

**Operator:**

Good day, ladies and gentlemen. Welcome to the Universal Travel Group Investor Conference Call. My name is Weston and I will be your operator for today. At this time all participants are in a listen-only mode. As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today's call, Johnny Wang. Please, go ahead sir.

**Johnny Wang:**

Thank you, Wes. Good morning and welcome to Universal Travel Group's Investor Conference Call to discuss and answer investor questions regarding the Company's business and financial statements. Universal Travel Group's management received many investor questions prior to today's call and we have consolidated and summarized to avoid duplication. CCG will ask questions on behalf of investors submitted via email and the management will open the call for live Q&A if time allows.

With me today are Universal Travel Group's Chairwoman and Chief Executive Officer, Ms. Jiangping Jiang, Interim Chief Financial Officer, Mr. Jing Xie, and Audit Committee Chairperson, Mr. Lawrence Lee.

Before I turn the call over to Ms. Jiang, may I remind our listeners that in this call, management's prepared remarks contain forward-looking statements, which are subject to risks and uncertainties, and management may make additional forward-looking statements in response to your questions.

Therefore, the Company claims the protection of the safe harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company's filings with the Securities & Exchange Commission.

On the call today we may mention adjusted financial measures during the discussion of our performance. Reconciliations of those measures to comparable GAAP information can be found in the Company's previous earnings release.

Now I would like to hand the call over to Ms. Jiangping Jiang, CEO of Universal Travel Group.

**Jiangping Jiang:**

女士们、先生们，大家上午好！

旅程天下——UTA，是国际资本市场中的一员，它的成长和发展受到投资界的高度关注，作为 UTA 的董事长，我非常真诚地希望与大家沟通，来认识一个真实的旅程天下。

中国 30 年的改革开放及经济的迅速发展，为旅程天下这样的企业提供了前所未有的机遇，依靠艰辛创业，艰苦工作和团队协作，旅程天下从小到大，从私人企业成长为中国旅游行业的领先企业之一。在过去的几年里，公司获得多项荣誉，包括：2010 年亚洲·大中华区最受好评旅行社，连续多年被中国国际航空公司、南方航空、深圳航空、海南航空评为优秀代理人 and 诚信合作伙伴。

旅程天下几年来保持了业绩平稳较快的增长，对于这些成就我们感到非常自豪。今天，作为一个上市企业，我们公司管理层也感觉到了强烈的责任感。

由于全球金融危机的影响，所有股市受到了前所未有的挑战。旅程天下的股票也经历了一些波动。作为公司管理层，我们将继续集中精力带领公司团队努力工作，把发展公司业务放在首要位置，努力创造新的业绩。随着中国经济的快速增长和消费者收入水平的提高，随着中国工业化城镇化的推进，城市人口比例不断快速增长，将创造有史以来最为巨大的国内需求，市场极其广阔，发展空间增大，人们的消费意识增强，给旅程天下带来了非常广阔的市场和发展空间，我们可以请投资者放心，我们有信心在未来取得较快的业绩增长，走出自己创新的、可持续发展的道路。

与此同时，旅程天下将不断提高内部控制和公司治理，提高服务质量，改善员工待遇，维护企业公平正义。

作为上市公司，我们将严格遵守上市规则，保证公司在信息披露方面的透明度。我们反对恶意的不符合事实的诽谤，因为它不仅损害公司的利益，也给各位股东带来损失。但是，我们欢迎投资界的监督，并希望通过各种正常的渠道与投资者保持密切的沟通。

我们讲究宽容但有原则，在维护我们企业发展和声誉方面，我们决不妥协。我们相信，只有这样才有利于维护我们股东的合法权益，才有利于维护我们公司在资本市场的良好声誉，才有利于维持市场环境的公平和公正！我相信，时间和将来会是我们最有力的证明。

女士们、先生们，我们诚恳地邀请你们有机会到中国来，亲眼看看中国这个古老的东方大国发生了翻天覆地的变化，亲自感受中国经济发展的巨大潜力；我们也诚恳地希望各位来中国享受我们的度假和旅游服务。下个月 11 日，我们将召开股东大会，我们的员工们真诚地期待股东们到中国来，参观我们在中国各地的 11 家子公司和超过 30 个门市网点，来亲眼目睹一个真实的旅程天下。

Thank you. Jenny, CEO Universal Travel Group.

