



# 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 2008

#### 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 2008 together with the comparative figures.

#### Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	2,015,369	2,126,677
Cost of sales		(1,198,183)	(1,308,057)
Gross profit		817,186	818,620
Other income and gains	4	137,484	44,713
Selling and distribution costs		(211,329)	(235,923)
Administrative expenses		(478,458)	(402,213)
Excess over the cost of a business combination		55,277	–
Net gain from a fair value adjustment in investment properties		29,970	3,038
Finance costs	5	(5,725)	(15,641)
Share of profits and losses of:			
Jointly-controlled entities		62,450	141,003
Associates		(25,326)	31,250
PROFIT BEFORE TAX	6	381,529	384,847
Tax	7	(53,266)	(71,264)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		328,263	313,583
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation	8	386,205	36,782
PROFIT FOR THE PERIOD		714,468	350,365

**Condensed Consolidated Income Statement (continued)***For the six months ended 30 June 2008*

		<b>For the six months ended 30 June</b>	
		<b>2008</b>	<b>2007</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			<b>(Restated)</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		<b>671,451</b>	304,323
Minority interests		<b>43,017</b>	46,042
		<b><u>714,468</u></b>	<b><u>350,365</u></b>
<b>DIVIDEND PER SHARE (HK CENTS)</b>			
	<b>9</b>		
Interim dividend		<b>2.00</b>	3.00
Special interim dividend		<b>3.00</b>	–
		<b><u>5.00</u></b>	<b><u>3.00</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK CENTS)</b>			
	<b>10</b>		
<b>Basic</b>			
– For profit for the period		<b>11.79</b>	5.34
– For profit from continuing operations		<b>5.08</b>	4.83
<b>Diluted</b>			
– For profit for the period		<b>N/A</b>	N/A
– For profit from continuing operations		<b>N/A</b>	N/A

## Condensed Consolidated Balance Sheet

As at 30 June 2008

	<i>Notes</i>	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,113,231	4,418,186
Investment properties		861,597	200,049
Prepaid land lease payments		3,095,195	3,036,028
Goodwill		1,247,507	1,244,769
Intangible assets		51,526	2,168
Interests in jointly-controlled entities		1,240,974	1,176,160
Interests in associates		410,896	438,293
Available-for-sale investments		18,639	17,977
Held-to-maturity investments		–	15,691
Deferred tax assets		5,420	250
<b>Total non-current assets</b>		<b>12,044,985</b>	<b>10,549,571</b>
<b>CURRENT ASSETS</b>			
Inventories		26,526	18,377
Trade receivables	<i>11</i>	290,127	283,823
Tax recoverable		4,489	2,967
Prepayments, deposits and other receivables		470,951	370,878
Pledged time deposits		6,853	11,169
Cash and cash equivalents		1,643,253	2,272,346
Amount due from the immediate holding company		28,110	28,230
Amounts due from fellow subsidiaries		49,643	21,676
		<b>2,519,952</b>	<b>3,009,466</b>
Assets of a disposal group classified as held for sale		–	995,260
<b>Total current assets</b>		<b>2,519,952</b>	<b>4,004,726</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	342,605	402,841
Tax payable		86,114	69,203
Other payables and accruals		998,148	858,975
Interest-bearing bank and other borrowings		50,000	5,385
Amount due to the immediate holding company		–	902
Amounts due to fellow subsidiaries		13,607	2,623
		<b>1,490,474</b>	<b>1,339,929</b>
Liabilities directly associated with the assets classified as held for sale		–	473,546
<b>Total current liabilities</b>		<b>1,490,474</b>	<b>1,813,475</b>

