



香港 **中旅** 國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

Stock Code: 308



*Interim Report 2011*



# CONTENTS

<b>Corporate Information</b>	<b>2</b>
<b>Interim Results</b>	
– Condensed Consolidated Income Statement	<b>3</b>
– Condensed Consolidated Statement of Comprehensive Income	<b>4</b>
– Condensed Consolidated Statement of Financial Position	<b>5</b>
– Condensed Consolidated Statement of Changes in Equity	<b>7</b>
– Condensed Consolidated Statement of Cash Flows	<b>8</b>
– Notes to Condensed Interim Financial Information	<b>9</b>
<b>Management’s Discussion and Analysis</b>	<b>22</b>
<b>Other Information</b>	<b>28</b>



# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors:

Mr. Zhang Xuewu (*Chairman*)  
Mr. Zheng Heshui (*Vice Chairman*)  
Mr. Lo Sui On (*Vice Chairman*)  
Ms. Jiang Yan  
Mr. Fang Xiaorong  
Mr. Zhang Fengchun  
Mr. Xu Muhan (*General Manager*)  
Mr. Fu Zhuoyang

### Independent Non-Executive Directors:

Dr. Fong Yun Wah  
Mr. Wong Man Kong, Peter  
Mr. Sze, Robert Tsai To  
Mr. Chan Wing Kee

## AUDIT COMMITTEE

Mr. Wong Man Kong, Peter (*Chairman*)  
Mr. Sze, Robert Tsai To  
Mr. Chan Wing Kee

## REMUNERATION COMMITTEE

Mr. Wong Man Kong, Peter (*Chairman*)  
Mr. Sze, Robert Tsai To  
Mr. Chan Wing Kee

## COMPANY SECRETARY

Mr. Lai Siu Chung

## AUDITORS

Ernst & Young

## LEGAL ADVISORS

DLA Piper Hong Kong

## REGISTERED OFFICE

12th Floor, CTS House  
78-83 Connaught Road Central  
Hong Kong

## SHARE REGISTRAR

Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong  
Tel: (852) 2980 1333  
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## FINANCIAL CALENDAR 2011

Announcement of 2011 interim results	18 August 2011
Closure of register of members	5 to 7 September 2011 (both dates inclusive)
Record date for 2011 interim dividend:	7 September 2011
Payment of 2011 interim dividend:	26 September 2011
Announcement of 2010 final results:	30 March 2011
2011 Annual General Meeting:	23 May 2011

## COMPANY WEBSITE

[irasia.com/listco/hk/ctii](http://irasia.com/listco/hk/ctii)

## STOCK CODE

308

## INVESTOR RELATIONS CONTACT

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## 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 2011 together with the comparative figures.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
<b>REVENUE</b>	2	<b>1,998,914</b>	2,330,281
Cost of sales		<b>(966,381)</b>	(1,420,088)
Gross profit		<b>1,032,533</b>	910,193
Other income and gains	3	<b>123,386</b>	115,772
Selling and distribution costs		<b>(290,172)</b>	(292,477)
Administrative expenses		<b>(471,568)</b>	(528,332)
Changes in fair value of investment properties		<b>50,413</b>	110,039
Other expenses	4	–	(188,948)
Finance costs	5	<b>(5,439)</b>	(9,629)
Share of profits and losses of:			
Jointly-controlled entities		<b>63,530</b>	91,322
Associates		<b>(5,693)</b>	2,645
<b>PROFIT BEFORE INCOME TAX</b>	6	<b>496,990</b>	210,585
Income tax expense	7	<b>(96,111)</b>	(105,607)
<b>PROFIT FOR THE PERIOD</b>		<b>400,879</b>	104,978
Attributable to:			
Owners of the Company		<b>349,246</b>	65,343
Non-controlling interests		<b>51,633</b>	39,635
		<b>400,879</b>	104,978
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK CENTS)</b>	9		
Basic		<b>6.13</b>	1.15
Diluted		<b>6.13</b>	1.15

Details of the dividend for the period are disclosed in note 8 to the interim financial information.

## INTERIM RESULTS *(Continued)*

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>400,879</b>	104,978
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD:</b>		
Gain on property revaluation	<b>21,728</b>	20,867
Income tax effect	<b>(3,585)</b>	(5,133)
	<b>18,143</b>	15,734
Share of hedging reserve of an associate	<b>(1,314)</b>	(228)
Exchange fluctuation reserve:		
Exchange differences on translation of foreign operations	<b>96,148</b>	23,557
Release of exchange difference upon disposal of subsidiaries	–	(37,784)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<b>112,977</b>	1,279
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<b>513,856</b>	106,257
Attributable to:		
Owners of the Company	<b>449,280</b>	62,009
Non-controlling interests	<b>64,576</b>	44,248
	<b>513,856</b>	106,257

## INTERIM RESULTS *(Continued)*

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	7,688,374	7,502,721
Investment properties		1,396,364	1,280,092
Prepaid land lease payments		512,320	488,031
Goodwill		1,278,574	1,278,574
Other intangible assets		189,660	174,697
Interests in jointly-controlled entities		675,248	644,905
Interests in associates		284,759	295,100
Available-for-sale investments		8,574	12,572
Prepayments		40,021	65,338
Deferred tax assets		2,494	2,438
<b>Total non-current assets</b>		<b>12,076,388</b>	<b>11,744,468</b>
<b>CURRENT ASSETS</b>			
Inventories		26,968	26,214
Trade receivables	11	250,536	203,159
Tax recoverable		2,629	2,203
Prepayments, deposits and other receivables		586,745	478,164
Pledged time deposits	12	69,734	67,303
Cash and cash equivalents	12	2,594,808	2,421,606
Amount due from the immediate holding company		46,413	42,855
Amounts due from fellow subsidiaries		35,515	51,504
<b>Total current assets</b>		<b>3,613,348</b>	<b>3,293,008</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	386,031	376,932
Tax payable		81,119	57,865
Other payables and accruals		1,017,585	959,260
Interest-bearing bank and other borrowings		24,393	124,221
Amount due to the immediate holding company		–	90
Amounts due to fellow subsidiaries		8,660	16,234
<b>Total current liabilities</b>		<b>1,517,788</b>	<b>1,534,602</b>
<b>NET CURRENT ASSETS</b>		<b>2,095,560</b>	<b>1,758,406</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>14,171,948</b>	<b>13,502,874</b>

## INTERIM RESULTS *(Continued)*

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2011

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>14,171,948</b>	13,502,874
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	333,110	227,809
Interest-bearing bank and other borrowings	220,402	191,987
Deferred tax liabilities	576,049	554,744
Other liabilities	–	940
<b>Total non-current liabilities</b>	<b>1,129,561</b>	975,480
<b>Net assets</b>	<b>13,042,387</b>	12,527,394
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	569,536	569,536
Reserves	11,743,011	11,336,842
	<b>12,312,547</b>	11,906,378
<b>Non-controlling interests</b>	<b>729,840</b>	621,016
<b>Total equity</b>	<b>13,042,387</b>	12,527,394

