



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)

**INTERIM RESULT ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

INTERIM RESULTS

The Board of Directors (“the Board”) of China Travel International Investment Hong Kong Limited (“the Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2007 together with the comparative figures.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	3,674,101	3,162,124
Cost of sales		<u>(2,796,432)</u>	<u>(2,396,733)</u>
Gross profit		877,669	765,391
Other income and gains	3	51,967	56,217
Selling and distribution costs		(186,968)	(130,823)
General and administrative expenses		(466,719)	(458,779)
Revaluation surplus of investment properties, net		6,267	5,461
Revaluation surplus of hotel properties, net		2,541	7,660
Finance costs	4	(16,347)	(49,612)
Share of profits and losses of:			
Jointly-controlled entities		141,003	80,811
Associates		<u>31,250</u>	<u>30,340</u>
PROFIT BEFORE TAX	5	440,663	306,666
Tax	6	<u>(77,697)</u>	<u>(54,743)</u>
PROFIT FOR THE PERIOD		<u>362,966</u>	<u>251,923</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		316,924	210,748
Minority interests		<u>46,042</u>	<u>41,175</u>
		<u>362,966</u>	<u>251,923</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK CENTS)			
Basic	7	<u>5.56</u>	<u>4.03</u>
DIVIDEND PER SHARE (HK CENTS)	8	<u>3.00</u>	<u>2.00</u>

Condensed Consolidated Balance Sheet
30 June 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		4,526,016	4,464,151
Investment properties		246,352	240,085
Prepaid land lease payments		3,038,182	3,056,985
Goodwill		1,244,769	1,244,769
Interests in jointly-controlled entities		1,237,331	1,151,917
Interests in associates		448,868	418,996
Available-for-sale investments		21,828	18,898
Held-to-maturity investments		15,661	15,547
Deferred tax assets		12,190	11,839
Total non-current assets		10,791,197	10,623,187
CURRENT ASSETS			
Inventories		18,979	17,831
Trade receivables	9	811,135	704,253
Tax recoverable		3,441	2,974
Prepayments, deposits and other receivables		464,445	356,255
Pledged time deposits		5,132	4,176
Cash and cash equivalents		2,186,091	2,157,297
Amount due from the ultimate holding company		26,369	23,202
Amounts due from fellow subsidiaries		4,180	3,279
Total current assets		3,519,772	3,269,267
CURRENT LIABILITIES			
Trade payables	10	752,836	731,617
Tax payable		86,868	45,093
Other payables and accruals		795,522	822,234
Interest-bearing bank and other borrowings		185,979	179,733
Amount due to the ultimate holding company		-	1,421
Amounts due to fellow subsidiaries		-	3,138
Total current liabilities		1,821,205	1,783,236
NET CURRENT ASSETS		1,698,567	1,486,031
TOTAL ASSETS LESS CURRENT LIABILITIES		12,489,764	12,109,218
NON-CURRENT LIABILITIES AND DEFERRED INCOME			
Deferred income		147,693	149,002
Interest-bearing bank and other borrowings		510,026	504,843
Deferred tax liabilities		362,581	361,966
Total non-current liabilities and deferred income		1,020,300	1,015,811
Net assets		11,469,464	11,093,407
EQUITY			
Issued capital	11	569,536	569,536
Reserves		10,291,390	10,023,435
Proposed dividend		170,861	56,954
Equity attributable to equity holders of the parent		11,031,787	10,649,925
Minority interests		437,677	443,482
Total equity		11,469,464	11,093,407

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial information has been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

This condensed interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2006.

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2006 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that are adopted for the first time for the current period’s financial information.

- HKAS 1 Amendment Capital Disclosures
- HKFRS 7 Financial Instruments: Disclosures
- HK(IFRIC)-Int 7 Applying the Restatement Approach under HKAS 29
Financial Reporting in Hyperinflationary Economies
- HK(IFRIC)-Int 8 Scope of HKFRS 2
- HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives
- HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The adoption of the above-mentioned accounting standards does not have significant impact on the Group as at the date of the condensed interim financial information.

2. SEGMENT INFORMATION

The Company is an investment holding company and the Group principally operates in eight business segments as described below. The analysis of the Group's revenue and results by business segments and the Group's revenue by geographical segments are as follows:

(a) Business segments

The following tables present revenue and results of the Group's business segments for the six months ended 30 June 2007 and 2006.