#### **Ichi Shih:**

Ladies and gentlemen, Universal Travel Group is a member of the global capital markets and we received support and attention on the Company's growth and development throughout the years. As the Chief Executive Officer of UTA, I would like to take this opportunity to speak with our shareholders and investors about Universal Travel Group's business and growth.

As the domestic economy started to flourish, Universal Travel Group experienced a transformation from a small private enterprise to a U.S.-listed corporation through hard work and capital injection. In the past few years, Universal Travel Group and its management received many industry and leadership awards, which include 2010 Top Rated Travel Agency in Greater China Award and a series of Award of Excellence as a business partner and ticket agency from Air China, China Southern Airlines, Shenzhen Airlines, and Hainan Airlines in the past few years consecutively.

We are proud of the milestones we have achieved through our diligent efforts and thankful for the support we have received from investors and members of the investment community throughout the years. At the same time, Universal Travel

Group's growth and investors' support instilled a strong sense of responsibilities for the management.

The global financial crisis has impacted all parties in the financial world, including Universal Travel Group. Similar to other U.S.-listed public companies, we are overcoming the obstacles and will try our best to endure.

Ladies and gentlemen, we are confident that we will be able to achieve new heights and milestones for the Company and we are optimistic about our future. Expanding our business and achieving steady financial growth is the most important task at this moment. As China continues to achieve more than 10% growth rate in GDP, Chinese citizens' earnings, standards of living, and purchasing power are increasing, which presents a huge market for Universal Travel Group's service platform and great potential for our financial performance in the future.

We are committed to further improve corporate governance, elevate service quality, reevaluate employee compensation, maintain fairness in conducting our business, achieve business expansion and develop our business to a more comprehensive and profitable platform.

As a U.S.-listed public company, we are committed to transparent and effective communication and disclosure with the investors. We do not welcome stock manipulators and short sellers using incorrect information, as this will cause damages to both the Company and our shareholder value. We kindly ask our shareholders and investors to help the management to monitor and end these behaviors. We are confident that we will be able to weather this storm and come out even stronger than before.

We believe in forgiveness but we have to act according to our principles. We will not compromise our corporate ethics and reputation in the capital markets. We believe these are the core building blocks to maximize shareholder value and protect our reputation in the investment community.

Ladies and gentlemen, we are confident about our future growth and willing to take the responsibilities to work together with you to build a world-class travel services company. We welcome you to travel to China to experience the economic growth and natural beauty. We are eager to provide travel services for all the interested travelers. We will hold our Annual General Meeting on October 11<sup>th</sup>, 2010. We welcome all of our shareholders to attend our Annual General Meeting and visit our 11 subsidiaries and over 30 branch offices for a personal first-hand experience of Universal Travel Group. Thank you very much.

**Johnny Wang:**

Thank you, Ms. Jiang. We will now proceed with the prepared Q&A session.

Our first question: Have you noticed any pressure on your airline ticket commissions since the major airlines signaled that they would be cutting commissions paid to travel agencies and what impact will this decision by the airlines have on your package tour margins?

**Jing Xie:**

The cut in commissions is in line with the seasonality in the airline business. We expect commission rates to adjust after the high season and when air-ticket price drops. We do not anticipate significant pressure on our annual results and we are, as we speak, comfortable with our guidance for the year. In addition, we do not expect any material impact on our package tour margins.

**Johnny Wang:**

Thank you. Question number two: What were the revenues, earnings, and earnings per share for the six months ended June 30<sup>th</sup>, 2010? What are your projections for revenues, earnings, and earnings per share for the six months ending December 31<sup>st</sup>, 2010?

**Jing Xie:**

For the 1H10, revenue was US\$62.8 million, net income was US\$10.1 million, and diluted earnings per share was US\$0.57. Consistent with our previously announced guidance, for the 2H10, revenue is expected to reach between US\$82.1 and US\$92.1 million, net income to reach between US\$16.87 and US\$17.87 million, and diluted earnings per share to reach between US\$0.78 and US\$0.88. We will update our annual guidance after our 3Q earnings.

**Johnny Wang:**

Thank you. Question number three: What is the current cash balance? Of which, how much are from the secondary offerings and how much are kept as USD, or deposited in an offshore bank? What interest rates are these deposits subject to?

**Jing Xie:**

We have approximately US\$43 million in cash and cash equivalent as of June 30<sup>th</sup>, 2010. Of which, US\$19 million is from our secondary offerings in June 2010 and about US\$25 million are kept as US dollar or HK dollar in our offshore bank. For US dollar and HK dollar deposits, we receive minimal interest. For all our cash balance in RMB, they are all under current interest rate at approximately 0.36%p.a.

