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 2010

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 2010 together with the comparative figures.

Condensed Consolidated Income Statement
For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**2,330,281**	1,888,806
Cost of sales		**(1,424,820)**	(1,156,682)
Gross profit		**905,461**	732,124
Other income and gains	*4*	**115,772**	27,106
Selling and distribution costs		**(271,756)**	(234,521)
Administrative expenses		**(544,321)**	(523,914)
Changes in fair value of investment properties		**110,039**	88,143
Other expenses	*5*	**(188,948)**	(29,718)
Finance costs	*6*	**(9,629)**	(4,902)
Share of profits and losses of:			
Jointly-controlled entities		**91,322**	40,040
Associates		**2,645**	(8,538)
PROFIT BEFORE TAX	*7*	**210,585**	85,820
Tax	*8*	**(105,607)**	(49,043)

	Note	For the six months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
PROFIT FOR THE PERIOD		**104,978**	36,777
Attributable to:			
Owners of the Company		**65,343**	13,420
Non-controlling interests		**39,635**	23,357
		104,978	36,777
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY (HK CENTS)	*10*		
Basic		**1.15**	0.24
Diluted		**1.15**	0.24

Details of the dividends for the period are disclosed in note 9 to the interim financial information.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**104,978**	36,777
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
Share of hedging reserve of an associate	**(228)**	16,203
Gain on property revaluation	**15,734**	–
Exchange fluctuation reserve:		
Exchange differences on translation of foreign operations	**23,557**	(29,423)
Release of exchange difference upon disposal of subsidiaries	**(37,784)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,279**	(13,220)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**106,257**	23,557
Attributable to:		
Owners of the Company	**62,009**	3,635
Non-controlling interests	**44,248**	19,922
	106,257	23,557

Condensed Consolidated Statement of Financial Position
As at 30 June 2010

	Notes	**30 June 2010 (Unaudited)** *HK$'000*	31 December 2009 (Audited) *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**7,622,426**	7,686,382
Investment properties		**1,087,416**	967,800
Prepaid land lease payments		**491,990**	492,815
Goodwill		**1,278,573**	1,278,573
Other intangible assets		**172,477**	45,581
Interests in jointly-controlled entities		**776,482**	755,234
Interests in associates		**289,908**	458,941
Available-for-sale investments		**12,001**	25,849
Prepayments		**50,264**	26,926
Deferred tax assets		**1,431**	1,611
Total non-current assets		**11,782,968**	11,739,712
CURRENT ASSETS			
Inventories		**27,327**	25,508
Trade receivables	*11*	**226,848**	170,893
Tax recoverable		**2,884**	5,233
Prepayments, deposits and other receivables		**328,858**	141,540
Pledged time deposits		**11,220**	32,661
Cash and cash equivalents		**1,936,406**	1,762,786
Amount due from the immediate holding company		**246,409**	32,201
Amounts due from fellow subsidiaries		**67,811**	37,881
		2,847,763	2,208,703
Assets of a disposal group classified as held for sale		**–**	512,228
Total current assets		**2,847,763**	2,720,931
CURRENT LIABILITIES			
Trade payables	*12*	**363,532**	285,740
Tax payable		**93,959**	47,404
Other payables and accruals		**988,204**	931,673
Interest-bearing bank and other borrowings		**22,222**	89,990
Amount due to the immediate holding company		**–**	1,171
Amounts due to fellow subsidiaries		**20,952**	13,066
		1,488,869	1,369,044
Liabilities directly associated with the assets classified as held for sale		**–**	248,386
Total current liabilities		**1,488,869**	1,617,430
NET CURRENT ASSETS		**1,358,894**	1,103,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,141,862**	12,843,213

Condensed Consolidated Statement of Financial Position (continued)
As at 30 June 2010

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000* (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,141,862**	12,843,213
NON-CURRENT LIABILITIES		
Deferred income	**191,375**	159,963
Interest-bearing bank and other borrowings	**212,028**	177,550
Deferred tax liabilities	**526,093**	454,616
Total non-current liabilities	**929,496**	792,129
Net assets	**12,212,366**	12,051,084
EQUITY		
Equity attributable to owners of the Company		
Share capital	**569,536**	569,536
Reserves	**11,062,050**	10,997,889
	11,631,586	11,567,425
Non-controlling interests	**580,780**	483,659
Total equity	**12,212,366**	12,051,084

