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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 2012

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 2012 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Unaudited	
		2012	2011
	Note	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*6*	**2,126,004**	1,995,106
Cost of sales		**(1,069,198)**	(966,381)
Gross profit		**1,056,806**	1,028,725
Other income and gains, net	*7*	**39,548**	96,816
Changes in fair value of investment properties		**45,371**	50,413
Selling and distribution costs		**(285,440)**	(286,364)
Administrative expenses		**(495,879)**	(471,568)

	Note	Unaudited 2012 HK$'000	2011 HK$'000 (Restated)
Operating profit	*8*	**360,406**	418,022
Finance income	*9*	**48,981**	26,570
Finance costs	*9*	**(12,371)**	(5,439)
Finance income – net		**36,610**	21,131
Share of profits less losses of			
– Jointly controlled entities and associates		**78,604**	57,837
Profit before taxation		**475,620**	496,990
Taxation	*10*	**(89,255)**	(88,075)
Profit for the period		**386,365**	408,915
Attributable to:			
Equity owners of the Company		**329,840**	357,282
Non-controlling interests		**56,525**	51,633
Profit for the period		**386,365**	408,915
Earnings per share for profit attributable to equity owners of the Company			
– basic (HK cents)	*12*	**5.81**	6.27
– diluted (HK cents)	*12*	**5.81**	6.27

Details of the dividend for the period are disclosed in note 11 to the interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Unaudited	
		2012	2011
	Note	***HK$'000***	*HK$'000*
			(Restated)
Profit for the period		**386,365**	408,915
Other comprehensive income			
Gain on property revaluation		**–**	21,728
Share of hedging reserve of an associate		**(3,983)**	(1,314)
Exchange fluctuation reserve			
– Exchange differences on translation of foreign operations		**(51,519)**	96,148
– Release of exchange difference upon disposal of a subsidiary		**901**	–
Other comprehensive (loss)/income for the period, net of tax		**(54,601)**	116,562
Total comprehensive income for the period		**331,764**	525,477
Total comprehensive income attributable to:			
– equity owners of the Company		**279,196**	460,901
– non-controlling interests		**52,568**	64,576
		331,764	525,477

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	**Unaudited 30 June 2012 HK$'000**	Audited 31 December 2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**7,757,110**	7,830,530
Investment properties		**1,543,245**	1,503,416
Prepaid land lease payments		**495,429**	509,762
Goodwill		**1,278,574**	1,278,574
Other intangible assets		**189,001**	191,328
Interests in jointly controlled entities and associates		**798,158**	796,210
Available-for-sale financial assets		**8,747**	8,796
Prepayments		**50,770**	50,726
Pledged time deposit	*15*	**967**	1,026
Deferred tax assets		**10,156**	10,223
		12,132,157	12,180,591
Current assets			
Inventories		**29,955**	30,668
Trade receivables	*14*	**258,644**	224,175
Deposits, prepayments and other receivables		**1,110,604**	673,239
Amount due from the immediate holding company		**34,523**	43,621
Amounts due from fellow subsidiaries		**38,738**	54,011
Tax recoverable		**1,611**	3,906
Financial assets at fair value through profit or loss		**196,266**	296,041
Pledged time deposits	*15*	**24,555**	27,330
Cash and bank balances	*15*	**3,578,540**	3,490,790
		5,273,436	4,843,781
Total assets		**17,405,593**	17,024,372

	Note	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**567,339**	568,990
Reserves		**12,513,183**	12,417,141
		13,080,522	12,986,131
Non-controlling interests		**749,570**	786,152
Total equity		**13,830,092**	13,772,283
LIABILITIES			
Non-current liabilities			
Deferred income		**436,867**	399,793
Bank and other borrowings	*17*	**41,724**	41,988
Deferred tax liabilities		**452,069**	449,928
		930,660	891,709
Current liabilities			
Trade payables	*16*	**353,077**	357,123
Other payables and accruals		**1,083,667**	1,120,319
Amount due to the immediate holding company		**1,467**	44
Amounts due to fellow subsidiaries		**8,983**	24,058
Tax payable		**90,341**	50,374
Bank and other borrowings	*17*	**1,107,306**	808,462
		2,644,841	2,360,380
Total liabilities		**3,575,501**	3,252,089
Total equity and liabilities		**17,405,593**	17,024,372
Net current assets		**2,628,595**	2,483,401
Total assets less current liabilities		**14,760,752**	14,663,992