## INTERIM RESULTS *(Continued)*

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company												Total equity (Unaudited) HK\$'000		
	Share capital (Unaudited) HK\$'000	Share premium account* (Unaudited) HK\$'000	Share option reserve* (Unaudited) HK\$'000	Capital redemption reserve* (Unaudited) HK\$'000	Building revaluation reserve* (Unaudited) HK\$'000	Hedging reserve* (Unaudited) HK\$'000	Capital reserve* (Unaudited) HK\$'000	Enterprise expansion/ reserve funds* (Unaudited) HK\$'000	Exchange fluctuation reserve* (Unaudited) HK\$'000	Retained profits* (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000			
	At 1 January 2010	569,536	8,357,579	-	350	-	948	(1,031,343)	97,441	690,767	2,882,147	11,567,425		483,659	12,051,084
	Profit for the period	-	-	-	-	-	-	-	-	-	65,343	65,343		39,635	104,978
Other comprehensive income for the period	-	-	-	-	15,734	-	-	-	-	-	15,734	-	15,734		
Gain on property revaluation	-	-	-	-	15,734	-	-	-	-	-	15,734	-	15,734		
Share of hedging reserve of an associate	-	-	-	-	-	(228)	-	-	-	-	(228)	-	(228)		
Release of exchange difference upon disposal of subsidiaries	-	-	-	-	-	-	-	-	(37,784)	-	(37,784)	-	(37,784)		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	18,944	-	18,944	4,613	23,557		
<b>Total comprehensive income for the period</b>	-	-	-	-	15,734	(228)	-	-	(18,840)	65,343	62,009	44,248	106,257		
Transfer from retained profits	-	-	-	-	-	-	-	25	-	(25)	-	-	-		
Equity-settled share option arrangement	-	-	1,027	-	-	-	-	-	-	-	1,027	-	1,027		
Share of reserve of an associate	-	-	-	-	-	-	-	1,125	-	-	1,125	-	1,125		
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	112,622	112,622		
Disposal of subsidiaries	-	-	-	-	(14,910)	-	(1)	-	-	14,911	-	(13,569)	(13,569)		
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(46,180)	(46,180)		
<b>At 30 June 2010</b>	<b>569,536</b>	<b>8,357,579</b>	<b>1,027</b>	<b>350</b>	<b>824</b>	<b>720</b>	<b>(1,031,344)</b>	<b>98,591</b>	<b>671,927</b>	<b>2,962,376</b>	<b>11,631,586</b>	<b>580,780</b>	<b>12,212,366</b>		
<b>At 1 January 2011</b>	<b>569,536</b>	<b>8,357,579</b>	<b>14,942</b>	<b>350</b>	<b>50,757</b>	<b>9,340</b>	<b>(1,031,344)</b>	<b>107,762</b>	<b>787,278</b>	<b>3,040,178</b>	<b>11,906,378</b>	<b>621,016</b>	<b>12,527,394</b>		
Profit for the period	-	-	-	-	-	-	-	-	-	349,246	349,246	51,633	400,879		
Other comprehensive income for the period	-	-	-	-	18,143	-	-	-	-	-	18,143	-	18,143		
Gain on property revaluation	-	-	-	-	18,143	-	-	-	-	-	18,143	-	18,143		
Share of hedging reserve of an associate	-	-	-	-	-	(1,314)	-	-	-	-	(1,314)	-	(1,314)		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	83,205	-	83,205	12,943	96,148		
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>18,143</b>	<b>(1,314)</b>	-	-	<b>83,205</b>	<b>349,246</b>	<b>449,280</b>	<b>64,576</b>	<b>513,856</b>		
Transfer from retained profits	-	-	-	-	-	-	-	220	-	(220)	-	211	211		
Equity-settled share option arrangement	-	-	13,843	-	-	-	-	-	-	-	13,843	-	13,843		
Subscription of equity interest in an subsidiary	-	-	-	-	-	-	-	-	-	-	-	108,223	108,223		
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(64,186)	(64,186)		
2010 final dividend paid	-	-	-	-	-	-	-	-	-	(56,954)	(56,954)	-	(56,954)		
<b>At 30 June 2011</b>	<b>569,536</b>	<b>8,357,579</b>	<b>28,785</b>	<b>350</b>	<b>68,900</b>	<b>8,026</b>	<b>(1,031,344)</b>	<b>107,982</b>	<b>870,483</b>	<b>3,332,250</b>	<b>12,312,547</b>	<b>729,840</b>	<b>13,042,387</b>		

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to the enterprise expansion fund and reserve fund which are restricted as to use.

\* These reserve accounts comprise the consolidated reserves of HK\$11,743,011,000 (31 December 2010: HK\$11,336,842,000) in the condensed consolidated statement of financial position.

## INTERIM RESULTS *(Continued)*

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>532,116</b>	630,085
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(350,192)</b>	113,348
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(203,261)</b>	(318,244)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(21,337)</b>	425,189
Cash and cash equivalents at beginning of period	<b>2,387,675</b>	1,345,018
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,366,338</b>	1,770,207
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>1,183,024</b>	839,969
Non-pledged time deposits with original maturity of three months or less when acquired	<b>1,183,314</b>	930,238
Non-pledged time deposits with original maturity of more than three months	<b>228,470</b>	166,199
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>2,594,808</b>	1,936,406
Non-pledged time deposits with original maturity of more than three months	<b>(228,470)</b>	(166,199)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>2,366,338</b>	1,770,207

# INTERIM RESULTS *(Continued)*

## 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 disclosure 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 ("HKICPA").

This unaudited condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended 31 December 2010.

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 2010 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.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)–Int 14 Amendments	Amendments to HK(IFRIC)–Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)–Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010*\* issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

\* *Improvements to HKFRSs 2010* contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)–Int 13.

Except for the following revised standards and amendments, the adoption of these new standard and interpretations has had no significant financial effect on this unaudited condensed interim financial information and there have been no significant changes to the accounting policies applied in this unaudited condensed interim financial information.

#### (a) **HKAS 24 (Revised) *Related Party Disclosures***

HKAS 24 (Revised) *Related Party Disclosures* clarifies the definitions of a related party. The new definitions emphasize a systematic view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the revised standard also provides for a partial exemption of related party disclosures to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

##### (b) *Improvements to HKFRSs 2010*

In May 2010, the HKICPA issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

##### (i) **HKFRS 3 Business Combinations**

The amendments to HKFRS 3 clarifies the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

##### (ii) **HKAS 1 Presentation of Financial Statements**

The amendments to HKAS 1 clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

##### (iii) **HKAS 27 Consolidated and Separate Financial Statements**

The amendments to HKAS 27 clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 2. OPERATING SEGMENT INFORMATION

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

- (a) the travel agency and related operations segment engages in the provision of travel agency and related services in Hong Kong, Mainland China, South East Asia, Oceania, the United States of America and countries in the European Union;
- (b) the hotel operations segment engages in the provision of hotel accommodation services in Hong Kong, Macau and Mainland China;
- (c) the scenic spots operations segment engages in the operation of theme parks, scenic spots, resort hotels, cable car systems and skiing facilities located in scenic spots in Mainland China;
- (d) the resort operations segment engages in the operation of resorts which comprise hot spring centers, hotels and leisure and entertainment facilities in Mainland China;
- (e) the passenger transportation services segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicles rental and charter operations in Hong Kong, Macau 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 art performance operations segment engages in the production of art performances in Mainland China and overseas; and
- (h) the power generation business segment engages in the generation of electricity in Mainland China which is conducted through a jointly-controlled entity.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) for the period of each reportable operating segment, which is measured consistently with the Group's profit/(loss) for the period.

