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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: 308)

ANNOUNCEMENT OF 2009 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 2009 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
CONTINUING OPERATIONS			
REVENUE	4	4,090,498	4,388,443
Cost of sales		<u>(2,513,357)</u>	<u>(2,664,108)</u>
Gross profit		1,577,141	1,724,335
Other income and gains	4	139,426	211,507
Selling and distribution costs		(474,784)	(481,450)
Administrative expenses		(1,211,580)	(1,120,283)
Changes in fair value of investment properties		189,806	(70,609)
Other expenses		(80,287)	(22,435)
Finance costs	5	(10,346)	(12,013)
Share of profits and losses of:			
Jointly-controlled entities		60,451	61,009
Associates		<u>(1,096)</u>	<u>(42,339)</u>
PROFIT BEFORE TAX	6	188,731	247,722
Income tax expense	7	<u>(123,128)</u>	<u>(75,062)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>65,603</u>	<u>172,660</u>

	<i>Note</i>	2009 HK\$'000	2008 HK\$'000
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		65,603	172,660
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		<u>–</u>	<u>428,139</u>
PROFIT FOR THE YEAR		<u>65,603</u>	<u>600,799</u>
Attributable to:			
Owners of the Company		28,100	531,309
Minority interests		<u>37,503</u>	<u>69,490</u>
		<u>65,603</u>	<u>600,799</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY (HK CENTS)	9		
Basic			
– For profit for the year		0.49	9.33
– For profit from continuing operations		<u>0.49</u>	<u>1.88</u>
Diluted			
– For profit for the year		0.49	9.33
– For profit from continuing operations		<u>0.49</u>	<u>1.88</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		5,031,033	5,163,769
Investment properties		967,800	762,470
Prepaid land lease payments		3,095,061	3,074,804
Goodwill		1,281,230	1,244,769
Other intangible assets		45,581	37,419
Interests in jointly-controlled entities		755,234	1,154,076
Interests in associates		461,394	333,997
Available-for-sale investments		25,849	18,033
Prepayments		26,926	45,654
Deferred tax assets		1,402	581
Total non-current assets		11,691,510	11,835,572
CURRENT ASSETS			
Inventories		25,508	25,565
Trade receivables	<i>10</i>	170,893	230,845
Tax recoverable		5,233	3,926
Prepayments, deposits and other receivables		184,702	319,234
Pledged time deposits		32,661	49,782
Cash and cash equivalents		1,762,786	1,794,879
Amount due from the immediate holding company		32,201	28,222
Amounts due from fellow subsidiaries		37,881	32,526
		2,251,865	2,484,979
Assets of a disposal group classified as held for sale		512,228	–
Total current assets		2,764,093	2,484,979
CURRENT LIABILITIES			
Trade payables	<i>11</i>	285,740	331,587
Tax payable		47,404	64,032
Other payables and accruals		931,673	861,403
Interest-bearing bank and other borrowings		89,990	244,652
Amount due to the immediate holding company		1,171	400
Amounts due to fellow subsidiaries		13,066	4,006
		1,369,044	1,506,080
Liabilities directly associated with the assets classified as held for sale		248,386	–
Total current liabilities		1,617,430	1,506,080
NET CURRENT ASSETS		1,146,663	978,899
TOTAL ASSETS LESS CURRENT LIABILITIES		12,838,173	12,814,471

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>12,838,173</u>	<u>12,814,471</u>
NON-CURRENT LIABILITIES		
Deferred income	159,963	164,408
Interest-bearing bank and other borrowings	177,550	179,068
Deferred tax liabilities	<u>449,576</u>	<u>417,635</u>
Total non-current liabilities	<u>787,089</u>	<u>761,111</u>
Net assets	<u><u>12,051,084</u></u>	<u><u>12,053,360</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	569,536	569,536
Reserves	<u>10,997,889</u>	<u>10,945,111</u>
	11,567,425	11,514,647
Minority interests	<u>483,659</u>	<u>538,713</u>
Total equity	<u><u>12,051,084</u></u>	<u><u>12,053,360</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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
- scenic spots operations
- resort operations
- passenger transportation services
- golf club operations
- arts performance operations
- power generation (conducted through a jointly-controlled entity)

