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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009 together with the comparative figures.

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3	1,888,806	2,015,369
Cost of sales		(1,156,682)	(1,198,183)
Gross profit		732,124	817,186
Other income and gains	4	27,106	138,005
Selling and distribution costs		(234,521)	(211,329)
Administrative expenses		(523,914)	(478,458)
Changes in fair value of investment properties		88,143	29,970
Loss on write-off of property, plant and equipment		(29,718)	—
Finance costs	5	(4,902)	(5,725)
Share of profits and losses of:			
Jointly-controlled entities		40,040	62,450
Associates		(8,538)	(25,326)
Profit before tax	6	85,820	326,773
Tax	7	(49,043)	(53,266)
Profit for the period from continuing operations		36,777	273,507
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	—	428,139
Profit for the period		36,777	701,646

Condensed Consolidated Income Statement (continued)*For the six months ended 30 June 2009*

		For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
Attributable to:			
Equity holders of the parent		13,420	658,629
Non-controlling interests		23,357	43,017
		<u>36,777</u>	<u>701,646</u>
DIVIDEND PER SHARE (HK CENTS)			
	9		
Interim dividend		—	2.00
Special interim dividend		—	3.00
		<u>—</u>	<u>5.00</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK CENTS)			
	10		
Basic			
— For profit for the period		0.24	11.56
— For profit from continuing operations		0.24	4.12
		<u>0.24</u>	<u>4.12</u>
Diluted			
— For profit for the period		0.24	11.56
— For profit from continuing operations		0.24	4.12
		<u>0.24</u>	<u>4.12</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

		For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000 (Restated)
Profit for the period		<u>36,777</u>	<u>701,646</u>
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of foreign entities	15	(29,423)	228,047
Release of exchange differences upon disposal of subsidiaries	15	—	(41,934)
Share of hedging reserve of an associate	15	<u>16,203</u>	<u>(1,384)</u>
		<u>(13,220)</u>	<u>184,729</u>
Total comprehensive income for the period, net of tax		<u><u>23,557</u></u>	<u><u>886,375</u></u>
Attributable to:			
Equity holders of the parent		3,635	814,127
Non-controlling interests		<u>19,922</u>	<u>72,248</u>
		<u><u>23,557</u></u>	<u><u>886,375</u></u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,269,474	5,163,769
Investment properties		828,304	762,470
Prepaid land lease payments		3,052,203	3,074,804
Goodwill		1,244,769	1,244,769
Other intangible assets		37,419	37,419
Interests in jointly-controlled entities		1,095,784	1,154,076
Interests in associates		338,632	333,997
Available-for-sale investments		18,001	18,033
Prepayments		37,175	45,654
Deferred tax assets		1,199	581
Total non-current assets		<u>11,922,960</u>	<u>11,835,572</u>
CURRENT ASSETS			
Inventories		24,076	25,565
Trade receivables	12	207,296	230,845
Tax recoverable		1,296	3,926
Prepayments, deposits and other receivables		344,741	319,234
Pledged time deposits		12,577	49,782
Cash and cash equivalents		1,594,390	1,794,879
Amount due from the immediate holding company		34,372	28,222
Amounts due from fellow subsidiaries		32,777	32,526
Total current assets		<u>2,251,525</u>	<u>2,484,979</u>
CURRENT LIABILITIES			
Trade payables	13	297,848	331,587
Tax payable		65,446	64,032
Other payables and accruals		1,023,956	861,403
Bank and other borrowings		30,685	244,652
Amount due to the immediate holding company		—	400
Amounts due to fellow subsidiaries		8,535	4,006
Total current liabilities		<u>1,426,470</u>	<u>1,506,080</u>
NET CURRENT ASSETS		<u>825,055</u>	<u>978,899</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,748,015</u>	<u>12,814,471</u>

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Note</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		12,748,015	12,814,471
NON-CURRENT LIABILITIES AND DEFERRED INCOME			
Deferred income		160,985	164,408
Bank and other borrowings		179,032	179,068
Deferred tax liabilities		422,017	417,635
Total non-current liabilities and deferred income		762,034	761,111
Net assets		11,985,981	12,053,360
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	<i>14</i>	569,536	569,536
Reserves		10,891,792	10,888,157
Proposed dividend		—	56,954
Non-controlling interests		11,461,328	11,514,647
		524,653	538,713
Total equity		11,985,981	12,053,360

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 unaudited condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended 31 December 2008.