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 2. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2011 (Unaudited)	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Scenic spots operations HK\$'000	Resort operations HK\$'000	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Art performance operations HK\$'000	Power generation business HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>											
Sales to external customers	731,371	416,990	422,903	223,426	155,390	35,579	13,255	-	1,998,914	-	1,998,914
Intersegment revenue	4,196	4,102	1,488	867	648	37	-	-	11,338	10,830	22,168
	735,567	421,092	424,391	224,293	156,038	35,616	13,255	-	2,010,252	10,830	2,021,082
Elimination of intersegment revenue									(11,338)	(10,830)	(22,168)
Revenue									1,998,914	-	1,998,914
Profit/(loss) from operations	152,167	125,880	142,166	6,773	267	(1,652)	(3,996)	6,034	427,639	(9,617)	418,022
Management fee	10,200	-	-	-	630	-	-	-	10,830	(10,830)	-
Share of profits and losses of:											
- Jointly-controlled entities	-	-	-	-	2,463	-	(12)	61,079	63,530	-	63,530
- Associates	-	-	15,395	-	(21,088)	-	-	-	(5,693)	-	(5,693)
Interest income	2,105	152	11,596	671	32	109	37	-	14,702	11,868	26,570
Finance costs	(9)	(697)	(137)	(3,957)	-	-	(612)	-	(5,412)	(27)	(5,439)
Profit/(loss) before income tax	164,463	125,335	169,020	3,487	(17,696)	(1,543)	(4,583)	67,113	505,596	(8,606)	496,990
Income tax expense	(32,594)	(16,681)	(38,213)	-	(557)	-	(891)	-	(88,936)	(7,175)	(96,111)
Profit/(loss) for the period	131,869	108,654	130,807	3,487	(18,253)	(1,543)	(5,474)	67,113	416,660	(15,781)	400,879
Non-controlling interests	-	295	(54,669)	1,937	97	-	707	-	(51,633)	-	(51,633)
Profit/(loss) attributable to owners of the Company	131,869	108,949	76,138	5,424	(18,156)	(1,543)	(4,767)	67,113	365,027	(15,781)	349,246

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 2. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2010 (Unaudited)	Travel agency and related operations HK\$'000	Hotel operations HK\$'000	Scenic spots operations HK\$'000	Resort operations HK\$'000	Passenger transportation services HK\$'000	Golf club operations HK\$'000	Art performance operations HK\$'000	Power generation business HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:											
Sales to external customers	1,259,439	356,928	331,694	196,297	147,256	23,390	15,277	-	2,330,281	-	2,330,281
Intersegment revenue	3,695	3,552	3,077	1,284	1,872	-	56	-	13,536	12,371	25,907
	1,263,134	360,480	334,771	197,581	149,128	23,390	15,333	-	2,343,817	12,371	2,356,188
Elimination of intersegment revenue									(13,536)	(12,371)	(25,907)
Revenue									2,330,281	-	2,330,281
Profit/(loss) from operations	159,126	182,476	152,014	(176,896)	(165,644)	(5,876)	(4,582)	13,175	153,793	(41,211)	112,582
Management fee	11,741	-	-	-	630	-	-	-	12,371	(12,371)	-
Share of profits and losses of:											
- Jointly-controlled entities	(158)	-	-	-	1,971	-	(1,264)	90,773	91,322	-	91,322
- Associates	-	-	11,798	-	(9,163)	-	10	-	2,645	-	2,645
Interest income	1,498	52	5,567	305	25	1	17	-	7,465	6,200	13,665
Finance costs	(98)	(668)	(5,022)	(3,788)	-	-	(31)	-	(9,607)	(22)	(9,629)
Profit/(loss) before income tax	172,109	181,860	164,357	(180,379)	(172,181)	(5,875)	(5,850)	103,948	257,989	(47,404)	210,585
Income tax expense	(33,346)	(38,019)	(25,746)	-	(1,401)	-	(130)	-	(98,642)	(6,965)	(105,607)
Profit/(loss) for the period	138,763	143,841	138,611	(180,379)	(173,582)	(5,875)	(5,980)	103,948	159,347	(54,369)	104,978
Non-controlling interests	(263)	(138)	(42,778)	4,192	(574)	-	(74)	-	(39,635)	-	(39,635)
Profit/(loss) attributable to owners of the Company	138,500	143,703	95,833	(176,187)	(174,156)	(5,875)	(6,054)	103,948	119,712	(54,369)	65,343

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Bank interest income	26,570	13,665
Gross rental income	4,792	3,629
Foreign exchange differences, net	60,241	24,637
Gain on bargain purchase	–	39,007
Gain on disposal of subsidiaries	–	22,026
Gain on disposal of an investment property, land and buildings, and items of plant and equipment, net	5,060	–
Government grants received*	7,685	1,520
Others	19,038	11,288
	<b>123,386</b>	<b>115,772</b>

\* Various government grants have been received in respect of performances organised to promote the Chinese traditional culture and rebates on tax incentives. There were no unfulfilled conditions or contingencies relating to these grants as at 30 June 2011.

#### 4. OTHER EXPENSES

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Impairment of an investment in an associate	–	175,000
Impairment of an available-for-sale investment	–	13,948
	–	<b>188,948</b>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	5,439	9,629

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 6. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	176,637	323,139
Amortisation on prepaid land lease payments	11,875	11,440
Amortisation of intangible assets	1,574	–
Foreign exchange differences, net	(60,241)	(24,637)
Gain on disposal of properties	(5,436)	–

#### 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current:		
The People's Republic of China:		
Hong Kong	37,061	38,484
Elsewhere	44,496	28,298
Overseas	–	429
Deferred tax	14,554	38,396
Tax charge for the period	96,111	105,607

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 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\$8,567,000 and HK\$3,812,000, respectively (2010: HK\$14,373,000 and HK\$2,247,000, respectively) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the condensed consolidated income statement.

#### 8. INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK2 cents per ordinary share (2010: Nil) for the six months ended 30 June 2011 to shareholders on the register of members on 7 September 2011.

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

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

The calculation of basic earnings per share amount for the period ended 30 June 2011 is based on the profit for the period attributable to owners of the Company of HK\$349,246,000 (2010: HK\$65,343,000) and the weighted average number of ordinary shares of 5,695,355,525 (2010: 5,695,355,525) in issue during the period ended 30 June 2011.

The calculation of diluted earnings per share amount for the period ended 30 June 2011 is based on the profit for the period attributable to owners of the Company of HK\$349,246,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period ended 30 June 2011, as used in the basic earnings per share calculation. No adjustment has been made to the basic earnings per ordinary share amount presented for the period ended 30 June 2011 in respect of a dilution as the exercise price of the share options of the Company outstanding during the period is higher than the average market price of the Company's ordinary shares during the period and, accordingly, they have no dilutive effect on the basic earnings per ordinary share. For the period ended 30 June 2010, the weighted average number of 209,422 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.

