



香港中旅國際投資有限公司  
CHINA TRAVEL INTERNATIONAL INVESTMENT H.K.LTD

# 2016 Annual Results Presentation

March 30th, 2017



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# 1. Business Highlights



# Business Highlights

<b>Songshan Scenic Spot</b>	Initiated the Flagship Scenic Spot project, completed planning of tourist town and resort, acquired 400k sq.m. of land, target to break ground in 2H 2017. Existing operations maintained steady growth.
<b>Shapotou Scenic Spot</b>	New tourist service center completed in 4Q 2016, ready for operation in 2Q 2017, expected to drive revenue growth. Finished site selection and planning for other add-on products within the park.
<b>Anji Resort</b>	Club Med Hotel will open in 2H 2017, and development of land reserves will progress in orderly manner.
<b>Window of the World</b>	Continued to enrich product offerings - added “Trespasser” attraction and new fireworks show, highly rated by customers.
<b>Splendid China</b>	2016 visitor volume reached new high in last decade, 8% increase YOY. Launched new shows such as horse riding battle “Legend of the Desert” show in Jan. 2017, visitor traffic increased by 14% for 2017 Chinese New Year Holidays.
<b>Zhuhai Resort Evergrande real-estate development</b>	Presale of 50% real-estate development (in cooperation with Evergrande) launched in Dec. 2016, positive market feedback – 1 billion RMB in sales. Remaining 50% sales will be rolled out within 2017. Abundant land reserves for development, total 3 sq.km., of which 700k sq.m. for real-estate purpose.
<b>Optimize asset quality</b>	Disposed Jigongshan Scenic Spot and Chengdu Sakura Hotel, which were loss making or underperforming assets, realized HK\$ 72 million disposal gains.
<b>Management incentives</b>	In Sep. and Dec. of 2016, granted a total of 1.7 billion shares of share options, which further motivates management team toward accelerated growth.



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## 2. Business Review





## Product Innovation

- Brand new “Trespasser” attraction and firework show
- Enriched park content with over 10 new Chinese ethnic custom performance/shows
- New performance commenced in 2017: “Oriental Phoenix” dance performance, “Legend of Desert”

## Marketing & Promotions

- Collaborated with internet platforms to broadcast live shows and attractions of the park
- Festivals/special holiday events: South-east Asian Cultural Fest., Summer International Beer Fest., Chinese Cultural Water Fest, and etc.
- Cooperation with corporate clients such as Pingan Group, to increase visitor traffic of evening show and sales in corporate conference market



- **Window of the World:** visitors for the National Day Holidays (“Golden Week”) increased by 11%
- **Splendid China:**
- Sales of evening-tickets in the summer season reached 360k tickets, grew by 72.9%
- Corporate conference sales increased 175%
- Visitors in 2017 Chinese New Year Holidays increased 14%



## Marketing & Promotions

- Organized several unique promotion events: “Songshan Treasure Hunt and Shaolin Kong Fu Summit”, Songshan Red Leaf and Luya Water Fest.
- Placement marketing with over 10 highly rated national TV shows by Shapotou

## Specialized Products

- Launched a dozen specialized products and packages to meet market demand, featuring TV show “Dad, where are we going” experience, transformer, desert adventure, star camp, tour the sea of sand for elders, etc.

## Development Plan

- Drafted overall park development plan for Songshan, including numerous add-on attractions, namely Shaolin Kong Fu themed tourist town and resort, Taishi Mountain and Sanhuang Village cable cars, Luya Waterfall.



- Financial contribution from marketing and product development will be gradually reflected in future years.





## Real-estate progressed well

- Presale of Zhuhai real-estate project was positive, over 1 billion RMB in sales thus far. Remaining 50% sales will be rolled out within 2017, with ample land reserves to develop.
- Anji resort real-estate sales completed 30%.