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**630,085**	141,322
NET CASH FLOWS FROM INVESTING ACTIVITIES	**228,289**	84,031
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(318,244)**	(307,783)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**540,130**	(82,430)
Cash and cash equivalents at beginning of period	**1,230,077**	1,305,870
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,770,207**	1,223,440
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**839,969**	664,506
Non-pledged time deposits with original maturity of three months or less when acquired	**930,238**	558,934
	1,770,207	1,223,440

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.

This unaudited condensed interim financial information should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

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 2009 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) are adopted the first time for the current period's financial information.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HKFRSs (Amendments)	*Improvements to HKFRSs 2009*

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (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 3 (Revised) and HKAS 27 (Revised)

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates and* HKAS 31 *Interests in Join Ventures*.

The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with non-controlling interests.

HKFRSs (Amendments) *Improvements to HKFRSs 2009*

HKFRSs (Amendments) *Improvements to HKFRSs 2009* sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording of the changes. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases in Hong Kong, Mainland China and Macau and has reclassified the land element of its principal property leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the prepaid land lease expense has been reclassified to depreciation. The effect of the adoption of the amendment is summarised in note 2.

2. COMPARATIVE FIGURES

(i) As detailed in note 1, the Group adopted the amendment to HKAS 17 *Leases* retrospectively for accounting period beginning on 1 January 2009.

(ii) In accordance with HKFRS 3 *Business Combination*, certain provisionally estimated fair value of assets and liabilities acquired on the acquisition of entire issued share capital of Trump Return Limited ("Trump Return") in December 2009 were used for the year ended 31 December 2009. The fair value arising from these acquisitions that was applied provisionally as at 31 December 2009 was re-assessed and calculated during the current period. Accordingly, comparative figures have been restated to reflect the finalised fair value of Trump Return assets and liabilities.

The cumulative effect's of the above restatements on the related items on condensed consolidated statement of financial position as at 31 December 2009 is set out below:

	As at 31 December 2009 (as previously reported)	**Amendment to HKAS 17**	**Subsequent goodwill adjustment**	**As at 31 December 2009 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	5,031,033	2,650,109	5,240	7,686,382
Prepaid land lease payments	3,095,061	(2,606,854)	4,608	492,815
Goodwill	1,281,230	–	(2,657)	1,278,573
Interests in associates	461,394	–	(2,453)	458,941
Deferred tax assets	1,402	–	209	1,611
Prepayments, deposits and other receivables	184,702	(43,255)	93	141,540
Deferred tax liabilities	(449,576)	–	(5,040)	(454,616)
	9,605,246	–	–	9,605,246

There is no impact on the results for the current and prior periods resulting from the subsequent goodwill adjustment, and the effect on the adoption of amendment to HKAS 17 on the results of the Group is as follows:

	For the six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Increase in depreciation	**21,558**	21,174
Decrease in amortisation	**(21,558)**	(21,174)
	–	–

3. OPERATING SEGMENT INFORMATION

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

(a) the travel agency and related operations segment engages in the provision of travel agency and related services in Hong Kong, Mainland China, South East Asia, Australasia, the United States of America and countries in the European Union;

(b) the hotel operations segment engages in the provision of hotel accommodation services in Hong Kong, Macau and Mainland China;

(c) the scenic spots operations segment engages in the operation of resort hotels, theme parks, cable car systems and skiing facilities in Mainland China;

(d) the resort operations segment engages in the provision of hot spring services in Mainland China;

(e) the passenger transportation services segment engages in the provision of ground transportation services to individuals between Hong Kong and Mainland China;

(f) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members in Mainland China;

(g) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas; and

(h) the power generation segment engages in the generation of electricity in Mainland China.