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. A 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 2008, except in relation to the changes in accounting policy and disclosures and accounting estimate as detailed below.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments – Disclosure of information about segment assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **HKFRS 8 *Operating Segments***

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of HKFRS 8 did not have any effect on the financial position or performance of the Group. However, it has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's senior management and has resulted in changes in identification and presentation of reporting segments. The revised disclosure, including the related comparative information, are shown in note 3 below.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.3 CHANGE IN ACCOUNTING ESTIMATE

In the prior years, the Group's leasehold improvements have estimated useful lives of 5 to 40 years (i.e. annual rates of 2.25% to 20%). During the year, the directors of the Company have re-assessed the estimated economic useful lives of leasehold improvements, taking into account of current business environment and conditions, historical usage experience and industry practices, and consider the estimated economic useful lives of 5 to 20 years (i.e. annual rates of 4.5% to 20%) will be more appropriate to the Group's circumstances. This change in accounting estimate has resulted in an increase in depreciation charge of approximately HK\$207 million for the year ended 31 December 2009.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (a) the travel agency and related operations segment engages in the provision of travel agency and related services in Hong Kong, Mainland China, South East Asia, Australasia, the United States of America and countries in the European Union;
- (b) the hotel operations segment engages in the provision of hotel accommodation services in Hong Kong, Macau and Mainland China;
- (c) the scenic spots operations segment engages in the operation of resort hotels, theme parks, cable car systems and skiing facilities in Mainland China;
- (d) the resort operations segment engages in the provision of hot spring services in Mainland China;
- (e) the passenger transportation services segment engages in the provision of ground transportation services to individuals between Hong Kong and Mainland China;
- (f) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members of the Group's golf club in Shenzhen, Mainland China;
- (g) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas;
- (h) the power generation segment engages in the generation of electricity in Mainland China; and

- (i) the freight forwarding and transportation services segment engages in the provision of export and re-export freight and logistics services between Hong Kong and Mainland China; and sea and air freight forwarding to overseas (discontinued in 2008).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, finance costs, dividend income as well as corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated corporate assets as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2009	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Scenic spots operations HK\$'000	Resort operations HK\$'000	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Power generation business HK\$'000	Consolidated HK\$'000
Segment revenue:									
Sales to external customers	2,316,913	642,677	438,453	324,173	292,893	43,296	32,093	-	4,090,498
Intersegment revenue	8,428	5,431	2,929	5,080	3,246	1	304	-	25,419
	2,325,341	648,108	441,382	329,253	296,139	43,297	32,397	-	4,115,917
Elimination of intersegment sales									(25,419)
Revenue									<u>4,090,498</u>
Segment results	154,224	106,495	111,589	(446,619)	24,386	(68,285)	4,261	133,633	19,684
Interest income									24,527
Finance costs									(10,346)
Change in fair value of investment properties									189,806
Corporate and other unallocated expenses									<u>(34,940)</u>
Profit before tax									188,731
Income tax expense									<u>(123,128)</u>
Profit for the year									<u><u>65,603</u></u>

Year ended 31 December 2009	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Scenic spots operations HK\$'000	Resort operations HK\$'000	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Power generation business HK\$'000	Consolidated HK\$'000
Segment assets	2,751,354	4,614,345	822,235	2,563,354	501,831	383,222	63,438	722,198	12,421,977
Corporate and unallocated assets									2,033,626
Total assets									<u>14,455,603</u>
Segment liabilities	663,457	101,772	111,232	460,809	35,880	227,771	8,099	536	1,609,556
Corporate and unallocated liabilities									794,963
Total liabilities									<u>2,404,519</u>
Other segment information:									
Capital expenditure*	96,181	31,129	102,778	398,566	37,843	118,756	28,024	-	813,277
Add: Capital expenditure relates to corporate									428
									<u>813,705</u>
Share of profits and losses of:									
Jointly-controlled entities	3,373	-	-	-	1,836	-	(1,704)	56,946	60,451
Associates	-	-	-	-	(896)	-	(200)	-	(1,096)
									<u>59,355</u>
Depreciation and amortisation	49,427	118,673	66,680	419,810	26,774	18,427	2,072	-	701,863
Add: Depreciation relates to corporate									541
									<u>702,404</u>
Impairment losses/(reversal of impairment losses) recognised in the income statement	(2,183)	188	-	-	635	50,325	(5)	-	48,960
Add: Impairment relates to corporate									404
									<u>49,364</u>
Other non-cash expenses	-	-	-	29,962	-	-	-	-	29,962
Interests in jointly-controlled entities	58,813	-	-	-	20,665	-	11,886	722,198	813,562
Less: Interests in jointly- controlled entities included in assets classified as held for sale									(58,328)
									<u>755,234</u>
Interests in associates	<u>(2,016)</u>	<u>-</u>	<u>102,430</u>	<u>-</u>	<u>360,411</u>	<u>-</u>	<u>569</u>	<u>-</u>	<u>461,394</u>