**Johnny Wang:**

Thank you. Question number four: What is the amount of short-term debt and long-term debt on the balance sheet?

**Jing Xie:**

We have no short-term or long-term debt as of June 30<sup>th</sup>, 2010.

**Johnny Wang:**

Thank you. Question number five: Do the new auditors have any concerns about previous financial statements? Will there be any adjustments to financial reports?

**Jing Xie:**

Our new auditors, GKM, have not yet performed any review or audit of our financial statements and have not expressed any concerns to management regarding our previous financial statements.

**Johnny Wang:**

Thank you. Question number six: What is UTA's segment and sales channel breakdown? Is the online or offline business more important to Universal Travel Group?

**Jing Xie:**

For the 2Q10, UTA's revenue breakdown consisted of 73.6% from packaged tours, and approximately 16.6% from air-ticketing, and with the rest 9.8% hotel reservations. In our packaged tours segment, 100% of revenue is booked offline.

In our air-ticketing segment, over 80% of revenue comes from our call center and wholesaler channel, and about 20% is online related, meaning that the transaction is generated by our website, and less than 2% of these transactions are booked using online payments.

In our hotel-reservation segment, 70% of revenue is from call center and franchisees, 30% is online related, and most hotel bookings are paid by customers at hotel's front desks. But most of the online transactions are still handled and finalized by our call center representatives.

We have sold total approximately 2.4 million air tickets in 2009. Approximately 480,000 are online related and less than 48,000 are paid online.

Universal Travel Group is an online and offline travel agency, and the Company will balance the different channels as the travel market evolves and consumer preferences change.

**Johnny Wang:**

Thank you. Question number seven: Is Universal Travel Group going to disclose the USD value of its gross travel bookings within each of its business lines?

**Jing Xie:**

Our reporting is in accordance with US GAAP and similar to industry standards. We only book commission as revenue we earn for air tickets and hotel bookings, gross value of airfares and hotels bookings are not accounted as revenue. This is how the industry reports revenues. For the packaged tour segment, we report the gross tours bookings as revenue since we act as a principal in the transaction.

**Johnny Wang:**

Thank you. Question number eight: Why does Universal Travel Group not classify its expenses more similarly to Expedia, Priceline, or Orbitz? This would facilitate financial comparisons with U.S.-based travel agencies.

**Jing Xie:**

Our business model and cost items are different and therefore classification is not the same with these U.S.-based travel agencies. More specifically, there is no similar “package tour” model in the U.S., which is very common in China.

**Johnny Wang:**

Thank you. Question number nine: Where can the travelers pick up physical airline tickets? What if the traveler is not in China?

**Jing Xie:**

All air tickets issued in China today are e-tickets, so most of our customers do not need a physical ticket. For those travelers who travel in China, they know that they can check in and receive their boarding passes with their ID. So to save cost, we only have airport counters now in Shenzhen. If customers need official receipts, we do have mailing options in our booking confirmation pages and travelers can contact our call center and we will mail the receipts to them.

**Johnny Wang:**

Thank you. Question number ten: If any, what is your intersegment revenue and sector break down?

**Jing Xie:**

Revenue from air ticket and hotel reservations is commission based, and packaged tour revenue is gross based, as I just explained, so they do not overlap in nature. For example, if the air ticket is a part of the packaged tour, there is no commission booked under the air-ticket business segment, but the whole ticket value will be booked as a part of the cost of service for the packaged tour segment.

**Johnny Wang:**

Thank you. Question number 11: What percentage of sales comes from the Chinese language website versus the English version website?

**Jing Xie:**

Over 99%, almost 100% of our online sales are from Chinese website versus less than 1% from the English version website.

**Johnny Wang:**

Thank you. Question number 12: Is the Company considering a share buyback?

**Jing Xie:**

Our Board reviews this matter from time to time and makes decisions based on a variety of business considerations as well as what it believes to be in the best interest of all our shareholders. Our strategy continues to be oriented towards growth and capturing opportunities in a market that is still heavily fragmented and experiencing continued rapid growth and consolidation. We also believe that the current weakness in

the valuation of our stock is temporary and remain confident that we can continue to generate strong growth in our top and bottom lines.

**Johnny Wang:**

Thank you. Question number 13: Would the Company consider a dividend to be paid to the shareholders?