## Management contracts SPA

- Asset light operations contributed to the bottom line – signed two SPA management contracts, Evergrande Ocean Spring and Sichuan Emei Time

## Introduced new products & attractions

- Introduced new products and improved customer experience through business cooperation or outsourcing: Aviclub helicopter tours, Snowy Fairyland and Fairy Tale Forest, fish market, etc.



- Real-estate sales revenues will start to be recognized accordingly around end of 2017.



## Travel Agency

- Decrease in revenue was mainly due to the fact that sales of Shun Tak tickets have been changed from whole sale into agency since April of last year, resulting in the relevant revenue being recorded in net amount instead of gross amount.

## Travel Documents

- Both revenue & profits declined, due to home permit business not in peak renewal years and Taiwan Compatriot Permit business impacted by new policy.

## Passenger Transport. & Other

- Profit of overall Passenger Transportation business maintained stable.
- Due to increase in depreciation, Bus operation profit slightly declined, offset by increase in share profit from Shun-Tak ferry operation. Shun-Tak ferry benefited from lower oil price and repair & maintenance expenses.



- Expected to maintain stable in the future, Travel Agency and Travel Documents operations will continue to contribute significant profit and cash flows.
- Bus operations have expansion and M&A plans in the Southern China Pearl River Delta area.





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## 3. Financial Review

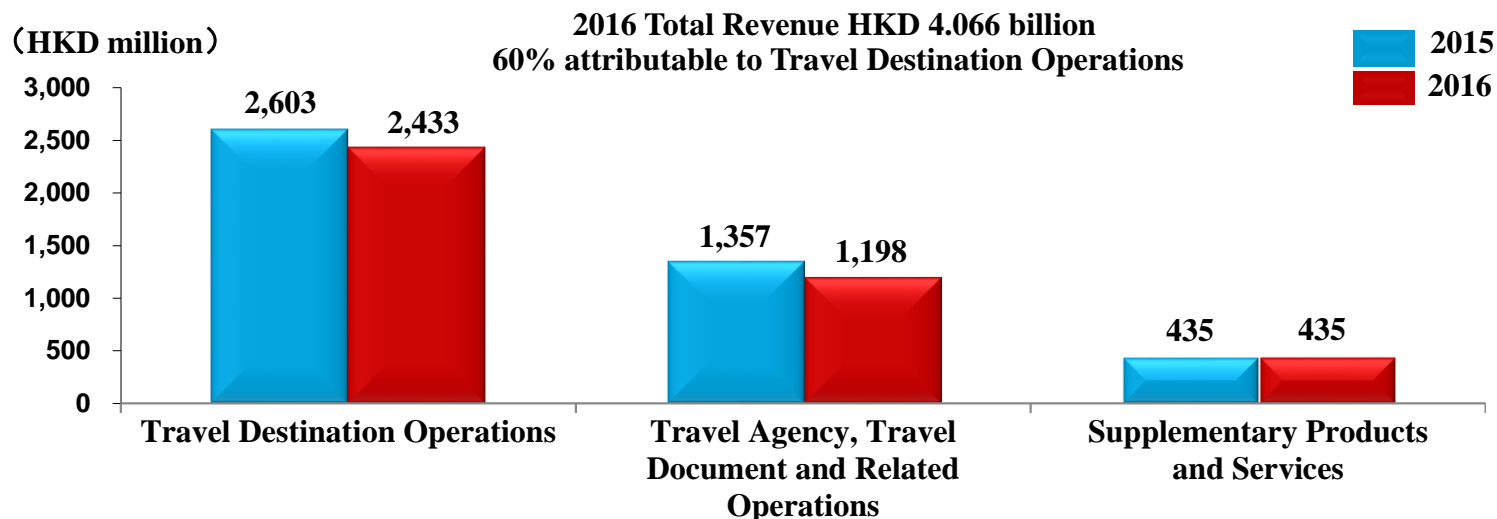


# Results Overview

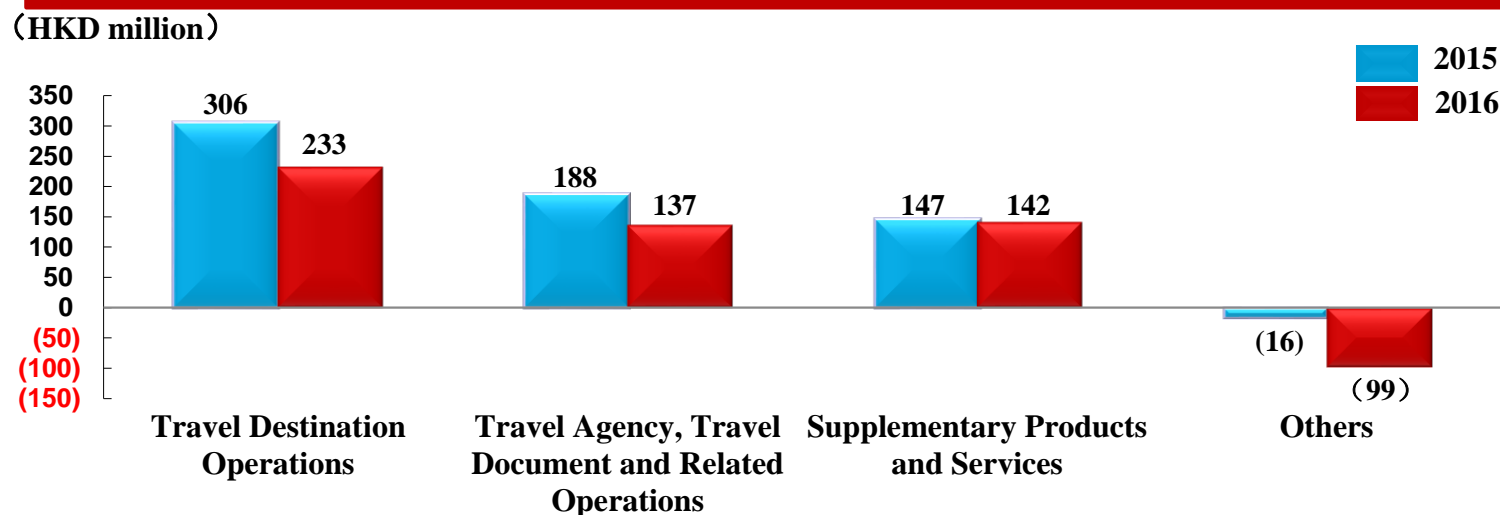
HKD (in million) 12 months ended December 31	2016	2015
Turnover	4,066	4,395
<b>Core tourism profit attributable to shareholders</b>	<b>413</b>	<b>625</b>
Non-recurring gains/losses:		
( - ) / + : Power plant related	( 65 )	663
+ : Disposal gain (Jigongshan & hotel)	65	-
( - ) : Impairment loss (Xianyang)	( 115 )	-
+: Other	54	65
Profit attributable to shareholders	352	1,353
Basic earnings per share (HK cents)	6.42	24.14
Final dividend per share (HK cents)	1.0	4.5
Final special dividend per share (HK cents)	1.0	2.5
Dividend payout ratio	62%	39%