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Unaudited	
	2012	2011
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**394,299**	532,116
Net cash outflow from investing activities	**(883,060)**	(350,192)
Net cash inflow/(outflow) from financing activities	**28,146**	(203,261)
Net decrease in cash and cash equivalents	**(460,615)**	(21,337)
Cash and cash equivalents at 1 January	**3,395,611**	2,387,675
Cash and cash equivalents at 30 June	**2,934,996**	2,366,338
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**3,578,540**	2,594,808
Deposits of non-cash and cash equivalents	**(643,544)**	(228,470)
Cash and cash equivalents	**2,934,996**	2,366,338

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Travel International Investment Hong Kong Limited (the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group") are principally engaged in following activities:

– Travel agency and related operations
– Tourist attraction operations
– Hotel operations
– Passenger transportation operations
– Golf club operations
– Arts performance operations
– Power generation operations

The Company is a limited liability company incorporated in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 August 2012.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Early adoption of HKAS 12 Amendments

In December 2010, the IASB/HKICPA amended IAS/HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. IAS/HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to financial years beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial year ended December 2011 and the effects of adoption are disclosed in annual financial statements for the year ended 31 December 2011.

The change in accounting policy applied to retrospective interim period and effects are summarized below:

Consolidated income statement for the six months ended 30 June 2011

	HK$'000
Decrease in income tax expense	8,036
Increase in basic earnings per share (HK cents)	0.14
Increase in diluted earnings per share (HK cents)	0.14

(b) There are no other amended standards or interpretations that are effective for the financial year beginning 1 January 2012 and had a material impact on the preparation and presentation of the results and financial position of the Group for the current or prior accounting periods.

(c) The following new standards and amendments to standards have been issued but are only effective for the financial years beginning after 1 January 2012 and have not been early adopted. The Group is assessing the impact of these amendments and standards. The Group will apply these amendments and standards when they are effective.

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	"Severe hyperinflation and removal of fixed dates for first-time adopters"	1 July 2011
HKFRS 7 (Amendment)	"Disclosure – Transfer of financial assets"	1 July 2011
HKFRS 7 (Amendment)	"Financial instruments: Disclosures – Offsetting financial assets and financial liabilities"	1 January 2013
HKFRS 9	"Financial instruments"	1 January 2015
HKFRS 10	"Consolidated financial statements"	1 January 2013
HKFRS 11	"Joint arrangements"	1 January 2013
HKFRS 12	"Disclosure of interests in other entities"	1 January 2013
HKFRS 13	"Fair value measurements"	1 January 2013
HKAS 1 (Amendment)	"Presentation of financial statements"	1 July 2012
HKAS 19 (Amendment)	"Employee benefits"	1 January 2013
HKAS 27 (Revised 2011)	"Separate financial statements"	1 January 2013
HKAS 28 (Revised 2011)	"Associates and joint ventures"	1 January 2013
HKAS 32 (Amendment)	"Financial instruments: Presentation – offsetting financial assets and financial liabilities"	1 January 2014
HK(IFRIC) – Int 20	"Stripping costs in the production phase of a surface mine"	1 January 2013

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 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. 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 tourist attraction operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities and resorts hotels which comprise hot spring centers, hotels and leisure and entertainment facilities located in Mainland China;

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

(d) the passenger transportation operations 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;

(e) 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;