**Condensed Consolidated Balance Sheet (continued)**

As at 30 June 2008

		<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
	<i>Note</i>		
<b>NET CURRENT ASSETS</b>		<b>1,029,478</b>	2,191,251
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>13,074,463</b>	12,740,822
<b>NON-CURRENT LIABILITIES AND DEFERRED INCOME</b>			
Deferred income		<b>148,263</b>	148,108
Interest-bearing bank and other borrowings		<b>180,726</b>	578,949
Deferred tax liabilities		<b>414,152</b>	373,435
<b>Total non-current liabilities and deferred income</b>		<b>743,141</b>	1,100,492
<b>Net assets</b>		<b>12,331,322</b>	11,640,330
<b>EQUITY</b>			
Share capital	<i>13</i>	<b>569,536</b>	569,536
Reserves		<b>10,978,018</b>	10,365,589
Proposed dividend		<b>284,768</b>	170,861
<b>Equity attributable to equity holders of the parent</b>		<b>11,832,322</b>	11,105,986
Minority interests		<b>499,000</b>	534,344
<b>Total equity</b>		<b>12,331,322</b>	11,640,330

# 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 (the "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 of the Group for the year ended 31 December 2007.

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 of the Group for the year ended 31 December 2007 except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are adopted the first time for the current period's financial information.

- HK(IFRIC)-Int 11                                      HKFRS 2 – Group and Treasury Share Transactions
- HK(IFRIC)-Int 12                                    Service Concession Arrangements
- HK(IFRIC)-Int 14                                    HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

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

## 2. COMPARATIVE FIGURES

The condensed consolidated income statement was revised for the prior interim period to bring it in line with the policies adopted in the 2007 annual financial statements. Accordingly, certain comparative amounts have been restated.

The effect of these restatements on the condensed consolidated income statement for the six months ended 30 June 2007 is set out below:

	Change in accounting policy for hotel properties <i>HK\$'000</i>	Change in presentation for expenses in marketing department in travel agency and related operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Decrease in cost of sales	10,046	65,352	75,398
Increase in selling expenses	–	(103,752)	(103,752)
Decrease/(increase) in administrative expenses	(19,874)	38,400	18,526
Decrease in net gain from a fair value adjustment in hotel properties	(2,541)	–	(2,541)
Increase in tax expense	(232)	–	(232)
	<u>(12,601)</u>	<u>–</u>	<u>(12,601)</u>

### 3. SEGMENT INFORMATION

The Company is an investment holding company and the Group principally operates in business segments as described below. The analysis of the Group's revenue and results by business segment and the Group's revenue by geographical segment 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 2008 and 2007.

	Continuing operations									Discontinued operation	Consolidated	
	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
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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	1,135,540	296,578	235,824	161,624	143,804	31,385	-	10,614	-	2,015,369	1,256,254	3,271,623
Intersegment revenue	4,179	2,703	4,748	3,882	771	-	-	11,801	(28,084)	-	-	-
Other income and gains	13,339	4,300	100	57,472	5,519	2,107	1,443	37,707	-	121,987	8,102	130,089
<b>Total</b>	<b>1,153,058</b>	<b>303,581</b>	<b>240,672</b>	<b>222,978</b>	<b>150,094</b>	<b>33,492</b>	<b>1,443</b>	<b>60,122</b>	<b>(28,084)</b>	<b>2,137,356</b>	<b>1,264,356</b>	<b>3,401,712</b>
Segment results	77,346	74,259	97,890	1,127	6,298	(4,138)	268	26,306	-	279,356	36,703	316,059
Gain on disposal of a discontinued operation										-	355,506	355,506
Excess over the cost of a business combination										55,277	-	55,277
Interest income										15,497	460	15,957
Finance costs										(5,725)	(1,794)	(7,519)
Share of profits and losses of:												
Jointly controlled entities	916	-	-	-	-	-	61,534	-		62,450	-	62,450
Associates	-	-	-	-	(25,326)	-	-	-		(25,326)	-	(25,326)
Profit before tax										381,529	390,875	772,404
Tax										(53,266)	(4,670)	(57,936)
<b>Profit for the period</b>										<b>328,263</b>	<b>386,205</b>	<b>714,468</b>

