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 2011

INTERIM RESULTS

The Board of Directors ("the Board") of China Travel International Investment Hong Kong Limited ("the Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with the comparative figures.

Condensed Consolidated Income Statement
For the six months ended 30 June 2011

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
REVENUE	*2*	**1,998,914**	2,330,281
Cost of sales		**(966,381)**	(1,420,088)
Gross profit		**1,032,533**	910,193
Other income and gains	*3*	**123,386**	115,772
Selling and distribution costs		**(290,172)**	(292,477)
Administrative expenses		**(471,568)**	(528,332)
Changes in fair value of investment properties		**50,413**	110,039
Other expenses	*4*	**–**	(188,948)
Finance costs	*5*	**(5,439)**	(9,629)
Share of profits and losses of:			
Jointly-controlled entities		**63,530**	91,322
Associates		**(5,693)**	2,645
PROFIT BEFORE INCOME TAX	*6*	**496,990**	210,585
Income tax expense	*7*	**(96,111)**	(105,607)
PROFIT FOR THE PERIOD		**400,879**	104,978

	Note	For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the Company		**349,246**	65,343
Non-controlling interests		**51,633**	39,635
		400,879	104,978
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK CENTS)	*9*		
Basic		**6.13**	1.15
Diluted		**6.13**	1.15

Details of the dividend for the period are disclosed in note 8.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

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

Condensed Consolidated Statement of Financial Position
As at 30 June 2011

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

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

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**532,116**	630,085
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(350,192)**	113,348
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(203,261)**	(318,244)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(21,337)**	425,189
Cash and cash equivalents at beginning of period	**2,387,675**	1,345,018
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,366,338**	1,770,207

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 financial statements of the Group for the year ended 31 December 2010.

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim financial information are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2010 except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are adopted the first time for the current period's financial information.

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

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

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

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

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

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

(b) *Improvements to HKFRSs 2010*

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

(i) HKFRS 3 *Business Combinations*

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

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

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

(ii) HKAS 1 *Presentation of Financial Statements*

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

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

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

2. OPERATING SEGMENT INFORMATION

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

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

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

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

(d) the resort operations segment engages in the operation of resorts which comprise hot spring centers, hotels and leisure and entertainment facilities in Mainland China;

(e) the passenger transportation services segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicles rental and charter operations in Hong Kong, Macau and Mainland China;

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

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

(h) the power generation business segment engages in the generation of electricity in Mainland China which is conducted through a jointly-controlled entity.

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

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

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

3. OTHER INCOME AND GAINS

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

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

4. OTHER EXPENSES

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

5. FINANCE COSTS

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

6. PROFIT BEFORE INCOME TAX

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

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

7. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The share of tax attributable to jointly-controlled entities and associates amounting to HK$8,567,000 and HK$3,812,000, respectively (2010: HK$14,373,000 and HK$2,247,000, respectively) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the condensed consolidated income statement.

8. INTERIM DIVIDEND

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

10. TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade debtors. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of the provision for impairment of trade receivables, is as follows:

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

11. TRADE PAYABLES

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

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

12. BUSINESS COMBINATION

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Travel agency and related operations

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

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

Hotel operations

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

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

Scenic spots operations

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

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

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

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

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

Resort operations

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

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

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

Passenger transportation services

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

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

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

Golf club operations

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

Arts performance operations

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

Power generation business

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

CORPORATE SOCIAL RESPONSIBILITY

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

BUSINESS PROSPECTS

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

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

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

Heaven Creation will focus on the enhancement of operations and profitability. Golf Club will make greater sales efforts on new membership to accelerate the recoupment of investment. The Group will focus on acquiring tourism resources. In particular, the Group will try to secure quality natural scenic spots and resorts through mergers and acquisitions or joint ventures in regions including Jiangsu, Zhejiang, Shanghai, Henan, Shandong and Fujian. The Group will strive to conclude some potential projects by the end of the year.

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

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

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2011, the Group had a total of 13,522 employees. The employees were remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from the pension funds and in-house training programs, discretionary bonuses and share options were awarded to certain employees according to the assessment of individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As at 30 June 2011, the Group's bank deposits of approximately HK$70 million (31 December 2010: HK$67 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, certain bank guarantees given in lieu of utility and rental deposits.

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasize on transparency and accountability to all shareholders of the Company. Save for the deviation from the Code Provision A.4.1 which is explained as below, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

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

REVIEW OF INTERIM RESULTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions 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 2011.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share for the six months ended 30 June 2011 (2010: Nil). The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 7 September 2011. The interim dividend will be paid on or around Monday, 26 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 5 September 2011 to Wednesday, 7 September 2011 (both dates inclusive), for the purposes of determining entitlements to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 2 September 2011.

PUBLICATION OF INTERIM REPORT

The 2011 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, 18 August 2011

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. Fang Xiaorong, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang 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.