	Passenger transportation services 2007 (Unaudited) HK\$'000	Tourist attraction operations 2007 (Unaudited) HK\$'000	Freight and trans- portation services 2007 (Unaudited) HK\$'000	Hotel operations 2007 (Unaudited) HK\$'000	Travel and travel- related operations 2007 (Unaudited) HK\$'000	Golf club operations 2007 (Unaudited) HK\$'000	Power generation 2007 (Unaudited) HK\$'000	Hot spring resort 2007 (Unaudited) HK\$'000	Corporate and others 2007 (Unaudited) HK\$'000	Eliminations 2007 (Unaudited) HK\$'000	Consolidated 2007 (Unaudited) HK\$'000
Segment revenue:											
Sales to external customers	149,310	220,230	1,547,424	231,015	1,324,802	29,516	-	163,206	8,598	-	3,674,101
Intersegment revenue	241	1,785	-	3,444	7,466	-	-	3,337	15,485	(31,758)	-
Other income and gains	3,085	118	6,284	3,924	7,679	-	-	354	4,127	-	25,571
Total	152,636	222,133	1,553,708	238,383	1,339,947	29,516	-	166,897	28,210	(31,758)	3,699,672
Segment results	28,756	87,740	43,183	53,565	56,569	2,514	(434)	(839)	(12,693)	-	258,361
Interest income											26,396
Finance costs											(16,347)
Share of profits and losses of:											
Jointly-controlled entities	-	-	-	-	869	-	140,134	-	-	-	141,003
Associates	31,250	-	-	-	-	-	-	-	-	-	31,250
Profit before tax											440,663
Tax											(77,697)
Profit for the period											362,966

	Passenger transportation services 2006 (Unaudited) HK\$'000	Tourist attraction operations 2006 (Unaudited) HK\$'000	Freight forwarding and trans- portation services 2006 (Unaudited) HK\$'000	Hotel operations 2006 (Unaudited) HK\$'000	Travel and travel- related operations 2006 (Unaudited) HK\$'000	Golf club operations 2006 (Unaudited) HK\$'000	Power generation 2006 (Unaudited) HK\$'000	Hot spring resort 2006 (Unaudited) HK\$'000	Corporate and others 2006 (Unaudited) HK\$'000	Eliminations 2006 (Unaudited) HK\$'000	Consolidated 2006 (Unaudited) HK\$'000
Segment revenue:											
Sales to external customers	132,177	205,447	1,312,472	203,034	1,118,707	25,209	-	157,823	7,255	-	3,162,124
Intersegment revenue	463	1,100	-	2,049	4,945	-	-	-	16,138	(24,695)	-
Other income and gains	3,499	954	1,495	2,682	7,967	-	144	840	5,757	-	23,338
Total	136,139	207,501	1,313,967	207,765	1,131,619	25,209	144	158,663	29,150	(24,695)	3,185,462
Segment results	24,557	77,834	36,304	35,488	85,992	(344)	(396)	(40,726)	(6,461)	-	212,248
Interest income											32,879
Finance costs											(49,612)
Share of profits and losses of:											
Jointly-controlled entities	-	-	-	-	568	-	80,243	-	-	-	80,811
Associates	30,340	-	-	-	-	-	-	-	-	-	30,340
Profit before tax											306,666
Tax											(54,743)
Profit for the period											251,923

(b) Geographical segments

The following table presents revenue of the Group's geographical segments for the six months ended 30 June 2007 and 2006.

	Hong Kong		Mainland China (including Macau)		Overseas		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	944,043	866,133	2,514,728	2,094,407	215,330	201,584	3,674,101	3,162,124
Other income and gains	19,982	15,183	4,520	4,867	1,069	3,288	25,571	23,338
	<u>964,025</u>	<u>881,316</u>	<u>2,519,248</u>	<u>2,099,274</u>	<u>216,399</u>	<u>204,872</u>	<u>3,699,672</u>	<u>3,185,462</u>

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income	26,396	32,879
Rental income	4,943	4,864
Management fee income	1,010	924
Exchange gains, net	7,316	8,926
Gain on disposal of property, plant and equipment, net	168	1,756
Dividend income	–	18
Commission income	580	1,812
Compensation income	3,806	–
Others	7,748	5,038
	<u>51,967</u>	<u>56,217</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable		
– within five years	16,347	49,541
– after five years	–	71
	<u>16,347</u>	<u>49,612</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation:		
– Hotel properties	22,921	17,869
– Other property, plant and equipment	126,142	135,759
Amortisation on prepaid land lease payments	30,360	29,075
Revaluation surplus of investment properties, net	(6,267)	(5,461)
Revaluation surplus of hotel properties, net	<u>(2,541)</u>	<u>(7,660)</u>

