xianyang OSR is the Group's second hot spring resort investment after Zhuhai OSR. The hot spring center of Xianyang OSR, with a construction area of about 46,000 square meters, commenced soft opening under our original plan in October 2008. Guest attendance amounted to approximately 33,000 by the end of 2008. The rest of the Xianyang OSR project is still under construction.



## **Passenger transportation services**

Turnover for China Travel Tours Transportation Services Hong Kong limited and its subsidiaries (“CTTT”) during the year was HK\$299 million, a slight increase of 1.7% over last year. The segment result was HK\$9 million, a decrease of 73.8% from last year. Number of passengers carried amounted to 4.71 million in 2008, down 8.5% from last year. Despite fierce market competition, CTTT’s cross-border inter-city passenger transportation sustained steady growth during the year, driven by increase of new destinations in Guangdong Province. The shuttle bus service operation between Hong Kong and Shenzhen border saw a 20% decline in number of passengers carried, impacted by diversion of passengers to MTRC’s Lok Ma Chau line. The segment result was also adversely affected by soaring fuel price and the increase of depreciation expense.

For the year of 2008, the Group recorded a share of loss of HK\$42 million, versus a share of profit of HK\$68 million last year, from its associated company, Shun Tak-China Travel Shipping Investment Limited. The loss was attributable to rising operating cost and decrease of number of passengers.

## **Golf club operations**

The turnover of the CTS Tycoon (Shenzhen) Golf Club (“Tycoon”) was HK\$57 million in 2008, representing a decrease of 0.3% from last year. The segment loss was HK\$49.7 million. Tycoon set off a major reconstruction of its golf courses in the fourth quarter of 2008, which had resulted in a temporary curtailing of operating area and facilities, non-recurring loss of assets disposal and accelerated depreciation expenses. Tycoon also incurred significantly higher tax expenditure after the local government authority started to levy land use tax on golf course in 2008. The reconstruction project was expected to be completed by the end of 2009. The opening of the new international standard golf course and grandeur club house facilities would greatly enhance Tycoon’s service standard and market competitiveness.

## **Arts performance operations**

In 2008, China Heaven Creation International Performing Art Co., Ltd. (“China Heaven”) continued to modify its flagship performance show, “The Legend of Kung Fu”, to audience’s fondness. Due to the show’s popularity among the audience, China Heaven was awarded a government grant to renovate the stage and theatre for the show. China Heaven’s newly created novel Beijing Opera, “Forbidden Love”, a legendary love story in ancient Chinese fairy tales, was successfully performed at the national theatre during the Beijing Olympic Games, demonstrating that China Heaven had become one of the leading players of its kind in the art performance industry in Mainland China. “Forbidden love” had started regular performance in the Beijing National Culture Palace since December 2008. The initial market response was encouraging.

## **Power generation business**

In 2008, the on-grid electricity volume of Shaanxi Weihe Power Co. Ltd. (“Weihe Power”) decreased 1% compared to last year. The Group’s share of profit from the jointly controlled entity reduced to HK\$59 million, a decrease of 76.3 % from last year, attributable to a 50% rise of thermo coal cost during the year. Weihe Power had adopted rigorous cost control measures and further improved its operating efficiency. Weihe Power will continue to invest in environmental protection facilities and improve operating efficiency going forward.

## **Corporate social responsibility**

The Group has been highly committed to corporate social responsibility and public welfare undertaking. The Group has long been one of the active supporters of Hong Kong Community Chest. During the snow storm disaster in southern Mainland China at the beginning of the year, the Group took the initiative to cancel all confirmed group tours scheduled to the affected areas and offer alternative tour destination to the customers, demonstrating its caring for its customers. During the period of riot breakout in Tibet last March, the Group made all efforts to ensure the safe retreat of its customers in Lhasa. The Group’s safety measures taken were highly appreciated and acclaimed by the public at large. The Group’s staff around the world joined hands to participate in the Wenchuan earthquake disaster relief activities and made significant donations, demonstrating their strong sense of social responsibility. During the period of the Olympics Games, the Group’s travel agencies and hotel management teams in Beijing and Hong Kong provided numerous community services, which contributed to the successful hosting of the Beijing Olympic Games. CTS Metropark has set up college scholarship programs in two universities in Mainland China to honor those students in hospitality management with academic excellence and high morality.

## **Number and remuneration of employee**

As at 31 December 2008, the Group had approximately 16,000 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.

## **Liquidity, financial resources and capital structure**

The financial position of the Group was strong. As at 31 December 2008, the cash and cash equivalents of the Group’s continuing operations amounted to HK\$1,795 million whereas the interest bearing bank and other borrowings amounted to HK\$424 million. The debt to adjusted capital ratio was 14.15%.

As at 31 December 2008, 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 2008  
HK\$220 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 2008, the Group did not hold any material fixed assets in the form of finance lease and hire purchase contracts.

As at 31 December 2008, the Group has a pledged time deposit of approximately HK\$50 million and pledged assets of approximately HK\$5.7 million. The capital commitments of the Group were approximately HK\$660 million and the Group has no material contingent liabilities as at 31 December 2008.

## **Business Prospects**

It is envisioned the overall economy will continue to be turbulent in 2009, and the business environment for the tourism industry will remain challenging. Yet the Group believes that crisis bears opportunity. The Group's healthy financial position and favorable net cash-flow situation have further strengthened its risk management capability. The enormous economic stimulus policies from governments worldwide will eventually come to effect in global economy. In particular, the Mainland China authorities are drawing strength from the tourism industry to boost domestic consumption. The tourism industry is expected to recover gradually in the second half of the year. In 2009 the Group will reinforce business integration between Mangocity.com and its traditional travel agency operation, enhance business synergy and sharing of resources between the Group's different segments along the tourism industry chain and optimize operational process and management efficiency by investing in management information systems and customer database systems. The Group will intensify its cost control effort to further reduce overhead expenses and freeze payroll. The Group will redesign its performance management system and policies, with a clear focus on shareholders' return, customer satisfaction, process efficiency, staff development and corporate social responsibility, so as to strengthen its sustainable competitiveness. Leveraging on its healthy financial position, the Group will actively seek cost-effective merge and acquisition opportunities in the tourism industry in 2009 to underpin its long term earnings growth potential.

## **FINAL DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of HK1 cent (2007: final dividend of HK3 cents) per ordinary share for the year ended 31 December 2008.

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, 26 May 2009, the proposed dividends are expected to be paid on Monday, 22 June 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Thursday, 21 May 2009 to Tuesday, 26 May 2009 (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, 20 May 2009.

## **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 2008 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 2008.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

The Company's Annual Report for the year ended 31 December 2008, containing all the relevant information required by Appendix 16 of the Listing Rules, will be dispatched to shareholders and will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> in due course.

By Order of the Board  
**Zhang Xuewu**  
*Chairman*

Hong Kong, 6 April 2009

## **DIRECTORS**

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

### *Executive Directors:*

Mr. Zhang Xuewu, 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