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 2008 except in relation to the following:

(i) Adoption of new and revised Hong Kong Financial Reporting Standards

The following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) are adopted the first time for the current period’s financial information.

- HKFRS 1 and HKAS 27 Amendments Amendments to HKFRS 1 *First-time adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- HKFRS 2 Amendments Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
- HKFRS 7 Amendments Amendments to HKFRS 7 *Financial Instruments: Disclosures*
- HKFRS 8 *Operating Segments*
- HKAS 1 (Revised) *Presentation of Financial Statements*
- HKAS 23 (Revised) *Borrowing Costs*
- HKAS 32 and HKAS 1 Amendments Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
- HK(IFRIC) — Int 9 and HKAS 39 Amendments Amendments to HK(IFRIC) — Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement*
- HK(IFRIC) — Int 13 *Customer Loyalty Programmes*
- HK(IFRIC) — Int 15 *Agreements for the Construction of Real Estate*
- HK(IFRIC) — Int 16 *Hedges of a Net Investment in a Foreign Operation*
- Improvements to HKFRSs Amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(i) Adoption of new and revised Hong Kong Financial Reporting Standards (continued)

The adoption of these new interpretations and amendments has had no significant financial effect on this financial information and there have been no significant changes to the accounting policies applied in this financial information, except for the followings:

HKFRS 8 *Operating Segments*

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reporting segments (see note 3), but has had no impact on the reported results or financial position of the Group.

HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial information) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

(ii) Change in accounting estimate

In prior years, the Group's leasehold improvements have estimated useful lives of 5 to 40 years. During the period, 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 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\$103 million for the six months ended 30 June 2009.

2. COMPARATIVE FIGURES

Certain comparative amounts have been restated in the unaudited condensed interim financial information to conform with the presentation in the annual financial statements. The details of the restatements are set out below:

(a) Disposal of subsidiaries

On 9 May 2008, the Group disposed of its entire interests in China Travel Service (Cargo) Hong Kong Limited and Common Well Limited (collectively the "Cargo Business").

Exchange fluctuation reserve of the Cargo Business should have been released to the consolidated income statement instead of retained earnings upon disposal. Comparative amount has been restated accordingly.

(b) Business combination

In accordance with HKFRS 3 *Business Combination*, certain provisionally estimated fair value of assets and liabilities acquired on the acquisition of the Hotel Group (being acquisition 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) in May 2008 were used for the six months ended 30 June 2008. The fair value arising from these acquisitions that was applied provisionally as at 30 June 2008 was re-assessed and calculated during the year ended 31 December 2008. Accordingly, comparative figures have been restated to reflect the finalised fair value of the Hotel Group's assets and liabilities.

2. COMPARATIVE FIGURES (continued)

The effect of the above restatements on the unaudited condensed consolidated income statement for the six months ended 30 June 2008 is set out below:

	<i>HK\$'000</i>
Increase in gain on disposal of a discontinued operation	41,934
Decrease in excess over the cost of a business combination	<u>(54,756)</u>
Total effect on profit	<u><u>(12,822)</u></u>

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operating and the products and services they provide. For management purposes, the Group operates in nine business units and has nine reportable operating segments. Each of the Group's reportable operating segment 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 reportable operating segments. A summary on the details of the reportable 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 theme park operations segment engages in the operation of theme parks in Shenzhen, Mainland China;
- (d) the resort operations segment engages in the provision of hot spring facilities and other leisure services in Mainland China;
- (e) the passenger transportation services segment engages in the provision of cross border inter-city bus service operation and shuttle bus service operation 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 segment engages in the production of art performances in Mainland China;
- (h) the power generation segment engages in the generation of electricity in Mainland China; and
- (i) the others segment comprises the Group's management services business, which provides management services to the group companies, together with corporate income and expense items.

3. SEGMENT INFORMATION (continued)

Operating segments

The following tables present revenue and results information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008, respectively.