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

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

3. 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*	Arts performance operations *HK$'000*	Power generation business *HK$'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
Intersegment revenue	3,695	3,552	3,077	1,284	1,872	–	56	–	13,536
	1,263,134	360,480	334,771	197,581	149,128	23,390	15,333	–	2,343,817
Elimination of intersegment revenue									(13,536)
Revenue									2,330,281
Segment results	142,177	84,527	163,813	(176,896)	(172,836)	(5,876)	(5,836)	103,948	133,021
Interest income									13,665
Finance costs									(9,629)
Change in fair value of investment properties									110,039
Corporate and other unallocated expenses									(36,511)
Profit before tax									210,585
Income tax expense									(105,607)
Profit for the period									104,978

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2009 (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*	Arts performance operations *HK$'000*	Power generation business *HK$'000*	Consolidated *HK$'000*
Segment revenue:									
Sales to external customers	1,023,022	304,197	214,554	165,913	143,591	26,335	11,194	–	1,888,806
Intersegment revenue	54,669	2,144	1,214	2,519	747	–	170	–	61,463
	1,077,691	306,341	215,768	168,432	144,338	26,335	11,364	–	1,950,269
Elimination of intersegment revenue									(61,463)
Revenue									1,888,806
Segment results	85,874	42,926	73,363	(226,806)	2,300	(9,064)	(3,593)	40,461	5,461
Interest income									9,744
Finance costs									(4,902)
Change in fair value of investment properties									88,143
Corporate and other unallocated expenses									(12,626)
Profit before tax									85,820
Income tax expense									(49,043)
Profit for the period									36,777

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**13,665**	9,744
Rental income	**3,629**	4,484
Foreign exchange gains, net	**24,637**	–
Excess over the cost of a business combination	**39,007**	–
Gain on disposal of subsidiaries	**22,026**	–
Gain on disposal of property, plant and equipment, net	**–**	265
Others	**12,808**	12,613
	115,772	27,106

5. OTHER EXPENSES

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Impairment of an investment in an associate	**175,000**	–
Impairment of an available-for-sale investment	**13,948**	–
Loss on write-off of property, plant and equipment	**–**	29,718
	188,948	29,718

6. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	**9,629**	4,902

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Depreciation	**323,139**	332,215
Amortisation on prepaid land lease payments	**11,440**	12,189
Foreign exchange losses/(gains), net	**(24,637)**	11,539
Gain on disposal of a property	**–**	(2,214)

8. TAX

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
The People's Republic of China:		
Hong Kong	**38,484**	25,414
Elsewhere	**28,298**	18,761
Overseas	**429**	281
Underprovision in prior years	**–**	436
Deferred tax	**38,396**	4,151
Tax charge for the period	**105,607**	49,043

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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$14,373,000 and HK$2,247,000, respectively (2009: HK$7,238,000 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.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2009: nil) for the six months ended 30 June 2010.

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

The calculation of basic earnings per share amount for the period ended 30 June 2010 is based on the profit for the period attributable to ordinary owners of the Company of HK$65,343,000 (2009: HK$13,420,000) and the weighted average number of ordinary shares of 5,695,355,525 (2009: 5,695,355,525) in issue during the period ended 30 June 2010.

The calculation of diluted earnings per share amount for the period ended 30 June 2010 is based on the profit for the period attributable to ordinary owners of the Company of HK$65,343,000. 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 2010, as used in the basic earnings per share calculation, and the weighted average number of ordinary share of 209,422 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share is presented for the period ended 30 June 2009 as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2009.

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 2010 (Unaudited) ***HK$'000***	31 December 2009 (Audited) *HK$'000*
Within 3 months	**207,765**	146,797
3 to 6 months	**11,824**	21,196
6 to 12 months	**6,868**	2,400
1 to 2 years	**391**	500
	226,848	170,893

12. 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 2010 (Unaudited) ***HK$'000***	31 December 2009 (Audited) *HK$'000*
Within 3 months	**322,933**	249,993
3 to 6 months	**18,949**	17,395
6 to 12 months	**8,302**	3,602
1 to 2 years	**4,701**	7,421
Over 2 years	**8,647**	7,329
	363,532	285,740

13. BUSINESS COMBINATION

(a) On 22 December 2009, the Company entered into a conditional joint venture agreement to contribute RMB68.85 million (HK$78.24 million) in cash into CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co. Ltd ("CTS Dengfeng"). After the capital injection, the Group has acquired 51% of the enlarged registered capital of CTS Dengfeng. The transaction was completed on 4 January 2010.