**Jing Xie:**

We do not have plans to pay a dividend in the near future. We continue to believe that the best possible use of our cash in the current business environment is to invest in growth.

**Johnny Wang:**

Thank you. Question number 14: Is Universal Travel Group considering debt financing as opposed to equity financing in the near future?

**Jing Xie:**

We have no plans for any financing in the near future. As you may know, long-term debt is still not widely available in China. However, this is an option we may consider in the future as our Company gains scale and the capital markets mature. We will evaluate these options in the best interest of our shareholders.

**Johnny Wang:**

Thank you. Question number 15: How many employees do you have? Can you please confirm your salary expenses and headcount for the most recent quarter and year?

**Jing Xie:**

Yes. As of end of December 2009 and June 2010, we had approximately 780 and 689 employees, respectively, which include administrative, marketing, and general staff. On average, administrative employees receive RMB 4,000 a month for their salaries; general staff receive approximately RMB 2,000 per month; and marketing staff are paid on a commission basis, which is varied based on performance.

We had about 200 employees at the end of 2008. We established Chongqing and Shenzhen Universal Travel Agency in the 2Q09 and our new call center in Shenzhen was established in October 2009. Most of our 780 employees at the end of 2009 are hired and trained in the 4Q09. But remember: total number of employees may vary from time to time as we experience employee turnover and integration.

**Johnny Wang:**

Thank you. Question number 16: What is your website traffic information from Internet traffic monitor websites, such as Alexa.com or China Rank? What is the website traffic information for the CBA-hotel site? Do you consider the traffic and conversion rates low or high when compared to peer group?

**Jing Xie:**

Our website, CNUTG.com, is ranked 16,658 in Alexa.com's global website ranking in a three-month average. According to the data, our website receives over 55,000 individual visitors and we receive over 340,000 pages viewed per day. China Rank shows many different Internet traffic information for many other websites compare to Alexa.com, so we are not able to comment on their data.

CBA-hotel used to have over 200,000 PV per day, but their conversion rate is low when we acquired them in 2007. After integration, most of its retail traffic has been integrated into our CNUTG website.

And in comparison, we consider our traffic ranking is in line with our operation. Ctrip is ranked about 1,000 globally, with approximately 750,000 individual visitors per day, and Elong is ranked approximately 3,600 globally, with about 234,000 individual visitors per day, also from Alexa.com. Compared to them, our website has relatively lower conversion rate, so our Company has great potential on improving the conversion rate going forward.

**Johnny Wang:**

Thank you. Question number 17: Why is Universal Travel Group not listed in the top 100 on China Rank?

**Jing Xie:**

We do not know how China Rank picks the "top 100", and many of the top 100 ranks are lower than our site ranking in Alexa.com. So, we have no comment to the top 100 results on China Rank.

**Johnny Wang:**

Thank you. Question number 18: There are some concerns regarding the Chinese version of the website. Is the Chinese website running smoothly?

**Jing Xie:**

Yes. Our Chinese site has been working smoothly and we will try our best to maintain and upgrade in the future. Traffic information from Alexa.com shows that we have about 55,000 visitors per day in a 3-month average and about 50,000 visitors 6 to 12 months ago, which is a very stable growth in our website traffic.

**Johnny Wang:**

Thank you. Question number 19: Can international residents book travel products via the Company's website?

**Jing Xie:**

Yes. International residents are able to book travel products departing within China. This is due to Chinese regulations; we cannot sell travel products with the departure city or the start point of the tour outside of China.

**Johnny Wang:**

Thank you. Question number 20: Can you make credit card payments on the website?

**Jing Xie:**

Yes. However for security reasons, we require verbal confirmation for international credit card users and more information may be needed for first-time users. This is common practice in China and we are considering on adding more payment options. Whether or not automated credit card payment will be implemented will depend on the support from the banking system in China. Chinese bank card holders have to activate their cards at the branch counter before they can use the online payment function.

**Johnny Wang:**

Thank you. Question number 21: Is Universal Travel Group's online transaction process any different from that of Ctrip or Elong?

**Jing Xie:**

Frankly speaking, most of the process of website transactions are the same as our industry peers.

**Johnny Wang:**

Thank you. Question number 22: When is a traveler able to purchase tickets without human intervention on the Chinese language site? Is it due to cultural reasons that Chinese travelers prefer and feel more secure to process payment over the phone?

**Jing Xie:**

Our website has automatic online ticket purchase function, but our customers may still need help with our call center staff. It is common customer behavior now that we cannot change and not able to foresee when this will be changed in the future.