Six months ended 30 June 2009 (Unaudited)	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Theme park 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	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:											
Sales to external customers	1,023,022	304,197	214,554	165,913	143,591	26,335	10,462	—	732	—	1,888,806
Intersegment revenue	54,669	2,144	1,214	2,519	747	—	170	—	9,971	(71,434)	—
Other income and gains	6,889	5,236	86	912	2,314	—	1,925	—	—	—	17,362
Total	1,084,580	311,577	215,854	169,344	146,652	26,335	12,557	—	10,703	(71,434)	1,906,168
Segment results	95,904	116,443	73,363	(226,806)	10,623	(9,064)	(2,620)	(556)	(7,811)		49,476
Interest income											9,744
Finance costs											(4,902)
Share of profits and losses of:											
Jointly-controlled entities	(4)	—	—	—	—	—	(973)	41,017	—		40,040
Associates	—	—	—	—	(8,323)	—	—	—	(215)		(8,538)
Profit before tax											85,820
Tax											(49,043)
Profit for the period											36,777

3. SEGMENT INFORMATION (continued)

Operating segments (continued)

Six months ended 30 June 2008 (Unaudited)	Continuing operations										Discontinued operation	Freight forwarding and transportation services Consolidated	
	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Theme park 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	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000 (Restated)		Total HK\$'000 (Restated)
Segment revenue:													
Sales to external customers	1,135,540	296,578	235,824	161,624	143,804	31,385	9,934	—	680	—	2,015,369	1,256,254	3,271,623
Intersegment revenue	4,179	2,703	4,748	3,882	771	—	90	—	11,711	(28,084)	—	—	—
Other income and gains	13,339	4,300	100	57,472	5,519	2,107	242	1,443	37,465	—	121,987	8,102	130,089
Total	1,153,058	303,581	240,672	222,978	150,094	33,492	10,266	1,443	49,856	(28,084)	2,137,356	1,264,356	3,401,712
Segment results	77,346	74,259	97,890	1,127	6,298	(4,138)	1,461	268	24,845	—	279,356	36,703	316,059
Gain on disposal of a discontinued operation											—	397,440	397,440
Excess over the cost of a business combination											521	—	521
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											326,773	432,809	759,582
Tax											(53,266)	(4,670)	(57,936)
Profit for the period											273,507	428,139	701,646

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
Interest income	9,744	15,957
Rental income	4,484	3,934
Management fee income	2,496	2,136
Foreign exchange gains, net	—	88,857
Excess over the cost of a business combination	—	521
Gain on disposal of property, plant and equipment, net	265	—
Reinvestment tax credit	—	25,380
Others	10,117	9,782
	<u>27,106</u>	<u>146,567</u>
Attributable to continuing operations reported in the condensed consolidated income statement	27,106	138,005
Attributable to a discontinued operation	—	8,562
	<u>27,106</u>	<u>146,567</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	4,902	10,398
Less: Interest capitalised	—	(2,879)
	<u>4,902</u>	<u>7,519</u>
Attributable to continuing operations reported in the condensed consolidated income statement	4,902	5,725
Attributable to a discontinued operation	—	1,794
	<u>4,902</u>	<u>7,519</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation:		
Hotel properties	46,165	35,647
Other property, plant and equipment	264,876	121,871
Amortisation on prepaid land lease payments	33,363	32,570
Foreign exchange losses/(gains), net	11,539	(88,857)
Changes in fair value of investment properties	(88,143)	(29,970)
Gain on disposal of a property	(2,214)	—
	<u>46,165</u>	<u>35,647</u>

7. TAX

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
The People's Republic of China:		
Hong Kong	25,414	31,732
Elsewhere	18,761	20,315
Overseas	281	352
Underprovision in prior years	436	3,399
Deferred tax	4,151	(2,532)
	<u>49,043</u>	<u>53,266</u>
Tax charge for the period	<u>49,043</u>	<u>53,266</u>

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 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.

The share of tax attributable to jointly-controlled entities and associates amounting to HK\$7,238,000 and nil, respectively (2008: HK\$11,133,000 and nil, respectively) is 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 to dispose of its entire interest in the Cargo Business. The Cargo Business is engaged in freight forwarding and transportation services. The disposal of the Cargo Business was completed on 9 May 2008.