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

	Provisional fair value recognised on acquisition	**Carrying amount as at date of acquisition**
	HK$'000	*HK$'000*
Property, plant and equipment	91,518	79,060
Interests in associates	4,319	10,905
Intangible assets	118,952	–
Inventories	41	41
Trade receivables, prepayments, deposits and other receivables	133,071	133,071
Cash and bank balances	153,354	153,354
Tax payable	(8,585)	(8,585)
Trade payables, other payables and accruals	(1,618)	(1,618)
Other borrowings	(228,331)	(228,331)
Deferred tax liability	(32,852)	–
Non-controlling interests	(112,622)	(67,570)
	117,247	70,327
Excess over the cost of a business combination recognised in the condensed consolidated income statement *(note 4)*	(39,007)	
	78,240	
Satisfied by cash	78,240	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of CTS Dengfeng is as follows:

	HK$'000
Cash consideration	78,240
Cash and bank balances acquired	(153,354)
Net inflow of cash and cash equivalents in respect of the acquisition of CTS Dengfeng	(75,114)

Since its acquisition, CTS Dengfeng has contributed HK$92,561,000 to the Group's revenue and HK$60,003,000 to the Group's consolidated results for the six months ended 30 June 2010.

(b) On 18 November 2009, the Company entered into a conditional sale and purchase agreement with Dean Glory Development Limited ("Dean Glory"), a wholly-owned subsidiary of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), to acquire the entire issued share capital of Trump Return and the respective shareholder's loan owed by Trump Return to Dean Glory. The transaction was completed on 31 December 2009.

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

	Fair value recognised on acquisition *HK$'000*	**Carrying amount as at date of acquisition** *HK$'000*
Property, plant and equipment	29,211	23,972
Prepaid land lease payments	10,678	5,976
Interests in associates	99,977	102,430
Available-for-sale investment	7,850	7,850
Deferred tax assets	1,033	825
Inventories	246	246
Trade receivables, prepayments, deposits and the receivables	1,768	1,768
Cash and bank balances	94,422	94,422
Amount due from a fellow subsidiary	27	27
Tax payable	(2,355)	(2,355)
Trade payables, other payables and accruals	(3,987)	(3,987)
Amounts due to intermediate holding companies	(230,433)	(230,433)
Deferred tax liability	(5,040)	–
Non-controlling interests	(1,141)	(1,141)
Goodwill on acquisition	2,256	(400)
	33,805	
	36,061	
Satisfied by:		
Cash paid for acquisition of Trump Return	275,000	
Debts assigned to the Group	(238,939)	
	36,061	

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

	HK$'000
Cash consideration	275,000
Cash and bank balances acquired	(94,422)
Net outflow of cash and cash equivalents in respect of the acquisition of Trump Return	180,578

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2010, the macro-economic environment improved as the effect of the financial tsunami subsided. The economy of China recovered steadily and demonstrated momentum for relatively rapid growth. The growth of tourism industry in Mainland China was relatively strong and tourism consumption remained robust. Favorable factors such as the issuance of the "Opinions on Accelerating the Development of Tourism Industry" by the State Council of the PRC and the opening of Shanghai Expo facilitated the recovery in the tourism industry. Hong Kong's economy has maintained a steady development and the number of visitors to Hong Kong hit a new high in the first half of the year. The Group upheld the guiding principles of focusing on operation, profits and business transformation and taking the path of "quality, profitability and sustainable development", under which it fostered the share of internal resources, focused on market development and stringent cost control. As a result, operating results registered recovery growth.