#### 10. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2011, additions of items of property, plant and equipment amounted to HK\$261,777,000 (2010: HK\$304,207,000) and the Group had disposed of and written off items of property, plant and equipment with an aggregate net book value of HK\$35,608,000 (2010: HK\$14,001,000).

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 3 months	233,179	188,422
3 to 6 months	13,573	9,622
6 to 12 months	3,461	4,735
1 to 2 years	323	380
	<b>250,536</b>	203,159

#### 12. CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Cash and bank balances	1,183,024	1,040,031
Time deposits	1,481,518	1,448,878
	<b>2,664,542</b>	2,488,909
Less: Pledged time deposits	<b>(69,734)</b>	(67,303)
Cash and cash equivalents	<b>2,594,808</b>	2,421,606

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 13. TRADE PAYABLES

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 3 months	340,127	333,339
3 to 6 months	21,525	21,409
6 to 12 months	4,982	3,497
1 to 2 years	7,745	10,159
Over 2 years	11,652	8,528
	<b>386,031</b>	<b>376,932</b>

#### 14. BUSINESS COMBINATION

On 29 September 2010, the Company entered into a conditional joint venture agreement to contribute RMB167.14 million (HK\$196.80 million) in cash into CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd. ("CTS Xinyang") to subscribe for an equity interest of 65% in CTS Xinyang.

The provisional fair value of the identifiable assets of CTS Xinyang as at the date of business combination were as follows:

	Provisional fair value recognised as at the date of business combination HK\$'000
Property, plant and equipment	80,120
Prepaid land lease payments	27,213
Prepayments, deposits and other receivables	118,833
Cash and bank balances	76,603
Non-controlling interests	(105,969)
Total identifiable net assets at provisional fair value	<b>196,800</b>
Satisfied by cash	<b>196,800</b>

#### 15. PLEDGE OF ASSETS

As at 30 June 2011, the Group's bank deposits of HK\$69,734,000 (31 December 2010: HK\$67,303,000) 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 2011, certain of the Group's buildings with an aggregate value of HK\$10,303,000 (31 December 2010: HK\$9,182,000) were pledged to secure bank guarantees given to suppliers in connection with credit facility granted. As at 31 December 2010, investment properties of HK\$13,845,000 were pledged to secure bank guarantees given to suppliers in connection with credit facility granted.

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following material contingent liabilities:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Performance bond given to a customer for due performance of a sales contract	300	300

#### 17. COMMITMENTS

At the end of the reporting period, the Group had the following material capital commitments:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Scenic spots:		
Contracted, but not provided for	71,610	63,328
Authorised, but not contracted for	–	–
	<b>71,610</b>	<b>63,328</b>
Plant and equipment and motor vehicles:		
Contracted, but not provided for	15,727	27,797
Authorised, but not contracted for	–	–
	<b>15,727</b>	<b>27,797</b>
Land and buildings:		
Contracted, but not provided for	98,709	88,865
Authorised, but not contracted for	243,319	247,349
	<b>342,028</b>	<b>336,214</b>
Leasehold improvements:		
Contracted, but not provided for	3,649	85
Authorised, but not contracted for	–	2,306
	<b>3,649</b>	<b>2,391</b>

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 18. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

Name of company	Nature of transaction	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b><i>Paid or payable to:</i></b>			
<i>Immediate holding company</i>			
1. China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)")	Office rental	6,372	7,377
<i>Fellow subsidiaries</i>			
2. China Travel Insurance Advisers Hong Kong Limited	Insurance premium service fees	3,139	2,330
3. China Travel Service Head Office (Beijing) Co., Ltd. (formerly known as China Travel International Limited) ("CTIL")	Travel-related service fees	5,780	–
4. China Travel Head Office	Travel-related service fees	1,019	680
5. China Merchants International Travel Co., Ltd. Shenzhen	Travel-related service fees	5,684	3,340
6. 港中旅(廣東)國際旅行社有限公司*	Travel-related service fees	8,661	–
7. 上海天澤房地產有限公司	Office rental	–	1,276
8. China CTS Asset Management Corporation	Management fee	4,163	2,296
9. 港中旅(中國)投資有限公司	Construction service charge	3,331	3,190
10. China Travel International (Chengdu) Ltd.*	Travel-related service fees	3,626	–
11. China Travel International (Shandong) Ltd.*	Travel-related service fees	1,032	–
12. 中國旅行社西北有限公司*	Travel-related service fees	1,058	–
13. 港中旅(廈門)國貿旅行社有限公司*	Travel-related service fees	1,183	–
<i>Jointly-controlled entities</i>			
14. China Travel International (Hangzhou) Ltd.*	Travel-related service fees	3,774	4,137
15. Shaanxi Weihe Power Co., Ltd. ("Shaanxi Weihe Power")	Finance cost	3,957	3,326
<i>Associate</i>			
16. All China Express Limited	Coach rental	2,268	2,037

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 18. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The Group had the following material transactions with related parties during the period: *(Continued)*

Name of company	Nature of transaction	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Received or receivable from:</b>			
<i>Immediate holding company</i>			
17. CTS (Holdings)	Travel permit administration income (Note)	<b>177,087</b>	194,328
18. CTS (Holdings)	Computing service	<b>2,742</b>	219
<i>Fellow subsidiaries</i>			
19. China Travel Computer Service H.K. Limited	Service income as application service provider	<b>6,930</b>	6,725
20. Metropark Hotel Nanjing	Hotel management fees	<b>2,154</b>	1,961
21. 麗都飯店有限公司	Hotel management fees	<b>2,319</b>	–
22. China Travel Head Office	Travel-related service fees	–	2,036
23. 港中旅(廣東)國際旅行社有限公司*	Travel-related service fees	<b>5,649</b>	–
24. CTIL*	Travel-related service fees	<b>4,906</b>	–
25. Metropark Hotel Hangzhou Co. Ltd.	Hotel management fees	<b>1,554</b>	1,558
26. China Travel Hong Kong (Qingdao) Ocean Spring Co. Ltd.	Design fee	<b>1,309</b>	3,759
<i>Associates</i>			
27. All China Express Limited	Coach rental	<b>19,683</b>	19,762
28. All China Express Limited	Management fee	<b>7,659</b>	8,851
29. All China Express Limited	Quota income	<b>686</b>	687
30. Shun Tak – China Travel Shipping Investments Ltd.	Ticketing commission	<b>14,387</b>	13,631
31. Shun Tak – China Travel Shipping Investments Ltd.	Management fee	<b>899</b>	875

## INTERIM RESULTS *(Continued)*

### NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

#### 18. RELATED PARTY TRANSACTIONS *(Continued)*

- (a) The above transactions were carried out at market price or, where no market price was available, at cost plus a percentage of profit mark-up.

Note: The travel permit administration income was determined in accordance with the terms of an agency agreement entered into between the parties and was charged at 45% of the gross fee revenue from travel permit applications.