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties including assets from acquisition of the subsidiaries*

Year ended 31 December 2008	Continuing operations								Discontinued operation		Consolidated HK\$'000
	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Scenic spots operations HK\$'000	Resort operations HK\$'000	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Power generation business HK\$'000	Total	Freight forwarding and transportation services 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	8,977	5,804	4,011	6,579	1,347	-	199	-	26,917	-	26,917
	2,507,513	689,308	489,927	346,814	300,761	56,659	24,378	-	4,415,360	1,256,254	5,671,614
Elimination of intersegment sales									(26,917)	-	(26,917)
Revenue									<u>4,388,443</u>	<u>1,256,254</u>	<u>5,644,697</u>
Segment results	80,844	172,507	169,290	(104,251)	9,006	(49,721)	(12,940)	65,364	330,099	36,703	366,802
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)
Changes in fair value of investment properties									(70,609)	-	(70,609)
Corporate and other unallocated expenses									(44,257)	-	(44,257)
Profit before tax									247,722	432,809	680,531
Income tax expense									(75,062)	(4,670)	(79,732)
Profit for the year									<u>172,660</u>	<u>428,139</u>	<u>600,799</u>

Year ended	Travel		Scenic		Passenger		Arts	Power	
31 December 2008	agency and	Hotel	spots	Resort	transportation	Golf club	performance	generation	Consolidated
	related	operations	operations	operations	services	operations	operations	business	HK\$'000
	operations	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,505,588	4,660,084	644,808	2,655,285	472,833	338,549	35,006	1,102,371	12,414,524
Corporate and unallocated assets									<u>1,906,027</u>
Total assets									<u><u>14,320,551</u></u>
Segment liabilities	618,890	110,608	106,674	222,875	29,438	234,115	5,485	496	1,328,581
Corporate and unallocated liabilities									<u>938,610</u>
Total liabilities									<u><u>2,267,191</u></u>
Other segment information:									
Capital expenditure*	24,532	1,196,620	118,519	250,375	25,395	65,928	10,660	-	1,692,029
Add: Capital expenditure relates to corporate									<u>958</u>
									<u><u>1,692,987</u></u>
Share of profits and losses of:									
Jointly-controlled entities	4,056	-	-	-	-	-	(1,586)	58,539	61,009
Associates	-	-	-	-	(42,134)	-	(205)	-	<u>(42,339)</u>
									<u><u>18,670</u></u>
Depreciation and amortisation	56,216	102,592	74,362	153,353	29,930	31,635	2,291	-	450,379
Add: Depreciation relates to corporate									<u>720</u>
									<u><u>451,099</u></u>
Impairment losses/(reversal of impairment losses) recognised in the income statement	4,528	1,140	(29)	2,833	5,515	1,431	(32)	-	15,386
Other non-cash expenses	-	-	-	-	-	15,054	-	-	15,054
Interests in jointly-controlled entities	60,383	-	-	-	(249)	-	5,702	1,088,240	1,154,076
Interests in associates	<u>(4,353)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,722</u>	<u>-</u>	<u>628</u>	<u>-</u>	<u><u>333,997</u></u>

Geographical information

(a) Revenue from continuing operations from external customers

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	1,591,117	1,761,718
Mainland China (including Macau)	2,202,928	2,201,748
Overseas	<u>296,453</u>	<u>424,977</u>
	<u>4,090,498</u>	<u>4,388,443</u>

The revenue information from continuing operations above is based on the location of the operations.