During the first half of 2010, the consolidated revenue from the Group's operations was HK$2,330 million, an increase of 23.4% from the same period last year; the total operating expenses amounted to HK$2,241 million, an increase of 17.0% from the same period last year; the profit attributable to shareholders was HK$65 million, an increase of 386.9% from the same period last year. The above increases were mainly attributable to the growth brought by the recovery of the tourism industry, improved management and cost control, the profit contributed by newly acquired scenic spots projects. For the period, basic earnings per share was HK$1.15 cents, an increase of 378.0% from the same period last year. The financial position of the Group was strong, the cash and cash equivalents of the Group amounted to HK$1,936 million, an increase of HK$174 million from the end of last year. The current ratio was 1.91, which reflects that the Group has strong repayment ability. As at 30 June 2010, the equity attributable to shareholders was HK$11,632 million, an increase of 0.6% from the end of 2009. The strong financial position laid down a solid foundation for further development of the Group.

Travel agency and related operations

The Group's travel agency and related operations comprised China Travel Service (Hong Kong) Limited ("CTSHK") and Mangocity.com, the Group's on-line travel consolidator. The revenue of the Group's travel agency and related operations for the first half of the year was HK$1,259 million, an increase of 23.1% from the same period last year. Profit attributable to shareholders was HK$142 million, an increase of 68.4% from the same period last year. Excluding the gain on disposal of travel agency business in Mainland China of HK$22 million, profit attributable to shareholders increased by 42.2% compared to the same period last year. This was primarily contributed by economic recovery and an increase in travel and business activities, the continuation of peak period of travel permit renewal and the continual improvement in the performance of Mangocity.com.

During the period, CTSHK's outbound travel, inbound travel, local tour and agency businesses all recorded growth from the same period last year. CTSHK leveraged on opportunities brought by the Shanghai Expo and organized and developed various related travel products, which enjoyed a satisfactory sales performance. Dedicated efforts were made in Lunar New Year and Easter holiday, the two peak seasons for outbound travel, and the total revenue achieved substantial increase from the same period last year. CTSHK implemented enhancement and integration on stores in Hong Kong and Macau by batches and in phases according to the specification of "flagship stores", "standard stores", "express stores" and "mini express stores".

Focusing on customer experience, enhancement of operating efficiency, online platform and expansion of market share, Mangocity.com recorded growth in the business volume of air-ticketing and hotel reservation and achieved continual improvement in its operating results. Currently, Mangocity.com has approximately 4 million registered members and approximately 6,200 contracted hotels. Young Mango, which targets young people, has approximately 1,600 contracted hotels and approximately 500 youth and family hostels. In the second half of the year, the call center of Mangocity.com will be relocated to further reduce its operating costs. The headquarters building, with an investment of RMB245 million, is now under construction in Shenzhen High-tech Development Zone and will provide firm support for the continual development of Mangocity.com.

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. In the first half of the year, the Group's hotel operations recorded a revenue of HK$357 million, an increase of 17.3% over the same period last year, and profit attributable to shareholders of HK$140 million, an increase of 26.8% over the same period last year.

Benefiting from economic recovery which saw an increase in the number and spending power of visitors to Hong Kong and Macau, the revenue of the five hotels in Hong Kong and Macau amounted to HK$254 million, an increase of 20.4% over the same period last year. Its profit attributable to shareholders was HK$52 million, an increase of 16.6% over the same period last year. Average occupancy rate and average room rate went up from the same period last year.

Under economic recovery and a boosted tourist consumption under Shanghai Expo, the Group's hotels in Mainland China recorded a revenue of HK$103 million, an increase of 10.4% over the same period last year. Profit attributable to shareholders was HK$88 million, an increase of 33.6% over the same period last year. Excluding the effect of the appreciation in investment property revaluation, profit attributable to shareholders would have been HK$15 million, an increase of 32.1% over the same period last year.

CTS Metropark and its hotels strengthened brand marketing and management efforts; enhanced centralized procurement capability and reduced costs; fostered system formation; and strengthened provision of management services, securing 7 hotel management contracts in the first half of the year.