### 3. SEGMENT INFORMATION (continued)

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

	Continuing operations									Discontinued operation	Consolidated	
	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
	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)						(Restated)		(Restated)
Segment revenue:												
Sales to external customers	1,324,802	231,015	220,230	163,206	149,310	29,516	-	8,598	-	2,126,677	1,547,424	3,674,101
Intersegment revenue	7,466	3,444	1,785	3,337	241	-	-	15,485	(31,758)	-	-	-
Other income and gains	7,679	3,924	118	354	3,085	-	-	4,127	-	19,287	6,284	25,571
<b>Total</b>	<b>1,339,947</b>	<b>238,383</b>	<b>222,133</b>	<b>166,897</b>	<b>152,636</b>	<b>29,516</b>	<b>-</b>	<b>28,210</b>	<b>(31,758)</b>	<b>2,145,964</b>	<b>1,553,708</b>	<b>3,699,672</b>
Segment results:												
As previously reported	56,569	53,565	87,740	(839)	28,756	2,514	(434)	(12,693)		215,178	43,183	258,361
Prior year adjustments	-	(1,460)	-	(10,909)	-	-	-	-		(12,369)	-	(12,369)
<b>As restated</b>	<b>56,569</b>	<b>52,105</b>	<b>87,740</b>	<b>(11,748)</b>	<b>28,756</b>	<b>2,514</b>	<b>(434)</b>	<b>(12,693)</b>		<b>202,809</b>	<b>43,183</b>	<b>245,992</b>
Interest income										25,426	970	26,396
Finance costs										(15,641)	(706)	(16,347)
Share of profits and losses of:												
Jointly-controlled entities	869	-	-	-	-	-	140,134	-		141,003	-	141,003
Associates	-	-	-	-	31,250	-	-	-		31,250	-	31,250
Profit before tax										384,847	43,447	428,294
Tax										(71,264)	(6,665)	(77,929)
<b>Profit for the period</b>										<b>313,583</b>	<b>36,782</b>	<b>350,365</b>

### 3. SEGMENT INFORMATION (continued)

#### (b) Geographical segments

The following table presents revenue of the Group's geographical segments for the six months ended 30 June 2008 and 2007.

	Hong Kong		Mainland China (including Macau)		Overseas		Consolidated	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
Segment revenue:								
Sales to external customers	888,741	944,043	2,137,161	2,514,728	245,721	215,330	3,271,623	3,674,101
Other income and gains	63,617	19,982	64,885	4,520	1,587	1,069	130,089	25,571
Attributable to a discontinued operation	(43,605)	(56,685)	(1,184,463)	(1,425,197)	(36,288)	(71,826)	(1,264,356)	(1,553,708)
Revenue from continuing operations	<u>908,753</u>	<u>907,340</u>	<u>1,017,583</u>	<u>1,094,051</u>	<u>211,020</u>	<u>144,573</u>	<u>2,137,356</u>	<u>2,145,964</u>

### 4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income	15,957	26,396
Rental income	3,934	4,943
Management fee income	2,136	1,010
Exchange gains, net	88,857	7,316
Gain on disposal of property, plant and equipment, net	–	168
Reinvestment tax credit	25,380	–
Commission income	–	580
Compensation income	–	3,806
Others	9,782	7,748
	<u>146,046</u>	<u>51,967</u>
Attributable to a discontinued operation	8,562	7,254
Attributable to continuing operations	<u>137,484</u>	<u>44,713</u>
	<u>146,046</u>	<u>51,967</u>



## 5. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	10,398	16,347
Less: Interest capitalised	(2,879)	–
	<u>7,519</u>	<u>16,347</u>
Attributable to a discontinued operation	1,794	706
Attributable to continuing operations	5,725	15,641
	<u>7,519</u>	<u>16,347</u>

## 6. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Depreciation:		
– Hotel properties	35,647	32,749
– Other property, plant and equipment	121,871	126,142
Amortisation on prepaid land lease payments	32,570	30,360
Net gain from a fair value adjustment in investment properties	(29,970)	(6,267)

## 7. TAX

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Current:		
The People's Republic of China:		
Hong Kong	31,732	53,100
Elsewhere	20,315	18,246
Overseas	352	486
Underprovision/(overprovision) in prior years	3,399	(845)
Deferred tax	(2,532)	277
	<u>53,266</u>	<u>71,264</u>
Tax charge for the period	<u>53,266</u>	<u>71,264</u>

## 7. TAX (continued)

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 period. 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.