- \* Upon the completion of disposal of CTIL on 30 June 2010, the continuing provision of travel-related services between the Group and CTIL (together with its subsidiaries) constitutes related party transactions from July 2010 onwards. The transactions included above were travel-related services performed between the Group and CTIL and its subsidiaries from July 2010 onwards.

In addition, prior to the disposal of CTIL, CTIL provided travel-related services to CTS (Holdings) and its subsidiaries (collectively "CTS (Holdings) Group") which constituted related party transactions. The list above includes companies that provided travel-related services to CTS (Holdings) Group prior to 30 June 2010.

#### (b) Other transaction with related parties

- (i) On 26 January 2011, China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation"), a 85.3%-owned subsidiary of the Group, applied for a RMB30 million loan from the Export-Import Bank of China. Under the loan agreement, China National Travel Service (HK) Group Corporation ("China CTS (HK)") provided a credit guarantee in favour of the bank to secure the repayment obligations of Heaven Creation.

On the same date, the Company provided a counter guarantee to China CTS (HK) for the amount of the loan drawn down from the loan agreement together with any interest, penalty, compensation and other related fees and expenses which may be payable by China CTS (HK) contemplated under the credit guarantee provided by China CTS (HK) to the bank.

- (ii) On 21 August 2007, an entrustment loan arrangement was entered into between Shaanxi Weihe Power, a jointly-controlled entity of the Group, Guanzhong Hotspring, a 83.72%-owned subsidiary of the Group, and a bank. As at the end of the current reporting period, the arrangement remained effective.
- (iii) On 30 June 2010, the Group completed the disposal of its entire interest in CTIL and China Travel International (Hangzhou) Ltd. to CTS (Holdings) for a cash consideration of HK\$205 million.

#### 19. COMPARATIVE AMOUNTS

Certain comparative amounts were reclassified to conform with the current period's presentation.

#### 20. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the Board on 18 August 2011.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2011, the general economic situation in Mainland China painted a bright picture. The tourism industry maintained relatively steady and rapid development. Invigorated by the rapid growth of the national tourism market, tourism spending recorded continued growth. Visitor arrivals to Hong Kong and Macau also registered continued rise. All these factors had helped create a favourable environment for the Group to attain more rapid growth in its travel operations.

The Group's consolidated revenue for the first half of 2011 was HK\$1,999 million. Excluding the travel agency operations in Mainland China which had been disposed of in the same period last year, the Group's consolidated revenue increased by 6% over the same period last year. Profit attributable to shareholders amounted to HK\$349 million, a remarkable 434% increase compared to the same period last year. The increase was mainly attributable to the facts that (i) the Group focused its efforts to enhance the operating results of several key business segments amid continued recovery of the tourism industry, among which the hotel and scenic spot operations reported double-digit growth excluding the effects of investment properties revaluation and gain on bargain purchase in the same period last year and the resort operations saw turnaround to profit, thus driving growth in overall results; (ii) no further provision for impairment was made for the passenger ferry transportation services in the period under review as a provision had been made in the same period last year; and (iii) certain fixed assets of Zhuhai Ocean Spring Resort whose useful life estimate had been shortened, were fully depreciated last year. Basic earnings per share was HK6.13 cents, a 434% increase compared to the same period last year. Equity attributable to shareholders as at 30 June 2011 amounted to HK\$12,313 million, a 3% increase compared to the end of last year. The Group's financial position remained stable and strong as at 30 June 2011, with an aggregate amount of cash and cash equivalents of HK\$2,595 million, a 7% increase compared to the end of last year. The Group's healthy financial position has laid down a solid foundation for its future development.

## Travel agency and related operations

The Group's travel agency and related operations comprise China Travel Service (Hong Kong) Limited ("CTSHK"), overseas travel agencies and Mangocity.com, the Group's on-line travel consolidator. The travel agency and related operations reported revenue of HK\$731 million, a 10% decrease compared to the same period last year excluding the travel agency operations in Mainland China which had been disposed of in the same period last year. Excluding the effect of investment properties revaluation and disposal of the travel agency operations in Mainland China in the same period last year, profit attributable to shareholders was HK\$93 million, a 8% decrease compared to the same period last year. The decrease in results of the travel agency and related operations was affected by several factors. The outbound tour to Mainland China decreased due to the lack of major event such as the Shanghai World Expo last year. The Hong Kong inbound tour was also affected by the downturn in the Vietnamese market. In addition, the peak period of travel permit renewal was over.

The revenue of Mangocity.com increased by 25% compared to the same period last year. The increase was offset by the rise in labour costs and promotional expenses and the results remained comparable to the same period last year. Aggressively reaching out to new customers, the business travel operation reported a high double-digit revenue growth. Young Mango, which specializes on the development of low to middle end hotel agency operations, transacted all its reservation business online.

## Hotel operations

The Group's hotel operations comprise CTS H.K. Metropark Hotels Management Company Limited ("CTS Metropark"), five hotels in Hong Kong and Macau, and three hotels in Mainland China. The hotel operations reported revenue of HK\$417 million, a 17% increase compared to the same period last year. Excluding the effect of investment properties revaluation, profit attributable to shareholders was HK\$108 million, a 53% increase compared to the same period last year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Driven by the continued growth in visitor arrivals to Hong Kong and Macau, the revenue of the five hotels in Hong Kong and Macau reached HK\$300 million, a 18% increase compared to the same period last year. Excluding the effect of investment properties revaluation, profit attributable to shareholders was HK\$82 million, a 47% increase compared to the same period last year. The average occupancy rate was 91%, which is comparable to the same period last year. The average room rate was HK\$778, a 24% increase compared to the same period last year. The hotels in Mainland China and CTS Metropark reported revenue of HK\$117 million, a 14% increase compared to the same period last year. Excluding the effect of investment properties revaluation, profit attributable to shareholders amounted to HK\$26 million, a 78% increase compared to the same period last year. The average occupancy rate was 63% (2010: 65%). The average room rate was RMB494, a 12% increase compared to the same period last year. CTS Metropark launched the "Heart Park" loyalty program, and entered into technical consultation services or management services contracts with third-party hotels in regions including Beijing, Anhui, Jiangxi and Xian.

### Scenic spots operations

The Group's scenic spots operations comprise Shenzhen The World Miniature Co., Ltd. ("Window of the World"), Shenzhen Splendid China Development Co., Ltd. ("Splendid China"), CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd. ("Songshan Scenic Spot"), CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd ("Jigongshan Scenic Spot") and other scenic spots investments. Spurred by the growth in the national tourism market, together with the increase in revenue from traditional scenic spot driven by renovation and revenue contribution from new scenic spot joint venture, the revenue from the scenic spots operations increased by 27% over the same period last year to HK\$423 million. Profit attributable to shareholders was HK\$76 million, a 34% increase compared to the same period last year excluding the gain on bargain purchase in the same period last year.