Scenic spots operations

The Group's scenic spots operations comprise Shenzhen The World Miniature Co., Ltd. ("Window of the World"), Shenzhen The Splendid China Development Co., Ltd. ("Splendid China"), CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd. ("Songshan Scenic Spot") and other scenic spots. For the first half of the year, the segment revenue amounted to HK$332 million, an increase of 54.6% over the same period last year. Profit attributable to shareholders was HK$96 million, an increase of 229.1% over the same period last year. Such growth was attributable, among others, to the growth of spending of travelers and the acquisition of business operations and resumption of growth in long established scenic spots under this segment at the end of last year.

Number of visitors at Window of the World amounted to 1.18 million, representing an increase of 6.9% over the same period last year. It contributed a revenue of HK$153 million, an increase of 6.2% over the same period last year, and profit attributable to shareholders of HK$28 million, representing an increase of 9.6% over the same period last year. On 23 June 2010, "Flying Over America", a motion simulator theatre project with an investment of approximately HK$100 million, was launched to the market. It signified the change of Window of the World from a static sightseeing theme park to a modern theme park with tourist participation, culture and entertainment.

Number of visitors at Splendid China amounted to 0.65 million, representing an increase of 23.2% over the same period last year. It contributed a revenue of HK$77 million, representing an increase of 9.2% over the same period last year, and profit attributable to shareholders of HK$6 million, an increase of 57.9% over the same period last year. Splendid China focused on events and activities and explored the markets of foreign visitors and students to expand the market share. At present, the overall renovation programme is under active preparation.

Revenue of the newly acquired Songshan Scenic Spot and other Scenic Spot companies, which mainly include 100% equity interest in Chengdu Huashuiwan Sakura Hotel Co. Ltd., 80% equity interest in Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co. Ltd., 30% equity interest in Changchun Jingyuetan Youle Co. Ltd., 20% equity interest in Huangshan Yuping Cable Car Co. Ltd., 17% equity interest in Nanyue Cable Car Co. Ltd., 30% equity interest in Huangshan Taiping Cable Car Co., Ltd. and 26% equity interest in Changsha Window of the World Co. Ltd., was HK$102 million. Profit attributable to shareholders was HK$62 million. Excluding the negative goodwill arising from recognition at fair value in respect of the newly acquired interests in scenic spots, profit attributable to shareholders was HK$23 million. Upon completion of the joint venture in respect of Songshan Scenic Spot, operations and management and marketing efforts have been stepped up, and cooperation with travel agencies has been reinforced effectively, contributing to a year-on-year increase of about 60% in group-tour visitors.

Resort operations

The Group's resort operations comprise Zhuhai Ocean Spring Resort ("Zhuhai OSR") in Zhuhai, Guangdong Province and Xianyang Guanzhong Hot Spring ("Xianyang OSR") in Xianyang, Shaanxi Province. In the first half of the year, the segment recorded a revenue of HK$196 million, an increase of 18.3% from the same period last year, and a reduced loss attributable to shareholders amounting to HK$177 million (loss attributable to shareholders of HK$228 million for the same period last year), attributable to recovery of the tourism industry and increase in consumer spending from leisure travel in Mainland China, despite still being affected by a depreciation expense of approximately HK$104 million arising from shortening of useful lives of certain fixed assets.

Zhuhai OSR emphasized on maintaining its market influence, and in particular it made an effort expanding its conference market, the revenue of which grew by about 30.4% over the same period last year. The master planning of Phase 2 tourism and tourism property projects are currently under heavy preparation. Certain fixed assets in Zhuhai OSR, whose useful lives have been shortened last year, will be fully depreciated this year.

Xianyang OSR recorded a substantial increase of 97.8% in its turnover over the same period last year, thanks to good sales during peak season of the business market around Lunar New Year, the launch of promotional activities in low season, and the gradual consolidation of its hot spring brand and recognition in the "Xi'an and Xianyang region". The five-star conference hotel complementary to the hot spring center was under construction.

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"). In the first half of the year, the Group's passenger transportation services recorded a revenue of HK$147 million, an increase of 2.6% over the same period last year, and loss attributable to shareholders of HK$172 million, compared to a profit of HK$4 million from the same period last year. It was mainly due to the provision of impairment of investment cost of Shun Tak China Travel in the amount of HK$175 million.