8. DISCONTINUED OPERATION (continued)

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

	2008 HK\$'000 (Restated)
Revenue	1,256,254
Expenses	(1,219,091)
Finance costs	(1,794)
	<hr/>
Profit before tax	35,369
Tax	(4,670)
	<hr/>
Profit for the period	30,699
Gain on disposal of a discontinued operation	397,440
	<hr/>
Profit for the period from a discontinued operation	<u>428,139</u>
Attributable to:	
Equity holders of the parent	424,202
Non-controlling interests	3,937
	<hr/>
	<u>428,139</u>

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2008: interim dividend of HK2 cents per share and special interim dividend of HK3 cents per share) for the period ended 30 June 2009.

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

The calculation of earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period of 5,695,355,525 (2008: 5,695,355,525).

The calculations of earnings per share are based on:

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation:		
From continuing operations	13,420	234,427
From a discontinued operation (<i>note 8</i>)	—	424,202
	<hr/>	<hr/>
	<u>13,420</u>	<u>658,629</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the period, additions of items of property, plant and equipment amounted to approximately HK\$493,773,000 and the Group disposed of items of property, plant and equipment with an aggregate net book value of approximately HK\$46,197,000.

12. 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 date of statement of financial position, based on the invoice date and net of provisions for doubtful debts, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 3 months	179,688	206,050
3 to 6 months	21,405	17,927
6 to 12 months	6,203	6,868
	<u>207,296</u>	<u>230,845</u>

13. TRADE PAYABLES

The aged analysis of the trade payables as at the date of statement of financial position, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 3 months	247,043	275,677
3 to 6 months	15,993	18,608
6 to 12 months	12,837	5,386
1 to 2 year	10,861	18,292
Over 2 years	11,114	13,624
	<u>297,848</u>	<u>331,587</u>

14. SHARE CAPITAL

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (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>

15. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	For the six months ended 30 June					
	2009 (Unaudited)			2008 (Unaudited)		
	Before-tax amount HK\$'000	Tax expense HK\$'000	Net-of-tax amount HK\$'000	Before-tax amount HK\$'000	Tax benefit HK\$'000	Net-of-tax amount HK\$'000
Exchange differences on translation of financial statements of foreign entities	(29,423)	—	(29,423)	228,047	—	228,047
Release of exchange differences upon disposal of subsidiaries	—	—	—	(41,934)	—	(41,934)
Share of hedging reserve of an associate	19,405	(3,202)	16,203	(1,657)	273	(1,384)
	<u>(10,018)</u>	<u>(3,202)</u>	<u>(13,220)</u>	<u>184,456</u>	<u>273</u>	<u>184,729</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2009, the global recession and H1N1 swine flu significantly hit the tourism industry, the group's business experienced tough challenge also. Numbers of measures had been introduced to cope with the severe environment, including more intense marketing efforts, cost control and business restructuring program. Nevertheless, the Group's overall performance for the period was unsatisfactory.

For the six months ended 30 June 2009, the unaudited consolidated turnover from the Group's continuing operation business was HK\$1,889 million, a decrease of 6.28% from the same period last year. The profit attributable to shareholders for the period was HK\$13 million, a sharp decline of 98.0% from the same period last year. The decline of profit mainly arose from the fact that there was a one-off gain of HK\$397 million from the disposal of freight forwarding and transportation services business in the first half of 2008, which did not appear in the corresponding period of 2009, and some segments results dropped as a result of the negative macro business climate. Besides, it was also attributable to an increase of the depreciation expenses arising from shortened useful lives and write-off of certain fixed assets. During the period, basic earnings per share was HK0.24 cents, a decrease of 97.9% from the same period last year. As at 30 June 2009, the equity attributable to shareholders was HK\$11,461 million, a decrease of 0.46% 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\$1,023 million, a decrease of 9.9% from the same period last year. The outbound travel business fell sharply as a result of the economic recession and the impact of the H1N1 swine flu. The segment result was HK\$96 million, an increase of 24.0% from the same period last year, thanks to an increase of gross profit in the travel permit administration services. Business volume of air-ticketing and hotel booking continued to grow in Mangocity.com, the Group's on-line travel consolidator, and operational cost was effectively controlled.