The share of tax attributable to jointly-controlled entities and associates amounting to HK\$11,133,000 and nil, respectively (2007: HK\$28,691,000 and HK\$4,640,000, respectively) are included in "Share of profits and losses of jointly-controlled entities/associates" on the face of the condensed 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 interest in China Travel Service (Cargo) Hong Kong Limited and Common Well Limited (collectively the "Cargo Business"). The Group has decided to cease its freight forwarding and transportation business because it plans to focus its resources on its tourism and hotel related businesses. The disposal of the Cargo Business was completed on 9 May 2008. The gain on disposal of the Cargo Business of HK\$355,506,000 has been credited to the condensed consolidated income statement.

The results of the Cargo Business for the current period (up to the date of disposal) and previous period are presented below:

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	<b>1,256,254</b>	1,547,424
Expenses	<b>(1,219,091)</b>	(1,503,271)
Finance costs	<b>(1,794)</b>	(706)
Profit before tax	<b>35,369</b>	43,447
Tax	<b>(4,670)</b>	(6,665)
Profit for the period	<b>30,699</b>	36,782
Gain on disposal of a discontinued operation	<b>355,506</b>	–
Profit for the period from a discontinued operation	<b>386,205</b>	36,782
Attributable to:		
Equity holders of the parent	<b>382,268</b>	29,155
Minority interests	<b>3,937</b>	7,627
	<b>386,205</b>	36,782

## 9. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2 cents (2007: HK3 cents) per share and a special interim dividend of HK3 cents (2007: nil) per share for the six months ended 30 June 2008. The interim dividend and the special 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 Thursday, 25 September 2008. The interim dividend and the special interim dividend will be paid on or around Friday, 10 October 2008.

## 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 period attributable to ordinary equity holders of the parent and the weighted average of 5,695,355,525 (2007: 5,695,355,525) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period 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 period, 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.

The calculation of basic earnings per share are based on:

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	<b>289,183</b>	275,168
From a discontinued operation ( <i>Note 8</i> )	<b>382,268</b>	29,155
	<b>671,451</b>	304,323

The diluted earnings per share amount for the six months ended 30 June 2007 was not disclosed as no dilutive events existed during the period. A diluted earnings per share amount for the six months ended 30 June 2008 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period.

## 11. 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 impairment for doubtful debts, is as follows:

	<b>30 June 2008</b>	31 December 2007
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>247,081</b>	198,571
3 to 6 months	<b>29,969</b>	63,084
6 to 12 months	<b>9,286</b>	14,569
1 to 2 years	<b>3,791</b>	3,184
Over 2 years	<b>–</b>	4,415
	<b>290,127</b>	283,823

## 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>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Within 3 months	285,474	343,156
3 to 6 months	15,603	18,487
6 to 12 months	15,169	15,784
1 to 2 years	11,768	14,197
Over 2 years	14,591	11,217
	<u>342,605</u>	<u>402,841</u>

## 13. SHARE CAPITAL

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (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>

## 14. BUSINESS COMBINATION

On 1 November 2007, the Company and its wholly-owned subsidiaries, namely Allied Well Holdings Ltd. and United Capital Management Limited entered into a conditional sale and purchase agreement with China Travel Service (Holdings) Hong Kong Limited (“CTS Holdings”), China Travel Building Contractors Hong Kong Limited and China Travel Investments Hong Kong Limited (collectively the “Vendors”) to acquire the entire issued share capital of CTS H.K. Metropark Hotels Management Company Limited, Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited, Ruskin Overseas Limited and Wisepak Enterprises Limited (collectively the “Hotel Group”) and the respective shareholders’ loan owed by the Hotel Group to the Vendors. The transaction was completed on 9 May 2008.