# Results Overview by Segment

## Revenue by Segment



## Attributable Profit by Segment (excluded non-recurring items)

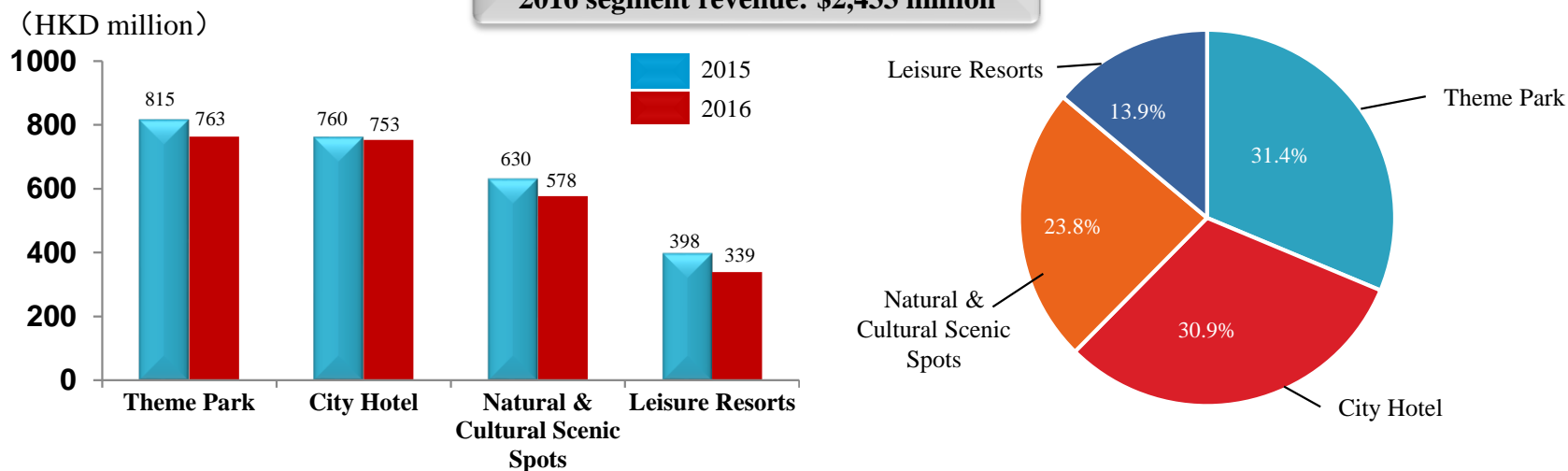




# Financial Results of Travel Destination Operations

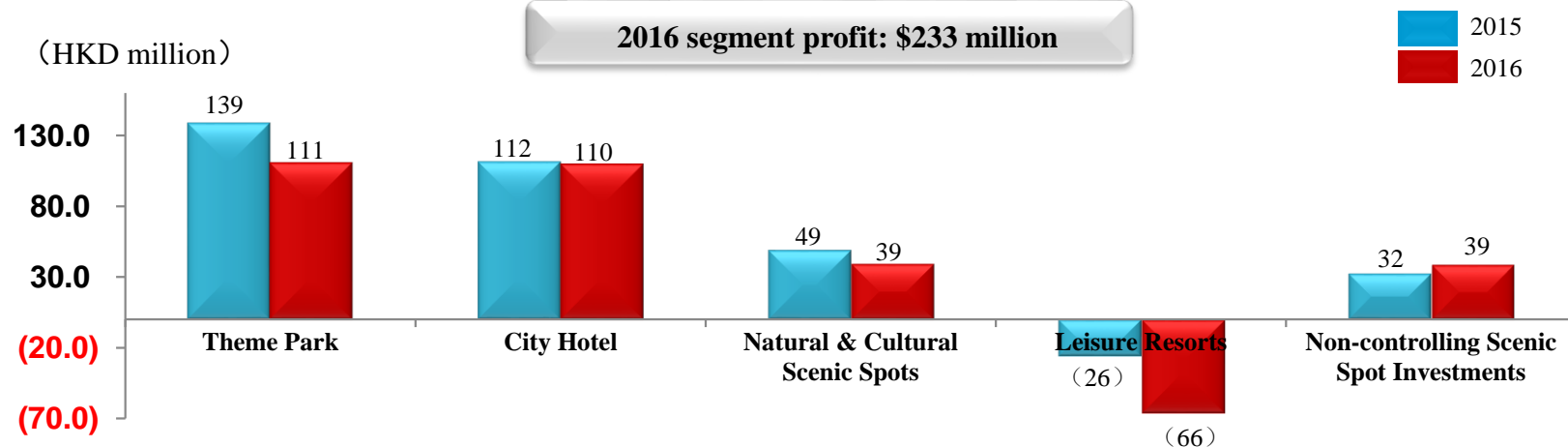
## Revenue

2016 segment revenue: \$2,433 million



## Attributable Profit

2016 segment profit: \$233 million



# Strong Balance Sheet

HKD (in billion)	2016	2015
Total assets	20	21.2
Equity attributable to shareholders	14.7	15.4
Net asset value per share* (HK\$)	2.69	2.78
Cash and bank balances and wealth management products, etc.	4.8	5.7
Net cash from operating activities	0.9	1.2