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 Group's hotel business was adversely affected by the financial tsunami and the H1N1 swine flu. The turnover of the hotel operations for the first half of 2009 was HK\$304 million, an increase of 2.6% over the same period last year. The segment result for the first half of the year was HK\$116 million, an increase of 56.8% over the same period last year due to an appreciation in property revaluation of HK\$74 million. If excluding the effect of the increase in property revaluation, the segment result fell by 42.2%. During the period, the turnover of the five hotels in HK and Macau fell by 20.1%. The revenue per available room (Revpar) of the four hotels in Hong Kong declined by 23.5%, and the Revpar of the Metropark Hotel Macau declined by 6.1%. The Group's hotel operation performance in Beijing, Shanghai and Yangzhou also declined amid the weakening business environment.

In May 2009, one of the incoming guests of the Metropark Hotel Wanchai was confirmed to be infected by the H1N1 swine flu virus. In order to prevent the virus from spreading and protect Hong Kong public interest, the Group decisively closed down the hotel for fourteen days at the request of the HKSAR government. Although the hotel's operation was impacted in the short term, the Group considered it a social responsibility and obligation to safeguard the Hong Kong people's interest. Such was highly praised by the public and Chief Executive of HKSAR government, Mr. Donald Tsang Yam-kuen. Metropark Hotel Wanchai had already resumed normal operation in June and its business recovered steadily since then.

Theme park operations

The theme park operations comprise Shenzhen The World Miniature Co., Ltd. (“Window of the World”) and Shenzhen The Splendid China Development Co., Ltd. (“Splendid China”). In the first half of 2009 the segment turnover fell by 9.0% to HK\$215 million, and the segment result fell by 25.1% to HK\$73 million. The theme park operations saw significant decline in the number of inbound group tours and the corporate events market. During the period, Window of the World and Splendid China had made all effort on cost containment, marketing and adding new attractions to revive the park traffic growth.

Resort operations

The Group’s resort operations comprise the Zhuhai Ocean Spring Resort (“Zhuhai OSR”) in Guangdong Province and the Xianyang Guanzhong Hotspring (“Xianyang OSR”) in Shaanxi Province. The segment turnover in the first half of 2009 was HK\$166 million, an increase of 2.7% from the same period last year. The segment result incurred a loss of HK\$227 million (2008: profit of HK\$1.13 million), attributable to operational losses, assets write-offs and an increase of depreciation expense. Despite growth of customer traffic, the turnover of Zhuhai OSR fell 5.5% as average spending per customer decreased. Xianyang OSR launched soft opening late last year and was still in its market fostering stage. It incurred operational loss during the period, amid weakening business environment.

Passenger transportation services

The turnover of China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries (“CTTT”) in the first half of 2009 was HK\$144 million, a slight decrease of 0.15% over the same period last year. The segment result was HK\$11 million, representing an increase of 68.7% over the same period last year, mainly attributable to improvement of operating efficiency and fuel cost decline. The Group recorded a share of loss of HK\$8.32 million (2008: loss of HK\$25 million) from its associate, Shun Tak-China Travel Shipping Investments Limited in the first half of 2009. The reduction of loss was mainly attributable to a decline of fuel cost during the period.

Golf club operations

The turnover of the CTS Tycoon (Shenzhen) Golf Club (“Tycoon”) during the first half of 2009 was HK\$26 million, a decline of 16.1% over the same period last year. The segment result incurred a loss of HK\$9.06 million (2008: loss of HK\$4.14 million). As Tycoon was undertaking a major reconstruction of its golf courses, the number of holes decreased temporarily from twenty-seven to eighteen, and the night time service had been suspended. During the period Tycoon continued to improve its service quality and launched cross selling strategy in cooperation with the Group’s other operating segments. The reconstruction is expected to be completed within next year.