During the period, CTTT had 2.87 million passengers, representing an increase of 0.4% over the same period last year. It recorded a revenue of HK$147 million, a slight increase of 2.6% from the same period last year, and profit attributable to shareholders of HK$12 million, a decrease of 6.1% from the same period last year. Although affected by the increase in oil price, in response to the growth of individual visitors, CTTT stepped up its efforts in expanding its long-haul transportation business which generated about 6.9% growth in the number of passengers carried. More stops have been added along short-haul "Hong Kong-Shenzhen Border" routes for effectively attracting passengers nearby. Subsequent to the analysis and adjustment made on the routes, the Macau arm of CTTT recorded a year-on-year growth of about 9.7% in number of passengers carried.

The operation of Shun Tak China Travel was affected by the high global oil price and the keen competition in the route between Hong Kong and Macau. Since 2008, the operating condition of Shun Tak China Travel did not meet the Group's expectation. Taking a prudent stance, the Group made a provision for impairment of investment in Shun Tak China Travel in the amount of HK$175 million, which resulted in an increase in the Group's share of loss to HK$184 million. The impairment was made with reference to the operation of the investment project and did not take into account the market value of the assets owned by Shun Tak China Travel. Nevertheless, the shareholders of Shun Tak China Travel will strive for further improving the operating results of Shun Tak China Travel. Netting out the effect of provision for impairment, the Group's share of loss from Shun Tak China Travel was HK$9 million, compared to share of loss of HK$8 million in the same period last year.

Golf club operations

Still affected by the expansion and reconstruction works in progress at the golf course, the revenue of the CTS Tycoon (Shenzhen) Golf Club ("Tycoon") in the first half of the year was HK$23 million, a decline of 11.2% from the same period last year. The loss attributable to shareholders was HK$6 million, compared to a loss of HK$9 million in the same period last year. Towards the end of February, the reconstruction project for the 27-hole "Dye" course was completed and operations commenced, and the construction project for the 18-hole "Hurdzan" golf course commenced immediately afterwards. Membership upgrading and sales of new membership started and service quality were enhanced, effectively increasing market awareness of Tycoon. Currently, construction works of the Hurdzan course and the new clubhouse are underway.

Arts performance operations

China Heaven Creation International Performing Arts Co., Ltd. continued to work on the regular performance shows of "The Legend of Kung Fu" in Beijing, "Himalaya" in Lhasa and "Dreamer" in Guam, and was also engaged in other creative planning work. Upon strenuous planning, "The Legend of Kung Fu" was brought to performance at the self-owned White House Theatre in Branson, Missouri, the United States of America from 1 July 2010 onwards. Meanwhile, work has been expedited in fostering cooperation with Vienna Group, Austria in respect of the introduction and export of performance shows.

Power generation business

In the first half of the year, the share of profit of the jointly-controlled entity, Shaanxi Weihe Power Co., Ltd., was HK$91 million, representing an increase of 121.3% from the same period last year, primarily benefited from the stable on-grid electricity volume, the rise in on-grid tariff and the reduction in depreciation expenses in the first half of the year.

COMPLETION OF DISPOSAL

The disposal of the Group's travel agency business in Mainland China at a cash consideration of HK$205 million pursuant to the conditional sale and purchase agreement entered into between the Group, CTS (Holdings) and Fame Harvest (Hong Kong) Limited, a wholly-owned subsidiary of CTS (Holdings), on 22 June 2009 was completed on 30 June 2010. For detailed information, please refer to the circular of the Company dated 3 July 2009.

CORPORATE SOCIAL RESPONSIBILITY

In the first half of the year, CTSHK started to organize a national education activity "Passing on the Torch" initiated by the HKSAR Government, under which CTSHK will arrange a total of 30,000 Hong Kong students to participate in exchange tour to cities in Mainland China during the period from 2010 to 2012. CTSHK organized group tours to visit the poverty-stricken areas in Guizhou and typhoon-affected areas in Kaohsiung for poverty and disaster relief, and to make donation to local governments based on the criteria of "CTSHK to donate five dollars for every participant in the group tours". CTSHK also organized the Tea Horse Trail trip initiated by Sowers Action, an education development organization in Hong Kong, for raising tuition fees for poor students in Mainland China. For promoting environmental awareness and energy saving at its hotels, CTS Metropark compiled a Manual on Energy Saving and Waste Reduction. Response was enthusiastic among the Group's staff in donating money and presenting their good wishes to victims of the earthquake in Yushu, Mainland China.