The number of ticket purchasing visitors at Window of the World during the period under review amounted to 1.24 million, a 15% increase compared to the same period last year. Window of the World reported revenue of HK\$196 million, a 28% increase compared to the same period last year. Profit attributable to shareholders was HK\$39 million, a 43% increase compared to the same period last year. The increase was mainly attributable to the firm hold on the market, increased number of visitors following the opening of a motion simulator theatre project "Flying over America" in June 2010 and the adjustment in ticket price. The number of ticket purchasing visitors at Splendid China amounted to 0.55 million, a 1% increase compared to the same period last year. Splendid China reported revenue of HK\$90 million, a 16% increase compared to the same period last year. Profit attributable to shareholders was HK\$9 million, a 46% increase compared to the same period last year. The increase was mainly attributable to the increase of the proportion of individual visitors which drove overall spending in the theme park, and growing consulting income and financial income. To enhance the competitive strengths of traditional scenic spot, Splendid China initiated the first renovation project Tea Horse Trail Project at the beginning of the year, which made a good start to prepare for the overall renovation program of the theme park.

The successful inscription of the historic monuments of Dengfeng in "The Centre of Heaven and Earth" on the World Heritage List fostered the development of the Songshan Scenic Spot. The number of ticket purchasing visitors amounted to 1.14 million, a 24% increase compared to the same period last year. Songshan Scenic Spot reported revenue of HK\$117 million, a 27% increase compared to the same period last year. Profit attributable to shareholders was HK\$10 million, a 5% decrease compared to the same period last year excluding the gain on bargain purchase in the same period last year. The decrease was mainly attributable to the amortization of operating rights, rising labour costs and increased incentives paid to travel agencies.

Jigongshan Scenic Spot, a new joint venture, reported revenue of HK\$9 million and loss attributable to shareholders of HK\$3 million. The scenic spot has commenced operation since May 2011. Although the number of visitors and revenue increased when compared to the pre-joint venture period, the results were affected by the large pre-operating expenses and the renovation of hotels and villas.

## MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Other scenic spots comprise the subsidiaries and associates of Mutual Great (Hong Kong) Limited, including a hot spring hotel, a miniature theme park in Changsha and cable car investments in scenic spots. Revenue was HK\$11 million, a 21% increase compared to the same period last year. Profit attributable to shareholders was HK\$21 million, a 65% increase compared to the same period last year.

### Resort operations

The Group's resort operations comprise Zhuhai Ocean Spring Resort ("Zhuhai OSR") in Zhuhai, Guangdong Province and Xianyang Ocean Spring Resort ("Xianyang OSR") in Xianyang, Shaanxi Province. Benefited from the growth in leisure travel and vacation spending in Mainland China and the enhancement of brand presence of ocean spring resort, the revenue from resort operations increased by 14% over the same period last year to HK\$223 million. Resort operations saw a turnaround to profit with profit attributable to shareholders of HK\$5 million (2010: loss of HK\$176 million).

During the period under review, the number of visitors at Zhuhai OSR amounted to 1.26 million, which was comparable to the figure of the same period last year. Zhuhai OSR reported revenue of HK\$188 million, a 11% increase compared to the same period last year. Zhuhai OSR saw a turnaround to profit with profit attributable to shareholders of HK\$15 million (2010: loss of HK\$154 million). Zhuhai OSR continued to develop the conference market, revenue of which increased by 14% over the same period last year. Through adjustment of hotel room rates, room rates hit a new high during the Chinese New Year and Labour Day holiday and overall spending was enhanced. Depreciation expense was substantially reduced as certain fixed assets had been fully depreciated.

The number of visitors at Xianyang OSR amounted to 150,000, a 6% increase compared to the same period last year. Xianyang OSR reported revenue of HK\$35 million, a 35% increase compared to the same period last year. Loss attributable to shareholders was reduced to HK\$10 million (2010: loss of HK\$22 million). The reduction in loss was mainly attributable to the growth in per capita spending at Xianyang OSR brought by the increase in proportion of conference tour visitors, and the reduction of expense relating to rectification work. Operating cash flows of Xianyang OSR turned positive.

### Passenger transportation services

The Group's passenger transportation services include China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries ("CTTT") and the Group's associated company, Shun Tak – China Travel Shipping Investments Limited ("Shun Tak China Travel"). Passenger transportation services reported revenue of HK\$155 million, a 6% increase compared to the same period last year. Loss attributable to shareholders was HK\$18 million. Excluding the provision for impairment made in the same period last year, profit attributable to shareholders was HK\$1 million in the same period last year.

During the period under review, CTTT served 2.95 million passengers, a 2% increase compared to the same period last year. CTTT reported revenue of HK\$155 million, a 6% increase compared to the same period last year. Profit attributable to shareholders was HK\$3 million, a 69% decrease compared to the same period last year. The decrease was mainly attributable to the substantial increase in oil prices of 24% over the same period last year and the rise in labour costs. Through the expansion of routes by Macao CTS Passenger Road Transport Company Limited, a jointly-controlled entity, the passenger volume and revenue recorded a double-digit growth compared to the same period last year.

The Group's share of loss from Shun Tak China Travel was HK\$21 million, an increase of loss of HK\$12 million compared to the same period last year excluding the provision for impairment made in the same period last year. The increase of loss was mainly attributable to rising oil prices and increased competition.

## MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

### Golf club operations

The CTS Tycoon (Shenzhen) Golf Club ("Golf Club") reported revenue of HK\$36 million, a 52% increase compared to the same period last year. Loss attributable to shareholders was HK\$2 million (2010: loss of HK\$6 million). The renovation and expansion project of the Golf Club had been completed. The 18-hole "Hurdzan" golf course and the new clubhouse commenced trial operation in March 2011 and commenced formal operation in May 2011. Since then, the 45-hole golf course has been put into full operation. Since the new golf course and clubhouse have just been put into full operation, their performance has yet to be reflected.

### Arts performance operations

China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation") reported revenue of HK\$13 million, a 13% decrease compared to the same period last year. Loss attributable to shareholders was HK\$5 million (2010: loss of HK\$6 million). The decrease in revenue was mainly attributable to the fall in the number of visitors from Japan and Southeast Asia caused by the earthquake and nuclear crisis in Japan, and the reduction in planing and production income. The reduction in loss was mainly attributable to the fact that Heaven Creation's operation in the United States has been in a preparatory stage in the same period last year, whereas it has commenced normal operation in the period under review.

### Power generation business

During the period under review, the on-grid electricity volume of Shaanxi Weihe Power Co., Ltd., a jointly-controlled entity, remained comparable to the same period last year. Profit attributable to shareholders was HK\$67 million, a 35% decrease compared to the same period last year. The decrease was mainly attributable to the substantial increase in coal prices of 22% over the same period last year.