(b) Non-current assets

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	5,382,615	5,369,514
Mainland China (including Macau)	6,244,930	6,408,600
Overseas	<u>62,563</u>	<u>56,877</u>
	<u>11,690,108</u>	<u>11,834,991</u>

The non-current asset information from continuing operations above is based on the location of assets and excludes deferred tax assets.

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue		
Travel agency and related operations	2,316,913	2,498,536
Hotel operations	642,677	683,504
Scenic spots operations	438,453	485,916
Resort operations	324,173	340,235
Passenger transportation services	292,893	299,414
Golf club operations	43,296	56,659
Arts performance operations	32,093	24,179
	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement	4,090,498	4,388,443
Freight forwarding and transportation services attributable to a discontinued operation	–	1,256,254
	<hr/>	<hr/>
	4,090,498	5,644,697
	<hr/>	<hr/>
Other income		
Interest income	24,527	44,502
Gross rental income	11,184	7,001
Reinvestment tax credit	–	37,735
Others	29,274	22,201
	<hr/>	<hr/>
	64,985	111,439
	<hr/>	<hr/>
Gains		
Foreign exchange differences, net	69,038	99,547
Excess over the cost of a business combination	5,332	521
Gain on disposal of a subsidiary	71	–
	<hr/>	<hr/>
	74,441	100,068
	<hr/>	<hr/>
Other income and gains		
Attributable to continuing operations reported in the consolidated income statement	139,426	211,507
Attributable to a discontinued operation	–	8,562
	<hr/>	<hr/>
	139,426	220,069
	<hr/>	<hr/>

5. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	10,346	22,311
Less: Interest capitalised	—	(8,504)
	<u>10,346</u>	<u>13,807</u>
Attributable to continuing operations reported in the consolidated income statement	10,346	12,013
Attributable to a discontinued operation	—	1,794
	<u>10,346</u>	<u>13,807</u>

6. PROFIT BEFORE TAX

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Depreciation	637,069	384,073
Amortisation of prepaid land lease payments	65,335	67,026
Gain on disposal of a property	(2,214)	—
	<u>637,069</u>	<u>384,073</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Group:		
The People's Republic of China:		
Current – Hong Kong		
Charge for the year	56,786	67,561
Overprovision in prior years	(2,701)	(5,140)
Current – Elsewhere		
Charge for the year	31,242	37,341
Underprovision in prior years	4,267	3,048
Overseas – Current tax charge for the year	1,094	609
Deferred tax	32,440	(28,357)
	<u>123,128</u>	<u>75,062</u>
Total tax charge for the year	<u>123,128</u>	<u>75,062</u>

The share of tax attributable to jointly-controlled entities and associates amounting to tax charge of HK\$29,059,000 (2008: HK\$13,208,000) and HK\$3,481,000 (2008: tax credit of HK\$8,311,000), respectively, is included in “Share of profits and losses of jointly-controlled entities and associates” on the face of the consolidated income statement.

8. DIVIDENDS

The directors do not recommend the payment of dividend in respect of the year. In 2008, dividend paid and proposed are as follows:

	2008 <i>HK\$'000</i>
Interim – HK2 cents per ordinary share	113,907
Special interim – HK3 cents per ordinary share	170,861
Final proposed subsequent to the reporting period – HK1 cent per ordinary share	<u>56,954</u>
	<u>341,722</u>

In 2008, the final dividend proposed subsequent to the reporting period had not been recognised as a liability at the end of the reporting period, and was subject to the approval of the Company's shareholders at the annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary owners of the Company, and the weighted average number of ordinary shares of 5,695,355,525 in issue during the year.