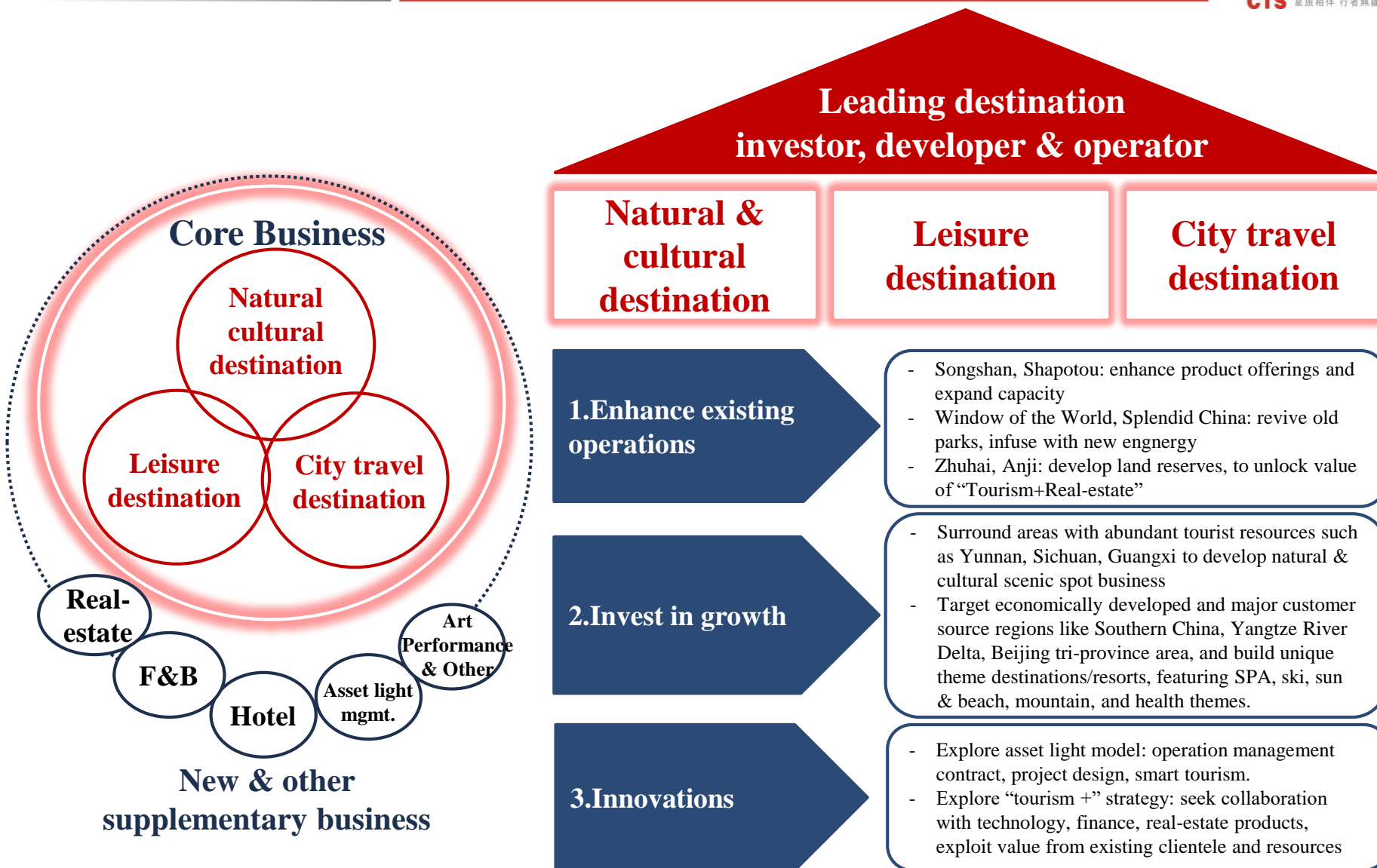
(\* Based on equity attributable to shareholders)