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on 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 2012 (Unaudited)	Travel agency and related operations *HK$'000*	Tourist attraction operations *HK$'000*	Hotel operations *HK$'000*	Passenger transportation operations *HK$'000*	Golf club operations *HK$'000*	Art performance operations *HK$'000*	Power generation operations *HK$'000*	Total of reportable segments *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment revenue:										
Sales to external customers	**723,498**	**706,746**	**462,239**	**154,585**	**56,524**	**22,412**	**–**	**2,126,004**	**–**	**2,126,004**
Intersegment revenue	**5,155**	**6,183**	**3,310**	**773**	**138**	**–**	**–**	**15,559**	**10,580**	**26,139**
	728,653	**712,929**	**465,549**	**155,358**	**56,662**	**22,412**	**–**	**2,141,563**	**10,580**	**2,152,143**
Elimination of intersegment revenue								**(15,559)**	**(10,580)**	**(26,139)**
Revenue								**2,126,004**	**–**	**2,126,004**
Segment results	**81,856**	**36,048**	**126,162**	**4,297**	**(2,081)**	**(2,656)**	**61,318**	**304,944**	**(11,149)**	**293,795**
Change in fair value of investment properties, net of tax										**42,839**
Loss on disposal of subsidiaries										**(8,112)**
Loss on disposal of property, plant and equipment, net										**(24)**
Income tax expense										**89,255**
Non-controlling interests										**56,525**
Others										**1,342**
Profit for the period										**475,620**

Six months ended 30 June 2011 (Unaudited)	Travel agency and related operations HK$'000	Tourist attraction operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Art performance operations HK$'000	Power generation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:										
Sales to external customers	727,563	646,329	416,990	155,390	35,579	13,255	–	1,995,106	–	1,995,106
Intersegment revenue	4,195	2,355	4,102	648	37	–	–	11,337	10,831	22,168
	731,758	648,684	421,092	156,038	35,616	13,255	–	2,006,443	10,831	2,017,274
Elimination of intersegment revenue								(11,337)	(10,831)	(22,168)
Revenue								1,995,106	–	1,995,106
Segment results	89,676	81,460	108,606	(20,379)	(6,831)	(4,768)	61,079	308,843	(12,356)	296,487
Change in fair value of investment properties, net of tax										50,130
Gain on disposal of property, plant and equipment and an investment property, net										5,060
Income tax expense										88,075
Non-controlling interests										51,633
Others										5,605
Profit for the period										496,990

6 REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the period.

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Travel agency and related operations	**723,498**	727,563
Tourist attraction operations	**706,746**	646,329
Hotel operations	**462,239**	416,990
Passenger transportation operations	**154,585**	155,390
Golf club operations	**56,524**	35,579
Arts performance operations	**22,412**	13,255
Total	**2,126,004**	1,995,106

7 OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Gross rental income	**8,414**	4,792
Foreign exchange differences, net	**1,209**	60,241
Government grants received	**9,333**	7,685
(Loss)/gain on disposal of property, plant and equipment and an investment property, net	**(24)**	5,060
Income from financial assets at fair value through profit or loss	**11,242**	–
Loss on disposal of subsidiaries	**(8,112)**	–
Others	**17,486**	19,038
	39,548	96,816

8 OPERATING PROFIT

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Staff costs	**610,175**	506,688
Depreciation	**219,512**	176,637
Amortisation of prepaid land lease payments	**12,174**	11,875
Amortisation of other intangible assets	**1,141**	1,574
Loss on disposal of subsidiaries	**8,112**	–
Loss/(gain) on disposal of property, plant and equipment and an investment property, net	**24**	(5,060)

9 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interest income from:		
Bank deposits and entrusted loans	**48,981**	26,570
Finance income	**48,981**	26,570
Interest expense on:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	**(12,371)**	(5,439)
Finance costs	**(12,371)**	(5,439)
Finance income – net	**36,610**	21,131

10 TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax at applicable tax rate. In addition, withholding income tax is imposed on dividends relating to any profits earned.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to condensed consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Current taxation		
Hong Kong	**35,317**	37,061
Mainland China and other territories	**50,932**	44,496
Deferred taxation	**3,006**	6,518
	89,255	88,075

11 INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK2 cents per ordinary share (2011: HK2 cents) for the six months ended 30 June 2012 to shareholders on the register of members on 12 September 2012.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners by the weighted average number of ordinary shares in issue during the period.