No adjustments has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary owners of the Company, used in the basic and diluted earnings per share calculations:		
From continuing operations	28,100	107,107
From a discontinued operation	—	424,202
	<u>28,100</u>	<u>531,309</u>

10. 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 end of the reporting period, based on the invoice date and net of the provision for impairment of trade receivables, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 3 months	146,797	206,050
3 to 6 months	21,196	17,927
6 to 12 months	2,400	6,868
1 to 2 years	500	—
	<u>170,893</u>	<u>230,845</u>

11. TRADE PAYABLES

The aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 3 months	249,993	275,677
3 to 6 months	17,395	18,608
6 to 12 months	3,602	5,386
1 to 2 years	7,421	18,292
Over 2 years	7,329	13,624
	<u>285,740</u>	<u>331,587</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

In 2009, negative factors such as the lingering impact of the international financial crisis and the outbreak of H1N1 swine flu directly depressed travel frequency and spending of companies, organizations and individuals, which brought adverse impact on the Group's core travel businesses and affected its operational performance to a larger extent. In response to the adverse economic climate, the Group upheld the guiding principles of "maintaining safety operation, pursuing development and excelling in performance" in carrying out its initiatives. Internally, the Group emphasized on market maintenance, cost reduction and enhancement of management control and structure. Externally, the Group actively develops its core travel businesses and forged ahead with mergers and acquisitions of quality tourism assets, adding new business elements to the Group. Through adopting these measures, the Group strived to maintain sound and stable operations and financial position.

For the year ended 31 December 2009, the Group's consolidated revenue from continuing operations was HK\$4,090 million, a decrease of 6.79% from last year. The profit attributable to owners of the Company was HK\$28 million, a decrease of 94.71% from last year. The decline in profit mainly arose from the facts that: 1) there was an one-off gain of HK\$397 million from the disposal of freight forwarding and transportation services business which was completed in 2008 and did not recur in 2009; 2) the results of certain segments dropped as a result of the negative macro economic climate and H1N1 swine flu; and 3) there was an increase in depreciation expenses arising from shortening of useful lives of certain fixed assets. Excluding the two exceptional factors of the one-off disposal gain and accelerated depreciation, the Group's profit from continuing operations was HK\$273 million, an increase of 58.07% over last year. Basic earnings per share from continuing operations was HK\$0.49 cents, a decrease of 73.94% from last year. The equity attributable to owners of the Company was HK\$11,567 million, an increase of 0.45% from the end of last year.

Travel Agency and Related Operations

The revenue of the Group's travel agency and related operations in 2009 was HK\$2,317 million, a decrease of 7.27% from last year, which was primarily attributable to the remarkable decrease in travel frequency of tourists and their consumption power as a result of the financial crisis and H1N1 swine flu. The segment result was HK\$154 million, an increase of 90.77% over last year. Such increase was attributable to increase in gross profit of the travel permit administration services brought by the peak period of permit renewal on the one hand, the continuous improvement in operation of Mangocity.com, and the recovery trends of certain Hong Kong inbound travel markets in the second half of the year. The performance of the outbound travel business of China Travel Service (Hong Kong) Limited ("CTSHK") posted a gradual rebound, while the development of the inbound travel business also improved in certain regions. After the successful completion of special projects for the 2008 Olympics, CTSHK once again succeeded in securing appointment as the general ticketing agency for the 2010 Shanghai World Expo in Hong Kong, ticketing agency in Vietnam, and sales agency for franchised products for the 2010 Shanghai World Expo in Hong Kong. Mangocity.com, the Group's on-line travel

consolidator, through active resources integration and marketing innovation, recorded growth in number of members and business volume of air-ticketing and hotel reservation. In particular, business volume of air-ticketing reservation sharply increased by approximately 60%.

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 revenue of the hotel operations in 2009 was HK\$643 million, a decrease of 5.97% from last year. The segment result was HK\$106 million, a decrease of 38.27% from last year. Under the sluggish business environment, the revenue of the five hotels in Hong Kong and Macau fell by 16.71% and the revenue per available room (Revpar) declined by 20.03%. The operating results of the Group's hotels in Beijing, Shanghai and Yangzhou were also affected to varying extents. Facing the adverse environment of weak demand of the overall hotel market and declining profit, CTS Metropark and its hotels strengthened marketing efforts and controlled cost, maintaining various performance indicators at relatively advanced level among their peers.