#### 14. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of the Hotel Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<b>Fair value recognised on acquisition</b> <i>HK\$'000</i>	<b>Previous carrying amount</b> <i>HK\$'000</i>
Property, plant and equipment	459,543	400,026
Investment properties	618,400	626,344
Prepaid land lease payments	84,800	45,475
Trademarks	49,358	–
Inventories	4,726	4,726
Trade receivables, prepayments, deposits and other receivables	25,985	25,985
Cash and bank balances	70,968	70,968
Amount due from an intermediate holding company	21,772	21,772
Amounts due from fellow subsidiaries	11,876	11,876
Tax payable	(459)	(459)
Trade and other payables	(56,927)	(56,927)
Amount due to an intermediate holding company	(1,144,102)	(1,144,102)
Amounts due to fellow subsidiaries	(4,875)	(4,875)
Amounts due to minority shareholders	(26,956)	(26,956)
Deferred tax liabilities	(39,545)	(39,545)
Minority interests	(41,255)	(19,712)
	<u>33,309</u>	<u>(85,404)</u>
Excess over the cost of a business combination	<u>(55,277)</u>	
	<u>(21,968)</u>	
Satisfied by :		
Cash paid for acquisition of the Hotel Group	1,107,260	
Cash received on disposal of the Cargo Business	<u>(853,640)</u>	
Net cash	253,620	
Debts assigned to the Group	(1,144,772)	
Fair value of the Cargo Business	<u>869,184</u>	
	<u>(21,968)</u>	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the Hotel Group is as follows:

	<i>HK\$'000</i>
Cash consideration	(253,620)
Cash and bank balances acquired	<u>70,968</u>
Net outflow of cash and cash equivalents in respect of the acquisition of the Hotel Group	<u>(182,652)</u>

Since its acquisition, the Hotel Group contributed HK\$35,410,000 to the Group's turnover and HK\$6,335,000 to consolidated profit for the six months ended 30 June 2008.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period contributed by the Hotel Group would have been HK\$112,520,000 and HK\$22,839,000, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2008, the Group was confronted with a challenging economic environment, including the slowdown of the global economic growth, high volatility in financial markets, and Mainland China suffering from the snow storm disaster in the first quarter, Wenchuan earthquake in the second quarter, rising inflation and weakened consumer confidence. The travel industry was inevitably adversely affected. The Group had adjusted its operating strategies in time, focusing on its core travel business operations, with emphasis on customer retention, new business development, effective cost control and risk management. Overall results recorded growth compared to that of first half of last year.

For the six months ended 30 June 2008, the unaudited consolidated turnover from continuing operation business of the Group was HK\$2,015 million, a decrease of 5.2% from the same period last year. The profit attributable to shareholders for the first half of the year was HK\$671 million, an increase of 121% from the same period last year, including a one-off gain of HK\$356 million from the disposal of freight forwarding and transportation services business, and an excess over the cost of a business combination of HK\$55 million arising from the acquisition of hotel operations. Basic earnings per share was 11.79 Hong Kong Cents, an increase of 121% from the same period last year. As at 30 June 2008, the equity attributable to shareholders was HK\$11,832 million, representing an increase of 6.5% from the end of last year.