Basic	**Total**
For the six months ended 30 June 2012	
Profit attributable to equity owners of the Company (HK$'000)	**329,840**
Weighted average number of ordinary shares in issue	**5,681,339,635**
Basic earnings per share (HK cents)	**5.81**
For the six months ended 30 June 2011 (restated)	
Profit attributable to equity owners of the Company (HK$'000)	357,282
Weighted average number of ordinary shares in issue	5,695,355,525
Basic earnings per share (HK cents)	6.27

Diluted

No adjustment was made to the basic earnings per share presented for the period ended 30 June 2012 and 2011 in respect of the dilution as the exercise price of the share options of the Company outstanding during the period was higher than the average market price of the Company's ordinary shares during the period. Accordingly, these share options have no dilutive effect on the basic earnings per share for the period ended 30 June 2012 and 2011 and the diluted earnings per share was equal to the basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2012, additions of items of property, plant and equipment amounted to HK$179,075,000 (2011: HK$261,777,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK$15,361,000 (2011: HK$35,608,000).

14 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, is as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Within 3 months	**229,851**	203,914
3 to 6 months	**18,510**	15,262
6 to 12 months	**10,283**	3,974
1 to 2 years	**–**	1,025
	258,644	224,175

15 CASH AND BANK BALANCES

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Cash and bank balances	**865,705**	1,459,237
Time deposits	**2,738,357**	2,059,909
	3,604,062	3,519,146
Less: Pledged time deposits		
– Pledged for a long term bank loan	**(967)**	(1,026)
– Pledged for credit facilities and bank guarantees	**(24,555)**	(27,330)
	3,578,540	3,490,790

16 TRADE PAYABLES

The ageing analysis of trade creditors, based on the invoice date, is as follows:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Within 3 months	**317,611**	302,796
3 to 6 months	**12,708**	31,630
6 to 12 months	**4,428**	6,737
1 to 2 years	**4,872**	6,646
Over 2 years	**13,458**	9,314
	353,077	357,123

17 BANK AND OTHER BORROWINGS

At 30 June 2012, the bank and other borrowings were repayable as follows:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Within 1 year or on demand – unsecured	**1,107,306**	808,462
Beyond 2 years – unsecured	**40,757**	40,962
After 1 year but within 2 years – secured	**967**	1,026
	41,724	41,988
	1,149,030	850,450

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2012, the global economy was in a severe and unstable condition, facing downside risks and pressure. China's economy also experienced the severe challenge of decelerating growth rate. Against this backdrop, China's tourism industry also grew at a relatively slower pace. Due to the emergence of rigid demand in the tourism industry and the fact that it is less cyclical than other industries, China's tourism industry recorded higher growth compared with most other industries. Hong Kong's tourism industry remained stable and continued to prosper.

In the first half of 2012, the consolidated revenue of the Group was HK$2,126 million, a 7% increase over the same period last year; profit attributable to shareholders was HK$330 million, an 8% decrease compared to the same period last year; earnings per share was HK5.81 cents, a 7% decrease compared to the same period last year. Excluding the effect of revaluation of investment properties and non-recurring items (please refer to note (5) to condensed interim financial information for details), the profit attributable to shareholders was HK$294 million, a 1% decrease compared to the same period last year, of which the results of the hotel operations, passenger transportation operations, golf club operations and arts performance operations improved, the power generation business remained stable, while the travel agency and related operations and tourist attraction operations declined. The overall performance remained relatively stable.

The Group's financial position remained stable and strong. As at 30 June 2012, the equity attributable to shareholders was HK$13,081 million, a 1% increase compared to the end of last year; cash and bank balances amounted to HK$3,579 million and excluding bank loans of HK$1,149 million, net cash was HK$2,430 million, an 8% decrease compared to the end of last year.

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, an on-line travel consolidator. In the first half of 2012, the travel agency and related operations reported revenue of HK$723 million, a 1% decrease compared to the same period last year; profit attributable to shareholders was HK$82 million, a 9% decrease compared to the same period last year, which was mainly attributable to the decreased contribution from the travel permit business resulting from the reduction of certain visa fee since July last year.