Scenic Spots Operations

In 2009, the revenue of Shenzhen The World Miniature Co., Ltd. ("Window of the World") and Shenzhen The Splendid China Development Co., Ltd. ("Splendid China") fell by 9.77% to HK\$438 million, whereas the segment result fell by 34.08% to HK\$112 million. Number of visitors amounted to 3.28 million, representing a decrease of 11.60% from last year. Window of the World exhibited relatively strong risk resistance amid economic turmoil and market competition. During the year, it continued to focus on featured festival events and strengthen marketing efforts. To meet the ever changing needs of visitors, it successfully launched a new evening performance show during the Chinese National Day Holiday, which received high praises from visitors and was selected as the designated evening show for the opening ceremony of the 2009 Shenzhen International Tourism and Culture Festival by the Shenzhen municipal government. "Flying Over America", the first show filmed in real locations and to be shown in a theatre with a suspended cylindrical screen, is in the tuning and testing stage, the launching of which will become a new highlight of Window of the World. In response to adverse market conditions, Splendid China strengthened its sales and marketing efforts and launched a series of featured festival events. At the same time, Splendid China actively carried out renovation of the theme park and planned to develop new products and upgrade existing ones, thereby successfully extending the life cycle of the first generation of man-made theme park in China.

Resort Operations

The Group's resort operations comprise the Zhuhai Ocean Spring Resort ("Zhuhai OSR") in Zhuhai City, Guangdong Province and the Xianyang Guangzhong Hot Spring ("Xianyang OSR") in Xianyang City, Shaanxi Province. In 2009, the segment revenue was HK\$324 million, a decrease of 4.72% from last year. This segment recorded a loss of HK\$447 million, compared to a loss of HK\$104 million in 2008, which was mainly attributable to increase in depreciation expense arising from shortening of useful lives of certain fixed assets and operational losses. Zhuhai OSR strived to attract leisure

tourists by carrying out product innovation and upgrade, and focusing on planning and organization of various activities and featured festival events. In the meantime, it continued to develop conference market and high-end individual travel market in Beijing, Shanghai and Hong Kong. Zhuhai OSR, as one of the organizers of the Cultural Night in Celebration of the 10th Anniversary of the Establishment of the Macao Special Administrative Region, consummated a gala evening show, producing positive advertising results. To further enhance the functionality of facilities and strengthen the capacity for sustainable development, Zhuhai OSR has been actively carrying out preparatory work for the phase two development.

Xiangyang OSR was still under market fostering stage. During the year, Xiangyang OSR launched five leisure product collections and formulated seven major pricing systems, establishing initial differentiating features in a competitive market which raised its brand awareness. The number of visitors received and revenue recorded increases over last year. Xiangyang OSR expedited the construction of the five-star conference hotel which will be complementary to the hot spring center, with an aim to offer wider functionality, enhance their respective customer sources and realize the overall competitive advantages of the project.

Passenger Transportation Services

The revenue of China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries (“CTTT”) in 2009 was HK\$293 million, representing a slight decrease of 2.18% from last year. The segment result was HK\$24 million, an increase of 170.78% over last year which was mainly attributable to fuel cost decline and stringent cost control. During the year, the share of profit from a new jointly-controlled entity was HK\$1.84 million. Number of passengers carried amounted to 4.83 million, an increase of 2.53% over last year. In response to the adverse market situation of declining visitor traffic between Hong Kong and Guangdong Province, CTTT adjusted the allocation of capacity in a timely manner and improved operating efficiency, maintaining a leading position among its peers.

In 2009, the Group’s share of losses from its associated company, Shun Tak-China Travel Shipping Investments Limited, was HK\$0.9 million, compared to share of losses of HK\$42 million in 2008. The reduction in losses was mainly attributable to decline in fuel cost and effective cost control.