#### **Travel agency and related operations**

The turnover of the Group's travel agency and related operations for the first half of the year was HK\$1,136 million, a decrease of 14.3% from the same period last year. The drop in turnover was mainly due to the snow storm disaster in the first quarter and the Wenchuan earthquake in the second quarter, resulting in a decrease in the number of group tours to Mainland China. The segment result was HK\$77 million, an increase of 36.7% from the same period last year. Excluding a revaluation gain on the investment properties in Hong Kong, the segment result was about even to the same period last year. Regarding new business development, as the United States and Taiwan had opened up to group tours of Mainland China residents, the Group's travel agency in Mainland China seized the opportunity and successfully organized the first tourist group from Mainland China visiting US and Taiwan. The Group expected to generate increasing revenues from these two new markets. Mangocity.com, the Group's on-line travel consolidator, strived for continuous operating flow optimization and cost-control. The business grew rapidly and the number of activated members increased 34% from the end of 2007. The transaction volume handled by Mangocity's call centre increased more than 40% comparing to the same period last year and the volume of on-line transaction also jumped over 50% comparing to the same period last 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 for the first half of 2008 was HK\$297 million, an increase of 28.4% comparing to the same period last year and the segment result was HK\$74 million, an increase of 42.5% comparing to the same period last year, which were benefiting from the acquisition of three hotels in Mainland China and continuous healthy growth of hotel operations in Hong Kong and Macau. The Group has commenced step by step renovations for hotels in Hong Kong since 2006, and gradually raised room rates after renovation. The results have been very satisfactory. During the period, the average room rates of our hotels in Hong Kong and Macau recorded double-digit growth, and average occupancy rate further improved. During the period of Beijing 2008 Olympic Games, CTS Metropark was appointed as the management team of some athlete apartments in the Olympic Village, which further enhanced the reputation of brand name "Metropark".

## **Theme park operations**

Shenzhen The World Miniature Co., Ltd. ("Window of the World") constantly masterminded and launched a few very exciting new projects. Shenzhen The Splendid China Development Co., Ltd. ("Splendid China") continued to focus on the theme of Chinese folk and festival culture. Thanks to effective market positioning strategy, the two theme parks overcame the impact of negative market factors. Through effective cost control, the business of both theme parks grew amid grim environment and a turnover of HK\$236 million was recorded for the first half of 2008, up 7.1% over the corresponding period of last year. The segment result was HK\$98 million, up 11.6% over the corresponding period of last year.

## **Resort operations**

After Wenchuan earthquake, most corporations had temporarily slashed budgets on corporate conference and travel. Consumer sentiment was also weakened by the slowdown of economic growth of Mainland China and Hong Kong. Thus, the turnover of Zhuhai Ocean Spring Resort ("OSR") in the first half year was HK\$162 million, a slight decrease of 1% from the same period last year. The segment result turned into profit of HK\$1.13 million, versus a loss of HK\$12 million in the same period last year. In the first half of the year, the revenue from MICE (meetings, incentives, conferences, events) business of OSR grew over 20% from the same period last year. The MICE business has become one of the competitive advantages of OSR. In order to attract customers from different market segments, OSR introduced various new facilities and services in the first half year, including new conference venue, a camp site for self-driving tours, and a fishing area. Also, certain new service items were added in the hot spring centre and theme park, and a new performance program were launched in the theatre. All these improvement and investment will strengthen OSR's sustainable competitiveness.

Xianyang Guanzhong Hotspring Co., Ltd. ("Guanzhong Hotspring") is yet another investment in the hotspring resort industry after OSR, indicating the Group's development strategy of promoting a series of hot spring projects under the brand name of "Ocean Spring Resort" in Mainland China. The hot spring center of Guanzhong Hotspring measures a construction area of about 46,000 square meters. Guanzhong Hotspring is expected to commence business operation in October 2008 and become the largest hotspring resort with its features in the Northwest China.