## CORPORATE SOCIAL RESPONSIBILITY

The Group is unwaveringly dedicated to performing its responsibility as a good corporate citizen by enthusiastically supporting public welfare, environmental protection and education activities. During the period under review, CTSHK organised and mobilized its employees to participate in a series of "Patriotic, Pro-Hong Kong" social activities and volunteer work. The hotel operations continued to strengthen environmental protection initiatives by raising resource saving awareness among its guests, so as to reduce the change of linen and waste of consumables. With the completion of the number one energy-saving heat exchange station project by Zhuhai OSR in May this year, about 1,000 tonnes of standard coals can be saved, and about 22 tonnes of sulfur dioxide emissions can be reduced each year. As such, a solid foundation was established for the building up of an energy-saving, emission-reducing and low-carbon demonstration zone at national level. The Group is people-oriented and cares for its staff. The Group is particularly concerned about the needs of employees who are in difficulties. In particular, activity was organized at Songshan Scenic Spot in the eve of the Chinese New Year to aid employees in difficulties. Home visits were paid to more than 60 employees. Condolence payments were made to the families of 29 employees who were eligible. Golf Club organized a charity golf tournament for Lifeline Express to raise funds.

## BUSINESS PROSPECTS

According to the economic outlook of the International Monetary Fund, the global economic activity is slowing down temporarily and downside risks have increased again. Against this background, fueled by robust domestic and foreign demand, the Mainland China economy continues to grow. The robust demand will continue to push up inflation. However, it is expected that inflation will peak and ease in the second half of 2011. According to National Tourism Administration of the People's Republic of China, the development of the tourism economy in Mainland China is anticipated to maintain a comparatively optimistic outlook in the second half of the year. This anticipation is mainly based on factors such as the accelerated growth in corporate investments, continued improvement in transportation facilities including high-speed railways and stronger travel desire among people in the country. Notwithstanding this, the tourism industry may also be exposed to macro-economic uncertainties and be subject to the effects of the macro-control policies.

## MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

The Group's operations have gradually recovered in the aftermath of the international financial tsunami and attained recovery growth since 2010. To date, the growth momentum continues. During the period under review, profitability has been restored to a comparatively high level in the Group's history and the financial position remained strong. These, coupled with a favorable external operating environment, lay down a solid foundation for the Group to achieve business transformation and sustainable development. The Group pays close attention to the profit growth, asset return, synergy and growth potentials of its business segments. Building on the initiatives to strengthen and consolidate existing operations, the Group will step up investment in tourism resources including high quality scenic spots and resorts, especially those scarce tourism resources such as famous natural scenic spots and hot springs in the future. In addition, by means of capital market transactions, the Group will accelerate the pace of transforming into a tourism resources company, in order to further optimize the asset structure and improve the overall asset return and profitability.

In the second half of the year, the travel agencies will continue to improve their operations and Mangocity.com will improve its business model and push ahead with the construction of the headquarter in Shenzhen. Led by the continued increase in the number of visitor arrivals to Hong Kong and Macau and the guest spending, it is expected that the hotel operations will continue to perform well. The overall encouraging trend of development of the scenic spots operations is expected to continue. Window of the World has been chosen to host the closing ceremony of the Universiade to be held in Shenzhen in August this year. This will further expand its brand presence. The first phase of the Tea Horse Trail Project, being "Hill Tribes", will be launched at Splendid China in the summer. The planning work of the overall renovation program is under way in an orderly manner. All these initiatives will help establish a firm foothold for promoting the long-term development and significant profit growth of Splendid China. Songshan Scenic Spot will actively evaluate projects that extend the supply chain and speed up the pre-planning work of the "Tourist Town" project. Jigongshan Scenic Spot will continue to focus on renovation projects. Building on the success of turnaround to profit during the period under review, the resort operations will endeavor to maintain a full year profit and enter into a cycle of sustainable profitability as soon as possible. Zhuhai OSR will actively launch the preparatory work of the phase two integrated tourism project, and strive to initiate the soft ground treatment work and start the construction of a small batch of real estate by the end of the year. Xianyang OSR anticipates that the complementary five-star hotel will be completed and commence trial operation by the end of the year. CTTT and Heaven Creation will focus on the enhancement of operations and profitability. Golf Club will make greater sales efforts on new membership to accelerate the recoupment of investment. The Group will focus on acquiring tourism resources. In particular, the Group will try to secure quality natural scenic spots and resorts through mergers and acquisitions or joint ventures in regions including Jiangsu, Zhejiang, Shanghai, Henan, Shandong and Fujian. The Group will strive to conclude some potential projects by the end of the year.

The Group issued an announcement on 11 July 2011 and confirmed that it was considering the possible proposal to spin-off and separately list the Group's hotel operations on the main board of The Stock Exchange of Hong Kong Limited (the "Proposed Spin-off"); and the proposed acquisition of Qingdao Ocean Spring project and the proposed investment in a scenic spot project in Jiangsu Province (the "Proposed Transactions"). For further details, please refer to the announcement. At present, the terms of the Proposed Spin-off and the Proposed Transactions have not been finalized. The Group will continue to evaluate this series of potential transactions and other measures, in order to achieve the strategic goal of transforming into a tourism resources company to enhance shareholder value.

The Group's operations recovered further in the period under review and attained better growth. Under the macro-environment where the world economy is still volatile but Mainland China's economy continues to grow, the Group will continue to focus on its operations and control its financial activities, while grasping investment opportunities to expand core operations and promote business transformation. Although the recent worsening euro zone debt crisis and further economic slowdown in the United States bring uncertainties to the global and Mainland China's economic development, the Group will be well-positioned to meet the challenges ahead by pivoting on its solid foundation in operation and finance, and adhering to prudent financial discipline. In the absence of unforeseen circumstances, the Group is confident of its annual results performance for 2011.

## MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

### NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2011, the Group had a total of 13,522 employees. The employees were remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees 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.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 30 June 2011, the cash and cash equivalents of the Group's amounted to HK\$2,595 million whereas the interest-bearing bank and other borrowings amounted to HK\$245 million. The debt to capital ratio was 13.46% and the debt includes bank and other borrowings, trade and other payables and amounts due to fellow subsidiaries.

### 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 monitor and manage foreign currency exposure and to make use of appropriate measures when required.

### CHARGE ON ASSETS

As at 30 June 2011, the Group's bank deposits of approximately HK\$70 million (31 December 2010: HK\$67 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 2011, the Group's buildings with an aggregate net carrying value of HK\$10 million (31 December 2010: HK\$9 million) were pledged to secure banking facilities.

As at 30 June 2011, no investment properties were pledged. As at 31 December 2010, HK\$14 million were pledged to secure a bank guarantee given to a supplier in connection with credit facility granted.

### CONTINGENT LIABILITIES

As at 30 June 2011, the Group's performance bond given to a customer for due performance of a sales contract was HK\$0.3 million (31 December 2010: HK\$0.3 million).

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2011, the interests and short positions of the Directors and the Company's chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

### Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares		Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital
	Corporate interest	Family interest			
Mr. Zhang Xuewu	—	—	2,130,000	2,130,000	0.0374%
Mr. Zheng Heshui	—	—	1,770,000	1,770,000	0.0311%
Mr. Lo Sui On	—	—	1,770,000	1,770,000	0.0311%
Ms. Jiang Yan	—	—	1,770,000	1,770,000	0.0311%
Mr. Fang Xiaorong	—	—	1,770,000	1,770,000	0.0311%
Mr. Zhang Fengchun	—	—	1,770,000	1,770,000	0.0311%
Mr. Xu Muhan	—	2,000 (Note 1)	1,850,000	1,852,000	0.0325%
Mr. Fu Zhuoyang	—	—	1,770,000	1,770,000	0.0311%
Dr. Fong Yun Wah	50,000 (Note 2)	—	—	50,000	0.0009%

Note 1: Mr. Xu Muhan is deemed to be interested in these shares of the Company held by his spouse.