Golf Club Operations

The revenue of the CTS Tycoon (Shenzhen) Golf Club (“Tycoon”) in 2009 was HK\$43 million, a decline of 23.58% from last year. This segment recorded a loss of HK\$68 million, compared to a loss of HK\$50 million in 2008. The decline was primarily attributable to the continuing reconstruction of its golf course, the limited services provided as a result, and the suspension of night time service. Under the circumstances, Tycoon emphasized on enhancing its service quality, launched golf plus accommodation packages and offered discounts to golfers to maintain its market share. The reconstruction project for the 27-hole “Dye” course, designed by a world-class American designer, was completed in February 2010, and has been put into operation. Another reconstruction project for the 18-hole “Hurdzan” golf course, designed by another famous designer, commenced immediately. Upon completion of the reconstruction project of the 45-hole golf course and the new 13,000 meters squared clubhouse, Tycoon’s facilities standard and service quality will be greatly enhanced, which will in turn bring increases in the number of saleable debentures and their values.

Arts Performance Operations

China Heaven Creation International Performing Arts Co., Ltd. (“China Heaven”) accelerated its strategic move of “Reaching Out”, focusing on the overseas market. “The Legend of Kung Fu”, the flagship performance show of China Heaven, was brought to the famed London Coliseum in the U.K. with 27 performances from July to August 2009, receiving wide acclaims from the local media and audience. At the end of the year, China Heaven acquired the White House Theatre in Branson, Missouri, the United States at relatively low consideration, taking it as the base for overseas regular performance and bringing the cultural tourism products to the international market further.

Power Generation Business

Due to an oversupply of electricity in Shaanxi Province, the on-grid electricity volume of Shaanxi Weihe Power Co., Ltd. (“Weihe Power”) decreased by 6.88% compared to last year. The Group’s share of profit from this jointly-controlled entity, Weihe Power, amounted to HK\$57 million, representing a slight decline of 2.72% from last year. During the year, Weihe Power maintained the electricity volume and tariff, controlled cost and completed the desulfurization project which reduced pollution. The overall operating efficiency achieved leading position in the regional market.

Disposal and Acquisition

On 22 June 2009, the Group has entered into a conditional sale and purchase agreement with CTS (Holdings) and Fame Harvest (Hong Kong) Limited, a wholly-owned subsidiary of CTS (Holdings), to dispose of its travel agency business in Mainland China at a cash consideration of HK\$205 million. CTS (Holdings) has granted an option to the Group to acquire the consolidated and integrated travel agency business within a period of three years after completion or such extended period of up to 6 years after completion upon request by the Group. The disposal was approved at an extraordinary general meeting of the Company held on 20 July 2009. As at the date of this report, the disposal has not been completed. For detailed information, please refer to the circular of the Company dated 3 July 2009.

On 18 November 2009, the Group has entered into a conditional sale and purchase agreement with Dean Glory Development Limited, a wholly-owned subsidiary of CTS (Holdings), to acquire the scenery resort business of CTS (Holdings) in Mainland China at a cash consideration of HK\$275 million. The acquisition was approved at an extraordinary general meeting of the Company held on 18 December 2009 and has been completed on 31 December 2009. For detailed information, please refer to the circular of the Company dated 3 December 2009.

Formation of the Joint Venture

On 25 December 2009, the Group and Dengfeng Songshan Shaolin Culture Tourism Group Co., Ltd. formed the joint venture company, CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd., (the “JV Company”) in Henan Province, Mainland China, for the development and operation of the Shaolin Scenic Spot, Zhongyue Scenic Spot and Songyang Scenic Spot under the Songshan Scenic Spot. The Group subscribed for 51% of the enlarged registered capital of the JV Company by contributing RMB68.85 million in cash. For detailed information, please refer to the announcement of the Company dated 24 December 2009.