6. TAX

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current:		
The People's Republic of China:		
Hong Kong	52,672	33,015
Elsewhere	25,326	19,264
Overseas	486	385
Overprovision in prior years	(832)	(204)
Deferred tax	<u>45</u>	<u>2,283</u>
Tax charge for the period	<u>77,697</u>	<u>54,743</u>

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

Share of tax attributable to jointly-controlled entities and associates amounting to HK\$28,691,000 and HK\$4,640,000, respectively (2006: HK\$15,787,000 and HK\$2,900,000, respectively) are included in "Share of profits and losses of jointly-controlled entities/associates" on the face of the condensed consolidated income statement.

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$316,924,000 (2006: HK\$210,748,000) and the weighted average of 5,695,355,525 (2006: 5,232,519,970) ordinary shares in issue during the period.

Diluted earnings per share amount for the period ended 30 June 2007 and 30 June 2006 equal to that of basic earnings per share and has not been presented, as no diluting events/effects existed during the periods.

8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3 cents (2006: HK2 cents) per share for the period ended 30 June 2007. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 24 September 2007. The interim dividend will be paid on or around Thursday, 4 October 2007.

9. TRADE RECEIVABLES

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Outstanding balances with age:		
Less than 1 month	472,956	400,412
Within:		
1-3 months	279,553	245,689
4-6 months	34,073	45,586
7-12 months	20,261	7,968
1-2 years	2,377	3,932
Over 2 years	1,915	666
	811,135	704,253

10. TRADE PAYABLES

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Outstanding balances with age:		
Less than 1 month	536,619	551,306
Within:		
1-3 months	134,993	109,183
4-6 months	22,312	35,393
7-12 months	36,129	8,025
1-2 years	9,882	13,273
Over 2 years	12,901	14,437
	<u>752,836</u>	<u>731,617</u>

11. SHARE CAPITAL

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Authorised:		
7,000,000,000 ordinary shares of HK\$0.10 each	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:		
5,695,355,525 ordinary shares of HK\$0.10 each	<u>569,536</u>	<u>569,536</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operation

During the first half of 2007, the Group's operation sustained healthy growth. Among the Group's business sectors, hotels, passenger transportation, theme parks, golf club, art performance and power plant operation recorded significant increase. The advantage of internal resource integration and business innovation had materialized gradually in our travel agency and related business sectors.

For the six months ended 30 June 2007, the unaudited consolidated revenue of the Group was HK\$3,674 million, an increase of 16.2% from the same period last year. Unaudited net profit attributable to shareholders was HK\$317 million, an increase of 50.4% from the same period last year. Basic earnings per share was 5.56 Hong Kong Cents, an increase of 38.0% from the same period last year. As at 30 June 2007 the equity attributable to shareholders was HK\$11,032 million, representing an increase of 3.6% from the end of last year.

Tour Operation and Leisure Business

The tour operation and leisure business of the Group includes travel agency business, on-line travel consolidator (Mangocity.com), Zhuhai Ocean Spring Resort ("OSR"), three theme parks and Tycoon golf club in Shenzhen, and art performance producer of China Heaven Creation International Performance Arts Co. Ltd. ("China Heaven"). During the first half of 2007 the unaudited revenue was HK\$1,746 million, an increase of 15.3% from the same period of last year. Net profit was HK\$146 million, representing an increase of 18.9% from the same period last year.

During the first half of 2007, China Travel Service (Hong Kong) Limited effectively streamlined its business structure and process in order to achieve better business integration among its different business units and enhance the Group's competitiveness in its core travel business. The business reengineering process had firmly positioned the Group for a sustainable growth in the travel and travel related business going forward.

After its soft opening last year, OSR continued to upgrade its service quality and had gradually built up its branding effect. In June OSR was awarded with the "National Demonstration Base of Vacational Tourism", the first title ever issued by China National Tourism Administration. This reputation was in recognition of OSR's leading position in China's vacational tourism market. Mangocity.com continuously improved its operation efficiency and its membership reached over 2 million. It has become one of the most promising on-line travel consolidators in China. In light of the intense market competition, the operation of Window of the World and Splendid China sustained growth by adding creative attraction programs in the theme parks. As Mainland Chinese government has gradually permitted foreign investments in the art performance industry, the Group increased its investment and shareholding in China Heaven through a shareholding scheme that involved a natural person acting as a nominee, as stated in the announcement of the Company dated 8 November 2006. The Group is planning to revise the nominee shareholding scheme to

a shareholding structure with the Group being the direct shareholder. China Heaven seized the opportunity of this favorable policy change and succeeded in market expansion with satisfactory results. Tycoon Golf Club in Shenzhen exploited innovative marketing strategies and achieved turn-around operating results during the first half of this year.