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## 4. Development Strategy & Outlook





# 1. Enhance Existing Businesses

## Songshan: Meditation & KongFu Theme Destination

Build KongFu tourist town

“KongFu” theme intergrated tourist town and resort

Add-on facilities & attractions

- Sanhuang Village glass trail
- Luya Waterfall water system renewal
- Red leaf trail and facilities

## Shapotou: China Top Desert Destination

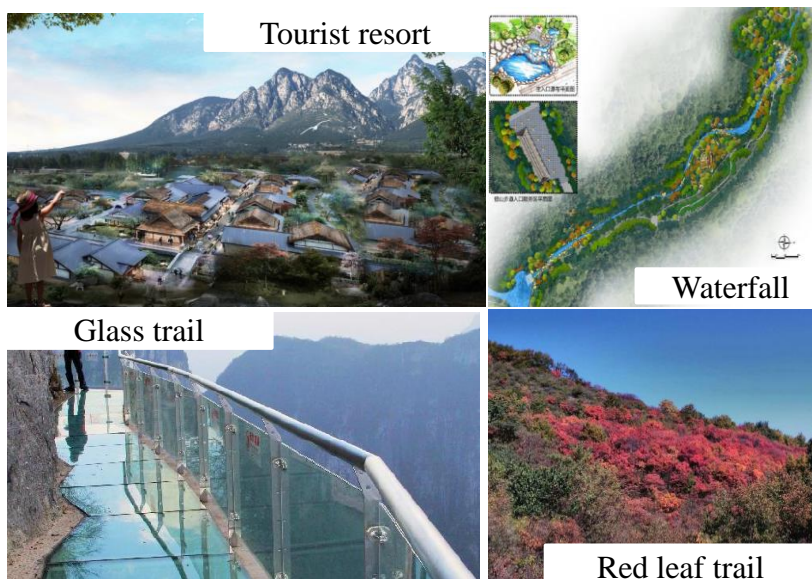
Open tourist service center

Multi-functional Integrated tourist service center

Enrich product offerings

- Desert water world
- Desert tent hotel
- Desert Sun hotel
- Children's theme park
- Yellow river suspension bridge

### Songshan scenic spot



### Shapotou scenic spot



- Enrich product offerings, diversify revenue streams
- Improve customer experience, extend staying time, increase in-park spending
- Expand capacity, increase traffic



# 1. Enhance Existing Businesses (cont'd)

## Window of the World: World Leading City Leisure Destination

Overall  
upgrade plan

Complete overall park renewal plan

Renew existing  
products

Renovate park lighting and art  
performance stage, upgrade Fly Across  
America, Fuji Theater attractions

Enhance  
customer  
experience

Smart phone app and Wechat app  
Expand wifi coverage in park



## Splendid China: China Village of Folk Cultures

Unique  
performance  
/shows

Upgrade horse riding battle show  
Launch rotary house and other new  
attractions

Mobile  
applications

Install Wechat and Ali Pay mobile  
payment system



- Through innovative products and facilities upgrade, improve customer experience, maintain market leadership and brand influence

# 1. Enhance Existing Businesses (cont'd)

## Zhuhai Resort: International Leisure SPA Tourist Town

### Update products & facilities

Upgrade existing products, craft new differentiated, profitable SPA theme leisure resort products.