BUSINESS PROSPECTS

According to the latest economic outlook by the International Monetary Fund, the global economy activities were stronger than anticipated in the first half of 2010. Despite the recent fluctuation in the financial market, the global economy recovery will nevertheless continue. The growth momentum in Hong Kong and Mainland China will continue, and notwithstanding any retreat of the pace of economy growth in the second half of the year, spending sentiment of travelers is not expected to be materially affected and the basic situation of the overall sound performance of tourism economy will not change. A notice was issued by the General Office of the State Council of the PRC at the end of July, requiring actual work allocation for putting the "Opinions on Accelerating the Development of Tourism Industry" to real practice, which will contribute to the further expedition of the development of tourism in Mainland China, Hong Kong and Macau. Coupling with the pulling effect on tourism created by the hosting of Shanghai Expo, this will create good opportunity for the development of the Group.

Despite the steady recovery of the tourism industry, the industry sees fierce competition and the change in market conditions and rapid development of competitors pose threats and challenges to the development of the Group. Maintaining its focus on the deployment of tourism resources, the Group will seize quality and scarce tourism resources through mergers and acquisitions and provision of management services, attaining a diversified profit models. In respect of existing assets, the Group will continue to improve the efficiency and profitability of such assets to enhance their return, especially to further improve the operating results of Mangocity.com, Zhuhai OSR and Xianyang OSR. The Group will actively foster the construction of those projects in progress, focus on the planning and commencement of construction of phase 2 of Zhuhai OSR, and expedite the development of tourism property projects. It will also focus on hotel construction at Xianyang OSR, and the expansion and reconstruction of golf courses of Tycoon. Facing drastic change in market conditions, efforts will be made in formulating corresponding revisions to the direction of corporate development, profit model or core products, for enhancing the capability of sustainable development of the Group. Strenuous efforts will also be made in formulating strategies of capital market transaction and means of financing in line with the development direction of the Group, for achieving a big leap of development.

Adhering to the principle of prudent financial management, the Group is in sound financial position and able to tackle challenges and grasp development opportunities. On the whole, the Group is confident of the prospects of development of tourism as well as of the Group, and will strive for better return for its shareholders.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2010, the Group had a total of approximately 13,000 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.

On 18 June 2010, the Company granted 129,510,000 share options to qualified employees and directors at an exercise price of HK$1.70 per share, the exercise period of such share options is from 18 June 2012 to 17 June 2020.

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 2010, the cash and cash equivalents of the Group's amounted to HK$1,936 million whereas the interest bearing bank and other borrowings amounted to HK$234 million. The debt to capital ratio was 13.8% and the debt includes bank and other borrowings, trade and other payables, and amounts due to the immediate holding company and 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 AND CONTINGENT LIABILITIES

As at 30 June 2010, the Group's bank deposits of approximately HK$11 million (31 December 2009: HK$33 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 2010, the Group's buildings were pledged to secure banking facilities with an aggregate net carrying value of HK$7 million (31 December 2009: HK$18 million).

As at 30 June 2010, the aggregate carrying amount of the Group's investment properties which were pledged to secure banking facilities was HK$13 million (31 December 2009: HK$13 million).

As at 30 June 2010, the Group's performance bond given to a customer for due performance of a sales contract was HK$0.3 million (31 December 2009: HK$0.4 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 2010.

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 and E.1.2 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 2010.

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.

Code Provision E.1.2 specifies that the chairman of the board should attend the annual general meeting. For job reason, the chairman of the Board of the Company has not attended the Company's annual general meeting held on 25 May 2010.

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 2010.

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 for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (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 2010.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2009: Nil) for the six months ended 30 June 2010.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2010 has been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM REPORT

The 2010 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
Zhang Xuewu
Chairman

Hong Kong, 26 August 2010

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.