Hotel Operation

During the first half of 2007, the operation of the Group's five hotels in Hong Kong and Macau sustained steady growth. Average room rate and occupancy rate recorded significant growth from the same period last year. The unaudited revenue for the first half of 2007 was HK\$231 million, an increase of 13.8% from the same period last year. Net profit was HK\$53.57 million, an increase of 50.9% from the same period last year.

Transportation

Despite the negative impact of elevated oil price, the Group's passenger transportation achieved once again best ever operation results. During the first half of 2007, the unaudited revenue was HK\$149 million, an increase of 13.0% from the same period last year. The net profit of the passenger transportation services was HK\$28.76 million, an increase of 17.1% from the same period last year. The operating results of Shun Tak-China Travel Shipping Investments Limited, the joint venture passenger ferry operations also achieved satisfactory growth from the same period of last year.

China Travel Service (Cargo) Hong Kong Limited ("CTSC") actively developed its freight forwarding business and further extended its service chain out of international freight forwarding business to offer comprehensive logistic service to customers. CTSC continued to drive business and resources integrations internally and seized opportunities to establish strategic alliance with international partners. During the first half of 2007, the unaudited revenue and net profit was HK\$1,547 million and HK\$43.18 million, respectively, representing an increase of 17.9% and 18.9%, respectively, from the same period last year.

Infrastructure

The Group's power generation business achieved satisfactory results during the first half of 2007. The volume of on-grid electricity increased significantly from the same period last year. A rigorous cost saving measure also contributed to the sector's bottom line. During the first half of 2007, the Group's share of profit has increased by HK\$59.89 million, or 74.6% from the same period last year.

Prospects for second half of 2007

In the second half of 2007, it is expected that China will continue to enjoy stable social situation, and that the economy in Mainland China and Hong Kong will continue to grow rapidly. The increasing income per capita of Mainland China residents is expected to continue to drive the Group's core travel and travel related business growth. Despite the recent volatility in global financial market, the Board is of a prudently optimistic view towards the Group's operation results in the second half of 2007.

In the second half of 2007, the Group will continue to rigorously pursue cost-saving measures, actively seize new business opportunities for its core travel and travel related business, achieve better business integration among its ground travel network in Hong Kong, Mainland China and overseas, and achieve operation synergy between its ground travel network and on-line travel network. It is expected that in the second half of 2007 the Group's tour operation and leisure business will sustain steady growth; hotel operations results will be enhanced further; and the passenger transportation and freight forwarding business will sustain stable growth. The prospect of power generation business for the second half of 2007 will be somewhat uncertain due to macro economic factors.

Employee Relations

As of 30 June 2007, the Group had approximately 13,004 employees. Total remuneration cost for the period was HK\$445 million (six months ended 30 June 2006: HK\$378 million).

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management. Apart from medical coverage, provident funds, in-house training programs and long service awards, discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

Liquidity, Financial Resources and Capital Structure

The Group's financial position remains strong. As of 30 June 2007, the cash and cash equivalents of the Group amounted to HK\$2,186 million. The interest bearing bank borrowings amounted to HK\$696 million. The net interest bearing debt to equity ratio was -0.13 (31 December 2006: -0.13).

For the six months ended 30 June 2007, the Group's capital expenditure on property, plants, and equipments was HK\$138 million (six months ended 30 June 2006: HK\$94 million), which was mainly funded by the Group's internal financial resources.

As at 30 June 2007, the Company had loan facilities, which were subject to, inter alia, a specific performance obligation on the controlling shareholder of the Company, China Travel Services (Holdings) Hong Kong Limited ("CTS Holdings"), during the tenure of such loan facilities. The specific performance obligation is that CTS Holdings shall maintain a holding of not 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 loan facilities are as follows:

Amount outstanding as at 30 June 2007

HK\$500 million

Final maturity 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.

Pledge of Assets and Contingent Liabilities

As at 30 June 2007, the Group's bank deposits of approximately HK\$5.13 million (31 December 2006: HK\$4.18 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group and certain bank guarantees given in lieu of utility deposit and rental deposits.