Corporate Social Responsibility

The Group has always been committed to social responsibility and public welfare undertakings. When the first incident of H1N1 swine flu was confirmed in Hong Kong, the Group, in cooperation with the HKSAR Government, closed down and quarantined Metropark Hotel Wanchai where an infected patient had stayed, and dealt with and resolved the crisis satisfactorily. The Group succeeded in preventing the first incident of H1N1 swine flu from spreading, exhibited good corporate image and received high praises from the HKSAR Government, the general public and hotel guests. To support the disaster-affected areas in Taiwan and rural poverty-stricken areas in Mainland China, CTSHK organized, through lucky draw, free group tours to visit the disaster-affected areas in Taiwan and Liping County in Guizhou Province to express concerns for the locals. In support of the administration of the HKSAR Government, the Group has taken the initiative in recent years in arranging dozens of Hong Kong university graduates as trainees at its tourism subsidiaries. CTS Metropark continued to set up 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 2009, the Group had approximately 14,952 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 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 2009, the cash and cash equivalents of the Group's continuing operations amounted to HK\$1,763 million whereas the interest-bearing bank and other borrowings amounted to HK\$268 million. The debt to adjusted capital ratio was 12.96%.

As at 31 December 2009, 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 2009**

HK\$60 million

**Final maturity date of the
outstanding loan balance**

29 January 2010

Interest is charged on the outstanding balance at 0.6% 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 2009, the Group did not hold any material fixed assets in the form of finance leases and hire purchase contracts.

As at 31 December 2009, the Group has a pledged time deposit of HK\$33 million and pledged assets of HK\$18 million. The capital commitments of the Group were HK\$555 million and the Group has no material contingent liabilities as at 31 December 2009.

Business Prospects

According to the economic outlook by the International Monetary Fund, the global recovery is off to a stronger start than earlier anticipated but is proceeding at different speeds in the various regions. However, the foundation of global economic recovery is not stable as yet and the global economy still did not emerge totally from the aftermath of the financial crisis. It is expected that the pace of recovery of the world economy for year 2010 will remain slow and uncertain. Since the beginning of 2009, the Chinese government introduced a RMB4,000 billion economic stimulus package and later published the “Opinions on Accelerating the Development of Tourism Industry” deciding to foster the tourism industry as the strategic pillar industry of national economy. Together with other favourable factors such as the hosting of 2010 Shanghai World Expo, it is expected that the accelerated development of tourism industry in Mainland China will be enhanced.

In 2010, the Group will carry out in-depth analysis, leverage on changes in situations, track the trends of the tourism industry continually, focus on market and profits, and take the path of “quality, profits and sustainable development”. In respect of existing assets, the Group will focus on the operation and performance enhancement of Zhuhai OSR, Xianyang OSR and Mangocity.com. The Group will enhance the management standard and quality of service of Songshan Scenic Spot with an aim to spur significant growth in number of tourists received. The Group will accelerate the integration of internal resources and strengthen the business interaction of traditional travel agencies and mangocity.com to achieve better synergies. In addition, the Group will seize market opportunities brought by the 2010 Shanghai World Expo and Guangzhou Asian Games through innovation and development of featured tourism products in order to achieve interaction and collaboration in chains of the tourism industry and in every region.

In respect of additional assets, the Group will secure more diversified financing methods, and enhance the core competitiveness of travel businesses through orderly capital expenditure. The Group will allocate adequate capital for the development of new projects and the renovation and upgrade of existing facilities and addition of complementary facilities in existing theme parks and scenic spots in order to maintain their distinguished product features and market appeal. The Group will complete the master planning for Zhuhai OSR phase two and commence construction of tourism & real estate-oriented new projects in a timely manner, so that phase one and phase two can complement each other and create synergies to enhance the overall sustainable development capabilities of the Zhuhai OSR and improve the overall investment return. The Group will continue to actively seek for high quality tourism projects and scarce tourism resources at home and abroad, and carry out investments and mergers and acquisitions in a prudent manner in order to add new earnings growth engines. The Group will actively study various capital operation methods, such as carving out the high-quality assets when the time is appropriate.

The Group believes that the global economic recovery, the steady growth of Mainland economy and the economic recovery in Hong Kong provide a more favourable business environment for the Group. Under its established strategy, the Group has confidence in seizing market opportunities, enhancing operational capability, improving performance, and striving for better returns for shareholders.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend (2008: final dividend of HK1 cent per ordinary share) for the year ended 31 December 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 in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period for the year ended 31 December 2009 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 Group and discussed the auditing, internal controls and financial reporting matters including a review of the final results of the Group for the year ended 31 December 2009.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The Company’s Annual Report for the year ended 31 December 2009, 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, 8 April 2010

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.