## **Passenger transportation services**

The turnover of China Travel Tours Transportation Services Hong Kong limited and its subsidiaries (“CTTT”) for the first half of 2008 was HK\$144 million, representing a decrease of 3.7% over the corresponding period of last year. The segment result was HK\$6.3 million, representing a decrease of 78.1% over the corresponding period of last year. The decrease was mainly due to rising oil price and the diversion of passengers from CTTT’s shuttle bus service between Hong Kong and Shenzhen to the MTRC’s Lok Ma Chau line. CTTT is taking active measures to adjust routes and apply for more quotas for cross-border passenger buses licenses, so to overcome the impact of the adverse operating environment. As a result of high fuel price and market competitions, the Group recorded a share of loss of HK\$25 million from its associate, Shun Tak-China Travel Shipping Investment Limited for the first half of 2008.

## **Golf club operations**

Approximately 38,000 visitors and members played golf in the CTS Tycoon (Shenzhen) Golf Club (“Tycoon”) during the first half of 2008, down 8% as compared to the corresponding period of last year. The decrease was mainly attributable to the significant number of rainy days in the first half of the year. Tycoon adjusted its pricing policy and membership administration policy, which stimulated the secondary membership transfer market and contributed to the increase of membership-related income. The turnover of Tycoon was HK\$31 million for the first half of 2008, representing an increase of 6.3% over the corresponding period of last year. However, as the Mainland government began to levy land use tax from this period, Tycoon recorded a segment loss of HK\$4.14 million for the first half (versus a segment profit of HK\$2.51 million for the same period last year). During the first half of the year Tycoon succeeded in obtaining an approval from the local government in respect of the expansion of site areas of the golf course. The construction will start in the second half of the year.

## **Arts performance operations**

During the first half of 2008, China Heaven Creation International Performing Art Co., Ltd. (“China Heaven”) successfully obtained government subsidies for the renovation of the stage and theatre for “The Legend of Kung Fu”, and raised the ticket price, which successfully offset the impact of the decrease of the number of foreign tourists to Beijing during first half of the year and maintained the growth of revenue. “The Legend of Kung Fu” and “Forbidden Love – a tale of classic China”, a Beijing opera, both created by China Heaven, were selected by The Beijing Organizing Committee for the Games of the Olympiad as two of the performances at the main stage of the Olympic Games, making China Heaven the only company that had two programs selected. The performance of new operas at the Olympic Games will further enhance the brand image of China Heaven.

## **Power generation business**

For the first half of 2008, the on-grid electricity volume of the Group’s power generation business recorded a decrease of 6.2% as compared with that of the corresponding period of last year. During the period, the Group made all effort to mitigate the cost pressure from surging coal price while ensuring sufficient coal supply. Nonetheless, the share of profit from the jointly controlled entity amounted to HK\$62 million, representing a decrease of 56.1% over the corresponding period of last year.



## **Corporate social responsibility**

The Group has highly emphasized on fulfilling its social responsibility as usual. During the snow storm disaster in Southern China at the beginning of the year, the Group initiatively cancelled scheduled group tours to the disaster areas and rearranged alternative tour destinations for the sake of customer's concerns. During the riots in Tibet this year, the Group made all efforts to ensure the safe retreat of our customers in Lhasa. The safety measures taken were appreciated and acclaimed by the public at large. The Group and its staff around the world joined hands to participate in the Wenchuan earthquake disaster relief activities and made significant donations, demonstrating a strong sense of social responsibility. During the period of the Olympics Games, the travel agencies, hotels and entertainment companies of the Group in Beijing and Hong Kong provided numerous services to the hosting organisations of the Olympic Games, which helped to contribute to the success of holding of the games.

## **Prospects for second half of 2008**

Market prospects remain uncertain given the financial market woes, global economic slowdown and persistently high inflation. The negative effects of such global factors have not yet fully unfolded in the economy of Hong Kong and Mainland China. It is expected that global economic growth will slow down in the second half of 2008. However, we believe that tourism in Mainland China and Hong Kong will recover in the post Olympics fourth quarter. The Group is fully confident that in the long run, the Group's core travel business will enjoy steady growth, driven by continuous per capita income growth in the Mainland China and hence higher per capita travel expenditure. In the second half of the year, the Group will continue to focus on the strengthening of existing businesses, cost control and risk management as well as aggressively exploring new businesses. In particular, travel agency operation will kick off internal integration, re-engineering and a measured business expansion. As for hotel operations and theme park operations, stable growth will be sought. We should impose strict cost control on work-in-progress and assure high construction quality. At the same time, taking advantage of our solid financial conditions and strong cash positions, the Group will seize opportunities during the economic slowdown period to identify potential merger and acquisition targets to expand its core travel business and improve profitability, so as to maximize our shareholder value.