The revenue of the travel business of CTSHK decreased by 3% compared to the same period last year, of which, the revenue from outbound tours declined due to fierce market competition, and the remaining businesses recorded growth in revenue; profit increased as revenue from high margin business such as packages increased and certain expenses declined.

In the face of fierce market competition, the revenue of Mangocity.com increased by 1% compared to the same period last year, of which the air ticketing commission revenue increased by 2% and hotel commission revenue decreased by 6% respectively. The revenue of the remaining businesses was relatively small but certain businesses have established competitive edges: 180,000 hotel room nights were booked through Young Mango, a budget hotel reservation platform and a leader in this niche market; the cruise business was ranked first in South China and second in China in terms of sales made to individual clients. The loss of Mangocity.com continued to narrow due to stringent cost control.

Tourist attraction operations

The Group's tourist attraction operations comprise theme parks: Shenzhen The World Miniature Co., Ltd. ("Window of the World") and Shenzhen Splendid China Development Co., Ltd. ("Splendid China"); natural scenic spots: CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd. ("Songshan Scenic Spot"), CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd ("Jigongshan Scenic Spot") and other scenic spot investments; leisure resorts: China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("Zhuhai OSR") and Xianyang Ocean Spring Resort Co., Ltd. ("Xianyang OSR"). In the first half of 2012, the revenue of the tourist attraction operations was HK$707 million, a 9% increase compared to the same period last year; profit attributable to shareholders was HK$36 million, a 56% decrease compared to the same period last year, which was mainly attributable to the decrease in exchange gain and the rise in costs resulting from the opening of the Xianyang OSR hotel.

The number of ticket purchasing visitors at Window of the World was 1.3 million, a 5% increase compared to the same period last year; the revenue was HK$214 million, a 9% increase compared to the same period last year; profit attributable to shareholders was HK$44 million, a 13% increase compared to the same period last year. Window of the World leveraged on festival activities to promote sales and growth, and launched a miniature train project "Cross Europe" in mid-June and raised ticket price, making it a new profit growth point. Over the years, new projects were regularly launched by Window of the World, which successfully drove its growth. More new projects will follow "Cross Europe" to promote the long-term growth of the park.

The number of ticket purchasing visitors at Splendid China was 0.55 million, which was on par with the same period last year. The revenue of Splendid China was HK$92 million, a 3% increase compared to the same period last year; profit attributable to shareholders was HK$10 million, a 7% increase compared to the same period last year, which was mainly attributable to the ticket price increase with the launch of new projects at the end of last year and the increase in revenue from provision of management services. Splendid China continued to expand its scenic spot management services and signed a management service contract with Yungang Grottoes in Datong for a term of five years; continued to organize and implement the upgrade and renovation projects including the Tea Horse Post House, and complementary projects to gradually strengthen market competitiveness.

The number of ticket purchasing visitors at Songshan Scenic Spot was 1.34 million, an 18% increase compared to the same period last year; the revenue was HK$151 million, a 29% increase compared to the same period last year; profit attributable to shareholders was HK$15 million, a 44% increase compared to the same period last year. Songshan Scenic Spot increased its revamp efforts to enhance its service facilities and management services and strengthened marketing. Together with the cancellation of discount for group tickets, growth in revenue and profit was achieved. The planning design work of the industrial chain extension project "Tourism Town in the Centre of Heaven" is now underway.

The number of ticket purchasing visitors at the new joint venture Jigongshan Scenic Spot decreased to 90,000, which was mainly attributable to the redevelopment work of National Highway No. 107 and the reduction in discount of ticket price, but the ticketing revenue still increased by 3% due to the reduction in discount of ticket price. The overall revenue was HK$13 million, a 40% increase compared to the same period last year, which was mainly attributable to the increase in revenue of the hotel which commenced trial operation in May last year; loss attributable to shareholders was HK$8 million (1H2011: loss of HK$3 million), which was mainly attributable to the depreciation expenses which were charged over the whole period and the increase in labour costs during the period under review. Jigongshan Scenic Spot will strive to conduct planning design and establish a proper market position according to the requirements of the strategic plan and pursue new development model.