Arts performance operations

During the first half of 2009, “The Legend of Kung Fu”, the flagship performance show of China Heaven Creation International Performing Arts Co., Ltd. (“China Heaven”) continued to be hailed by foreign tourists in Beijing. The cumulative number of global performances up until June 2009 was close to three thousand. The “Forbidden Love - a tale of classic China”, a novel Beijing opera, was being converted into a regular performance show, after its successful performance during the Beijing Olympics Games last year. The Group will continue to invest in China Heaven to develop it into one of the Group’s business growth engine going forward.

Power generation business

For the first half of 2009, the on-grid electricity volume of the Group's power generation business declined by 15.7% over the same period last year, due to an oversupply of electricity and a decline in demand in Shaanxi Province. As a result the Group's share of profit from the jointly-controlled entity amounted to HK\$41 million, a decline of 33.3% over the same period last year.

PROSPECTS FOR THE SECOND HALF OF 2009

It is envisioned that the prospect of the global economy will still be of great uncertainty, and the momentum of the global economic recovery appears to be fragile. The environment for the Group's core travel businesses and related operations will still be challenging in the second half of the year. The Group will continue to commit itself in service innovation, efficiency improvement, cost containment, risk management and new business development, proactively cope with the new environment post global financial crisis, and strive to reward shareholders constantly in the long term.

THE DISPOSAL

On 22 June 2009, the Group have entered into a conditional sale and purchase agreement with China Travel Service (Holdings) Hong Kong Limited ("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 consideration of approximately HK\$205 million. The disposal was approved at an extraordinary general meeting of the Company held on 20 July 2009. The consideration of the disposal will be satisfied entirely by cash within 10 business days from the completion date, the date at which the new business licence of China Travel International Limited is issued. As at the date of this announcement, the disposal has not been completed. For detailed information, please refer to the circular of the Company dated 3 July 2009.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2009, the Group had a total of 14,400 employees. Total remuneration cost for the period was HK\$435 million (six months ended 30 June 2008: HK\$467 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 were awarded to certain employees according to the assessment of individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remains strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 30 June 2009, the cash and cash equivalents of the Group amounted to HK\$1,594 million, and the bank and other borrowings amounted to HK\$210 million. The debt to adjusted capital ratio was 13.4% and the debt includes bank and other borrowings, trade and other payables, amounts due to the immediate holding company and fellow subsidiaries. Adjusted capital includes equity attributable to equity holders of the parent, less proposed dividends.

FOREIGN EXCHANGE RISK

The Group has certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus exposes a certain level of foreign currency risk. The Group has not engaged in any particular hedging vehicles to hedge against foreign exchange risk. However, the Group will closely manage and monitor foreign currency exposure and to make use of appropriate measures when required.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2009, the Group's bank deposits of approximately HK\$12.58 million (31 December 2008: HK\$49.78 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, certain bank guarantees given in lieu of utility and rental deposits.

As at 30 June 2009, the Group's buildings were pledged to secure banking facilities with an aggregate net carrying value of HK\$18.14 million (31 December 2008: HK\$5.67 million).

As at 30 June 2009, the aggregate carrying amount of the Group's investment properties which were pledged to secure banking facilities was HK\$12.25 million (31 December 2008: HK\$12.9 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 six months ended 30 June 2009.

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 2009.

Code Provision 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 (or, if the number of directors is not a multiple of three, then the number nearest to but not less than one-third) 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 2009.

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 and Mr. Chan Wing Kee. The Audit Committee and Remuneration Committee 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 Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2009.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2008: interim dividend of HK2 cents per share and special interim dividend of HK3 cents per share) for the period ended 30 June 2009.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2009 has been reviewed by the Audit Committee of the Company and the auditors, Ernst & Young.

OTHER DISCLOSURE ITEMS

There were no other significant changes in the Group's financial position and from the information disclosed under Management's Discussion and Analysis in the annual report for the year ended 31 December 2008.

PUBLICATION OF INTERIM REPORT

The 2009 Interim Report of the Company will be despatched to the shareholders of the Company and published on the HKExnews website at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/ctii in due course.

By Order of the Board
China Travel International Investment Hong Kong Limited
Zhang Xuewu
Chairman

Hong Kong, 14 September 2009

As at the date of this announcement, the Board of the Company comprises eight executive Directors, namely 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 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.