Note 2: These shares are beneficially owned by certain corporations the voting power at general meetings of which Dr. Fong Yun Wah controlled one-third or more. Dr. Fong Yun Wah is taken to be interested in such shares pursuant to Divisions 7 and 8 of Part XV of the SFO.

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2011 was the Company, any of its holding companies or subsidiaries, a party to any arrangements to enable the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") which was adopted by the shareholders of the Company on 3 June 2002. The Board of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

## OTHER INFORMATION *(Continued)*

Details of the movement in the share options granted under the Share Option Scheme during the period for the six months ended 30 June 2011 are set out below :

Name or category of participant	Number of share options				Balance as at 30 June 2011	Date of grant (Note 1)	Exercise period (Note 2)	Exercise price (HK\$)
	Balance as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled or lapsed during the period				
<b>Directors</b>								
Zhang Xuewu	2,130,000	–	–	–	2,130,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zheng Heshui	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Jiang Yan	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fang Xiaorong	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Xu Muhan	1,850,000	–	–	–	1,850,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fu Zhuoyang	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	14,600,000	–	–	–	14,600,000			
<b>Other employees in aggregate</b>	111,060,000	–	–	(2,000,000)	109,060,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
<b>Grand Total</b>	<b>125,660,000</b>	<b>–</b>	<b>–</b>	<b>(2,000,000)</b>	<b>123,660,000</b>			

Notes:

- Pursuant to the Share Option Scheme, upon an offer accepted by a grantee, the share option will be deemed to have been granted on the date of the offer. The date of acceptance of share option for directors is 18 June 2010. The closing market price per Shares as at the date preceding the date on which the share options were granted was HK\$1.73.
- The vesting period of the share options is from the date of grant until the commencement of the exercise period. The options are exercisable in the following manner:

The proportion of options exercisable	Exercise period
First 30% of the share options	18 June 2012 to 17 June 2020
Second 30% of the share options	18 June 2013 to 17 June 2020
Remaining 40% of the share options	18 June 2014 to 17 June 2020

## OTHER INFORMATION *(Continued)*

Save as disclosed above, as at 30 June 2011, none of the Directors or the Company's chief executive, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long position in the ordinary shares of the Company

*ordinary shares of HK\$0.10 each of the Company*

Name of shareholder	Capacity	Number of share held	% of the issued share capital
China CTS (HK)	Interest of controlled corporation (Note 1)	3,018,744,728	53.00%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Notes 1 and 4)	3,018,744,728	53.00%
Foden International Limited ("FIL")	Beneficial owner (Note 2)	20,700,000	0.36%
China Travel Finance & Investment (H.K.) Limited ("CTS Finance")	Beneficial owner (Note 3)	25,112,000	0.44%

Note 1: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS (HK). CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS (HK) is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO and the interests of China CTS (HK) in the Company duplicated the interests of CTS (Holdings).

Note 2: These shares are held by FIL which is a wholly-owned subsidiary of CTS (Holdings).

Note 3: These shares are held by CTS Finance which is a wholly-owned subsidiary of CTS (Holdings).

Note 4: Of these 3,018,744,728 shares, 2,972,932,728 shares are held by CTS (Holdings) directly. 20,700,000 shares are held by FIL and 25,112,000 shares are held by CTS Finance, in which CTS (Holdings) is taken to be interested pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2011, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares of the Company recorded in the register required to be kept by the Company under Section 336 of the SFO.

## OTHER INFORMATION *(Continued)*

### 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 2011.

### DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into a facility agreement with a bank on 4 July 2011 (the "First Facility Agreement") for an uncommitted revolving term loan facility of HK\$300,000,000. Pursuant to the First Facility Agreement, the Company undertakes to the bank, inter alia, that it will: (i) ensure CTS (Holdings), the controlling shareholder of the Company, shall remain as the ultimate single largest shareholder of the Company with ownership not less than 40% in the Company and maintain management control of the Company; and (ii) ensure CTS (Holdings) shall remain to be under the direct or indirect management and 100% ownership of the State Council of the People's Republic of China.

On 20 July 2011, CTSHK, a wholly-owned subsidiary of the Company, as borrower, the Company, as guarantor, and a bank as lender entered into a facility agreement (the "Second Facility Agreement") for a committed revolving credit facility of HK\$300,000,000. The credit facility is for a term of 364 days commencing from 20 July 2011. Pursuant to the terms of the Second Facility Agreement, each of CTSHK and the Company jointly and severally undertakes to the bank, inter alia, that it will: (i) ensure that the Company shall remain, at all times, at least 40% beneficially owned (directly or indirectly) by CTS (Holdings); and (ii) ensure that CTS (Holdings) shall remain under direct supervision of State-owned Assets Supervision and Administration Commission of the People's Republic of China. Breach of these undertakings will constitute an event of default upon which, among other things, CTSHK shall on demand repay all advances made (together with all unpaid accrued interest and fees and any other sums then due under the Second Facility Agreement) to CTSHK by the bank pursuant to the Second Facility Agreement and the bank may terminate its obligation to make further advance to CTSHK without notice.

CTSHK, as borrower, and the Company, as guarantor also entered into a facility agreement (the "Third Facility Agreement") with another bank on 20 July 2011 for an uncommitted facility of HK\$300,000,000. The credit facility will expire on 30 June 2012, subject to annual review or early repayment in full. Pursuant to the Third Facility Agreement, the Company covenants to the bank, inter alia, that CTS (Holdings) shall maintain at least 40% of the beneficial ownership over the Company.

### CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2010 Annual Report are set out below:

- In the Annual General Meeting in 2011, the shareholders of the Company approved the directors' fee payable in aggregate for their service in the year. The directors' fees of each of the non-executive directors of the Company have been increased from HK\$260,000 to HK\$350,000 per year with effect from 1 January 2011. The above remuneration will remain in effect until otherwise determined in general meeting.
- Mr. Lo Sui On has been appointed as a director of CTS (H.K.) Metropark Hotels Company Limited, a wholly-owned subsidiary of the Company, with effect from 28 July 2011.
- Mr. Zheng Heshui has ceased to be a director of CTS (Holdings) and China CTS (HK), the controlling shareholders of the Company.

## OTHER INFORMATION *(Continued)*

### 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 set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

Code Provision A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Even though the independent non-executive directors of the Company are not appointed for specific terms, pursuant to the Company's articles of association, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. The Board considers that such requirements are sufficient to meet the underlying objective and spirit of the relevant code provisions.

### REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim results for the six months ended 30 June 2011.

### 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 2011.

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share for the six months ended 30 June 2011 (2010: Nil). 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 Wednesday, 7 September 2011. The interim dividend will be paid on or around Monday, 26 September 2011.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 5 September 2011 to Wednesday, 7 September 2011 (both dates 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 Friday, 2 September 2011.

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

Hong Kong, 18 August 2011