As at 30 June 2007, certain banking facilities were secured by the Group's leasehold land and buildings with an aggregate carrying value of HK\$69.31 million (31 December 2006: HK\$68.78 million).

The contingent liabilities had increased from HK\$10.25 million as at 31 December 2006 to HK\$14.58 million at the end of the period.

POST BALANCE SHEET EVENT

- (i) On 30 July 2007, Chadwick Developments Limited, a wholly owned subsidiary of the Company, Northwest China Grid Company Limited and Shanxi Qinlong Electric Power Co., Ltd. (collectively, the "Weihe Shareholders") entered into a transfer agreement with Shaanxi Weihe Power Co., Ltd. ("Weihe Power", a jointly-controlled entity of the Group) pursuant to which the Weihe Shareholders agreed to acquire from Weihe Power its entire equity interest in Xianyang Guangzhong Hotspring Company Limited ("Guangzhong Hotspring") for an aggregate consideration of RMB100 million.

Upon completion of the transaction, Guangzhong Hotspring will be a 51%-owned subsidiary of the Group and accordingly, its result and operation will be consolidated into the Group's financial statement thereafter. Details are disclosed in the Company's announcement dated 30 July 2007.

- (ii) On 9 July 2007, a total of 97,110,000 share options with an exercise price of HK\$4.65 per share were granted to certain directors and employees of the Group in recognition of their contributions to the Group. The share options have a vesting period ranging from 9 July 2007 to 8 July 2009, and exercisable from 9 July 2009 to 2 June 2012. The price of the Company's share at the date of grant was HK\$4.65 per share.

At the date of approval of this interim financial information, the Company had 97,110,000 share options outstanding, which represented approximately 1.7% of the Company's issued shares as at this date.

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 period.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasis transparency and accountability to all shareholders of the Company. Save for the deviation from the Code Provision A.4.1 which is explained as below, the Company has complied with all the code provisions stipulated in Appendix 14, Code on Corporate Governance Practices (the "Code") of the Listing Rules during the six months ended 30 June 2007.

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Even though independent non-executive directors are not appointed for specific terms, pursuant to the Company's articles of association, at least one-third of the directors (if the number of directors is not three or a multiple of three, then the number nearest to three) shall retire from office by rotation and subject to re-election at each annual general meeting. The Board is of the opinion that it conforms with the spirit of the Code as such provision will enable each director subject to retirement by rotation at least once every three years.

Save as disclosed above, the Company met the code provisions set out in the Code during the six months ended 30 June 2007.

BOARD COMMITTEES

The Board has established two Board committees, namely, the Audit Committee and Remuneration Committee. Both committees comprise three independent non-executive directors of the Company, namely Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To, Mr. Chan Wing Kee (appointed on 21 August 2007), Dr. Yeh Meou Tsen, Geoffrey (resigned on 15 July 2007) and his alternate, Mr. Yeh V Nee (resigned on 15 July 2007). The Audit and Remuneration Committees are chaired by Mr. Wong Man Kong, Peter. The Board has delegated certain responsibilities to Board committees, which operate within defined terms of reference.

Audit Committee

The Company's Audit Committee was established in 1999 for the purposes of assisting the Board in monitoring the financial reporting matters, internal controls, internal audit and external audit of the Group.

Remuneration Committee

The Company's Remuneration Committee was established in April 2005. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and the senior management of the Group.

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 to the Listing Rules. The Company has made specific enquiry of all Directors who confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2007.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3 cents (2006: HK2 cents) per share for the six months ended 30 June 2007. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 24 September 2007. The interim dividend will be paid on or around Thursday, 4 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 20 September 2007 to Monday, 24 September 2007 (both days inclusive), for the purposes of determining entitlements to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 19 September 2007.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2007 have been reviewed by the audit committee of the Company and the auditors, Ernst & Young.

OTHER DISCLOSURE ITEMS

There has been no material change to the information disclosed in accordance with the requirements under rule 46(3) of Appendix 16 of the Listing Rules from the information disclosed in the 2006 annual report.

PUBLICATION OF INTERIM REPORT

The 2007 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

By order of the Board

Zhang Xuewu

Chairman

Hong Kong, 3 September 2007

As at the date of this announcement, the Board of the Company comprises eight executive directors, namely Mr. Zhang Xuewu, Mr. Xiong Weiping, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Mao Jianjun, Mr. Zhang Fengchun and Mr. Wei Qing and four independent non-executive directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.