## **Disposal and acquisition**

On 7 December 2007, an extraordinary general meeting of the Company was held in which the disposal of the freight forwarding and transportation services business by the Company to China Travel Services (Holdings) Hong Kong Limited ("CTS Holdings") at a consideration of approximately HK\$854 million was approved. In the same meeting, the acquisition of certain hotel operations comprising interests in CTS H.K. Metropark Hotels Management Company Limited and three hotels in Shanghai, Beijing and Yangzhou by the Group from CTS Holdings at a consideration of approximately HK\$1,107 million was also approved. The disposal and acquisition were settled entirely by cash on the completion date. For detailed information, please refer to the circular of the Company dated 21 November 2007. The disposal and acquisition were completed on 9 May 2008.

## NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2008, the Group had a total of 12,940 employees. Total remuneration cost for the period was HK\$467 million (six months ended 30 June 2007: HK\$445 million).

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 are periodically reviewed by the management. Apart from the pension funds and in-house training programs, discretionary bonuses and share options were awarded to certain employees according to the assessment of individual performance.

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

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remains strong. As at 30 June 2008, the cash and cash equivalents of the Group amounted to HK\$1,643 million. The interest-bearing bank and other borrowings amounted to HK\$231 million. The debt to adjusted capital ratio was 13.7%. The debt includes interest-bearing bank and other borrowings, trade and other payables, obligations under finance leases, amounts due to the immediate holding company and fellow subsidiaries. Adjusted capital includes equity attributable to equity holders of the parent, less unaccrued proposed dividends.

As at 30 June 2008, the Company had loan facilities, which were subject to, inter alia, a specific performance obligation on the controlling shareholder of the Company, CTS Holdings, during the tenure of such loan facilities. The specific performance obligation is that CTS Holdings shall maintain a holding of 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:

<b>Outstanding loan amount as at 30 June 2008</b>	<b>Final maturity date of the loan facilities</b>
HK\$50 million	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.

## CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no material fixed assets which were held under finance leases and hire purchase contracts.

As at 30 June 2008, the Group had a pledged time deposit of approximately HK\$6.85 million. The capital commitments of the Group were approximately HK\$1,147 million and the contingent liabilities were approximately HK\$17 million.

## **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 emphasize on 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 2008.

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 has applied the principles and complied with all the code provisions set out in the Code during the six months ended 30 June 2008.

## **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. 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. 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 2008.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK2 cents (2007: HK3 cents) per share and a special interim dividend of HK3 cents (2007: nil) per share for the six months ended 30 June 2008. The interim dividend and the special 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 Thursday, 25 September 2008. The interim dividend and the special interim dividend will be paid on or around Friday, 10 October 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 23 September 2008 to Thursday, 25 September 2008 (both days inclusive), for the purposes of determining entitlements to the interim dividend and the special interim dividend. In order to qualify for the interim dividend and the special 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 Monday, 22 September 2008.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2008 has 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 6 of the Listing Rules from the information disclosed in the 2007 annual report.

## **PUBLICATION OF INTERIM REPORT**

The 2008 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, 9 September 2008

*As at the date of this announcement, the Board of directors of the Company comprises nine executive directors, namely Mr. Zhang Xuewu, Mr. Xiong Weiping, Mr. Zheng Heshui, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Mao Jianjun, Mr. Fang Xiaorong, Mr. Zhang Fengchun and Mr. Xu Muhan 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.*