**Johnny Wang:**

Thank you. Question number 23: Is the English website functioning?

**Jing Xie:**

Yes, our English site is functioning.

**Johnny Wang:**

Thank you. Question number 24: How do you see the Company's use of internet change in the future?

**Jing Xie:**

We will focus to improve our website and encourage our customers to use more of our services on the Internet.

**Johnny Wang:**

Thank you. Question number 25: Much of the information on the investor site, [us.cnutg.com](http://us.cnutg.com), is out of date. When will the information on this site be updated?

**Jing Xie:**

Our IR website is maintained by a third party. And we will monitor the website and update regularly in the future.

**Johnny Wang:**

Thank you. Question number 26: Will the management address investor concerns from Yahoo! message boards or any other blogs?

**Jing Xie:**

As a matter of policy, we do not comment on rumors or any comment posted in chat rooms or similar forums. However, we will monitor chat rooms and will take necessary legal actions to anyone who posts any defamation or harm to our Company.

**Johnny Wang:**

Thank you. Question number 27: What was the reason for the departure of Universal Travel's former CFO? Why did you hire new auditors or switched auditors a few times in the past few years?

**Jing Xie:**

First of all, the one-year term contract with our former CFO came to an end at his departure. It was a mutual decision as Philip Zhang left Shenzhen for personal reasons. Secondly, in terms of auditors we planned to upgrade our auditor since we upgraded to New York Stock Exchange to reflect our profile. Due to several acquisitions, we cannot make the change in the middle, so it was effective after our 2Q10 earnings. We only switched the audit firm once as a result of the staff turnover in the audit firms.

**Johnny Wang:**

Thank you. Question number 28: Why did it take ten days for you to host this conference call?

**Jing Xie:**

We wanted to give everyone enough time to prepare thoroughly and raise all the questions and concerns that are on their minds and address them, hopefully, in one session as opposed to many sessions over an extended period of time.

**Johnny Wang:**

Thank you. Question number 29: It appears that the Kiosks were doing very well and the Company rolled out to 1,400 Kiosks from 600. So, why did the Company decide to sell the Kiosks?

**Jing Xie:**

Our Kiosks strategy was going very well, but as we rolled out additional Kiosks aggressively, our margin was under pressure by depreciation and operational cost. The sale of our Tripeasy Kiosks is a co-operation strategy to get partnership involved to achieve a win-win situation, as we are still able to sell travel products on the kiosks under 2 year exclusive terms, which will improve our margin without damaging our benefit. We believe this is in the best interest of our Company.

**Johnny Wang:**

Thank you. Question number 30: Can you please talk about the number of potential clients in your served area and the number of active clients? What is the percentage of domestic versus international bookings?

**Jing Xie:**

Our business network covers ten provinces, which is about 40% of China's population, approximately 560 million people. Our active client base so far has approximately 3 million travelers. Almost 100% of our bookings are domestically within China as our focus is to expand within China and grow domestic market share.

**Johnny Wang:**

Thank you. Question number 31: An investor emailed management a mention about the difference of travel business and behavior between the U.S. and China, saying "To travel in America, customers only need to book flight and hotel reservation and not the tourist package or tourist guiders. However, in China, travel agencies and packaged tours are widely used and has strong potential". Do you agree?

**Jing Xie:**

Yes, I agree. The travel industry and consumer behavior are very different in China, where there is huge potential and demand for packaged tour business. This is also what separates us from our competitors and an important part of our growth strategy. Thank you.

**Johnny Wang:**

Thank you Mr. Xie, thank you Ms. Jiang. This concludes the prepared Q&A session. That is all the time we have for today's conference call. On behalf of Ms. Jiang, our Chairwoman and Chief Executive Officer, we want to thank you for your interest and participation on this call. Feel free to contact us or the management if you have additional questions.

As a reminder, Universal Travel Group is holding its annual meeting of stockholders on Monday, October 11<sup>th</sup>, 2010 at 2:00 p.m. local time in Shenzhen, China. The Company is soliciting proxies so that each stockholder has an opportunity to vote on all matters that are scheduled to come before the stockholders at the Annual Meeting.

Whether or not you plan to attend, please take the time to read the Proxy Statement and vote by mailing a paper copy of your proxy or voter instructions card, so that your shares are represented at the meeting.

If you are interested in attending, please RSVP by contacting the management or CCG Investor Relations.

This concludes Universal Travel's Investor Conference Call. Thank you very much.

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