### Development of land reserves

Presale of first phase real-estate joint venture (240k sqm) with Evergrande was successful. Plenty land reserves for further development, with attractive land appreciation upside. 3 sq.km. of land reserves in total, of which 700k sq.m. for real-estate purpose. Phase II development will help business operations of Zhuhai Resort as a whole.

### II Phase “Tourism+Real-estate”



Renew Art Performance



Renovate Water Park



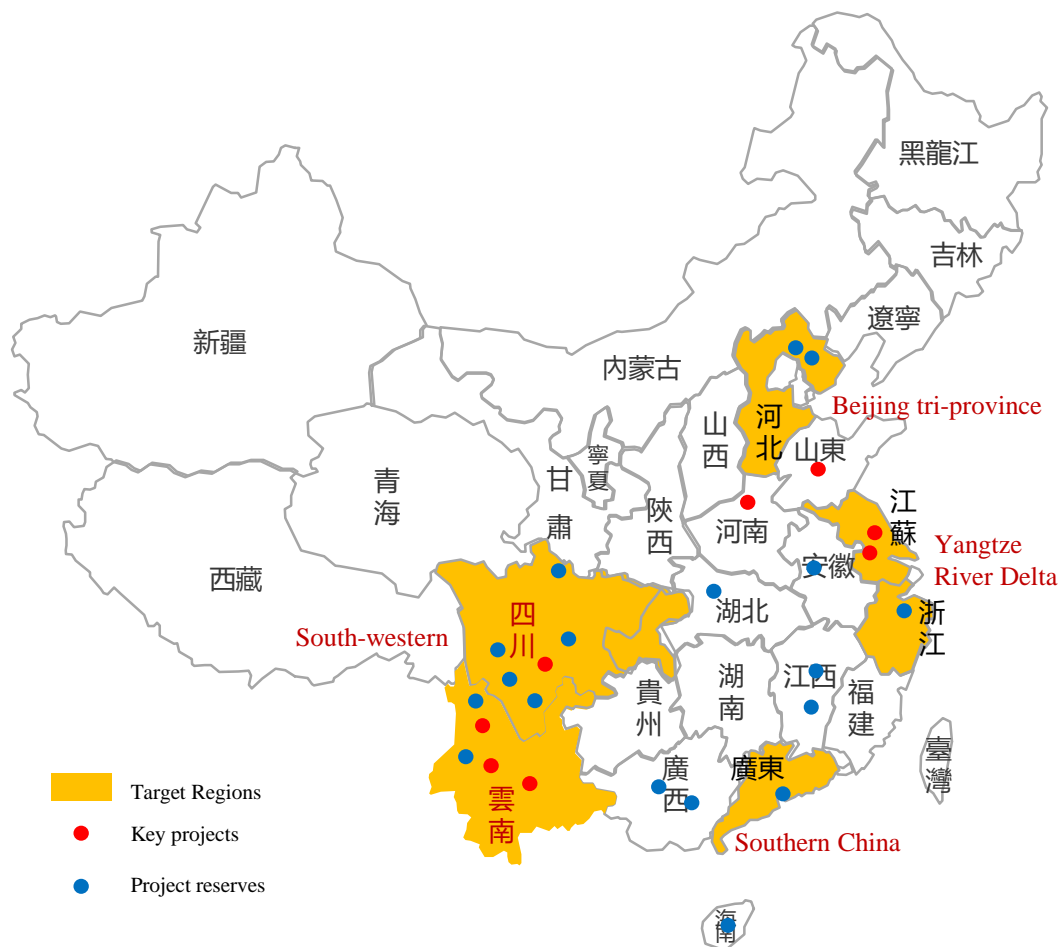
Update SPA



- Rebuild the Ocean Spring brand, craft differentiated and unique leisure products
- Phase II development of land reserves will help drive results of first phase existing tourist operations

## 2. Invest in Growth

### Concentrate on key markets/regions



#### 1. “Seize” resources, build natural & cultural scenic spot business

- Surround areas with abundant tourist resources such as Yunnan, Sichuan, Guangxi, develop natural & cultural scenic spot business
- Through strategic investment into sizable tourist enterprise “platform”, acquire a basket of operating and profitable tour attractions and sites, and expand scalably.

#### 2. Forge distinctive theme leisure destination and resorts

- Target economically developed and major customer source regions like Southern China, Yangtze River Delta, Beijing tri-province area,
- Build unique theme destinations/resorts, featuring SPA, ski, sun & beach, mountain, and health themes.

#### 3. Good progress

- Parent group signed strategic cooperation framework agreements with Yunan, Sichuan, Hebei province, collaboration on travel destination is the key objective.
- Cooperation discussions with numerous tourist enterprises and projects in progress
- Locked in targets in the Southern China area.



#### Explore asset light models



##### **Management contract:**

- Leverage our brand, operation and product development expertise, establish professional tour attraction management team to further strengthen our brand power and market influence.



##### **Cooperation in project design and marketing:**

- Form strategic alliance with professional tourism planning firms, jointly develop tour attractions/regional projects.
- Through cooperation with professional sales team, improve our image, publicity, and brand.



##### **“Smart” tour attractions:**

- Explore partnership with high tech company specialized in the development smart tourism applications, and harvest value from customer traffic through intelligent management system and travel data.

#### Explore “Tourism +” strategy



##### **“Tourism +” strategy:**

- Strategic investment in new tourism products, such as tourism + IT, tourism + finance, tourism + real-estate, and etc.
- Exploit value from existing clientele and resources.



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## 5. Investment Highlights





<b>1</b>	<b>Favorable industry environment</b>	<ul style="list-style-type: none"><li>■ Tourism is defined as a key industry in China 13th Five-Year Plan; development of travel destinations is stated as core objective in the Tourism Five-Year Plan; municipal governments issue favorable policies to support tourism development.</li><li>■ Structural upgrade of tourism demand will bring new opportunities</li><li>■ Continuous improvement of infrastructure will help expand market radius of tour attractions, increase consumer disposable leisure time.<ul style="list-style-type: none"><li>• HK-Zhuhai-Macau bridge will spur our existing business and bring new opportunities</li></ul></li></ul>
<b>2</b>	<b>Brand power</b>	<ul style="list-style-type: none"><li>■ Parent company, China National Travel Service Group (CTS) enjoys strong brand influence as the largest tourism central SOE in China.</li><li>■ CTS brand with over 90 years history, is well recognized by market.</li></ul>
<b>3</b>	<b>Growth potential</b>	<ul style="list-style-type: none"><li>■ Upside potential from existing tour attractions: add new product/content, encourage more on-site spending; extend capacity, drive traffic; enhance customer experience, grow ASP</li><li>■ Strong new project pipeline, drive top and bottom line growth</li></ul>
<b>4</b>	<b>Professional teams</b>	<ul style="list-style-type: none"><li>■ Over twenty years of experience in managing travel destinations</li><li>■ JV or strategic collaboration with specialized firms in progress, will further enhance our capabilities in tourism planning, sales, and “smart” travel solutions</li><li>■ Formed professional teams of attraction management, planning, design, operation, and product development specialties.</li></ul>

**5**

## **Synergy potential**

- Parent company, CTS owns the most comprehensive travel industrial chain, with strong market presence
- In the process of transforming from stand-alone tour attraction to comprehensive tourist destination operator, we can benefit significantly from synergy with parent company

**6**

## **Incentives**

- Improve compensation and incentive program
- Issued 1.7 billion shares of share options, management team fully motivated.

**7**

## **Strong financials**

- Healthy balance sheet
- Strong cash flows
- Consistent dividend policy

**8**

## **Asset value to unlock**

- Undervalued assets and properties to be revalued.
- Ample land reserves to be developed, considerable land value appreciation and development profits



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**Q&A Session**



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