Facing the severe business environment, the number of visitors at Zhuhai OSR decreased by 10% to 1.14 million compared to the same period last year; revenue was HK$181 million, a 4% decrease compared to the same period last year; loss attributable to shareholders was HK$17 million (1H2011: profit of HK$15 million), which was mainly attributable to the decrease in exchange gain. Excluding the exchange gain, the loss attributable to shareholders was HK$10 million (1H2011: loss of HK$13 million), and the decrease in loss was mainly attributable to stringent cost control. Zhuhai OSR continued to push forward the preliminary work for the phase two project and the soft foundation treatment work commenced in June.

The number of visitors at Xianyang OSR was 0.16 million, an 8% increase compared to the same period last year; revenue was HK$42 million, a 20% increase compared to the same period last year; loss attributable to shareholders was HK$24 million (1H2011: loss of HK$10 million). The 225-room complementary hotel commenced trial operation in mid-April and drove visitor and revenue growth. However, hotel related expenses such as pre-operating expenses led to an increase in loss. The construction proposal of the Xianyang OSR real estate project gained government approval and the construction plan design work is now underway.

During the period under review, the Group continued its efforts to further the expansion of its travel resources network. While expediting projects under negotiation, the Group conducted on-site visits of 5 new projects in Guangdong, Anhui and Jiangsu Provinces. Due to the severe and complex economic situation, the Group became more cautious in furthering the expansion of its travel resources network and shelved some projects; the counter parties of some projects also became increasingly prudent and negotiations were in a stalemate; and for some relatively mature projects, we were in the stage of advanced negotiation and the Group will actively push forward such projects.

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. In the first half of 2012, the revenue of the hotel operations was HK$462 million, a 11% increase compared to the same period last year; profit attributable to shareholders was HK$126 million, a 16% increase compared to the same period last year.

Benefited from the continued growth in visitor arrivals to Hong Kong and Macau, the revenue of the five hotels in Hong Kong and Macau reached HK$335 million, a 12% increase compared to the same period last year; profit attributable to shareholders was HK$99 million, a 21% increase compared to the same period last year. With the hotels in Hong Kong and Macau aggressively reaching out to high revenue customers, including retail, business and meeting, the average room rate increased to HK$877, a 13% increase compared to last year, and the average occupancy rate was 89% (1H2011: 91%). Metropark Hotel Mongkok had planned for a temporary closure for large-scale renovation works in 2012, but considering the relatively good hotels market performance and the renovation works was not urgent, it was decided to postpone the implementation of the plan. The Group kept a vigilant eye on hotel investment opportunities in Hong Kong, but since the prices of hotel assets in Hong Kong were not so attractive, no suitable opportunities exist for the time being.

The hotels in Mainland China and CTS Metropark reported revenue of HK$127 million, a 9% increase compared to the same period last year; profit attributable to shareholders was HK$27 million, which was on par with the same period last year and mainly attributable to the increase in labour costs resulting from the expansion of the hotel management services by CTS Metropark. The average occupancy rate was 68% (1H2011: 63%) and the average room rate was RMB506, a 3% increase compared to the same period last year. CTS Metropark continued to strengthen its hotel management services with the signing of 7 additional hotel management consultancy contracts in regions including Beijing, Hainan, Anhui, Henan and Shanxi. CTS Metropark was ranked 38th in "Top 300 Hotel Groups 2011" by HOTELS magazine, moving up six notches compared to 2010.

Passenger transportation operations

The Group's passenger transportation operations include China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries and the Group's associated company, Shun Tak – China Travel Shipping Investments Limited ("Shun Tak China Travel"). In the first half of 2012, passenger transportation operations reported revenue of HK$155 million, a 1% decrease compared to the same period last year; profit attributable to shareholders was HK$4 million (1H2011: loss of HK$20 million). The turnaround to profit was mainly attributable to the significant decrease in loss of Shun Tak China Travel due to improved competitive environment and increase in revenue resulting from ticket price increase for some ferry routes since July last year.

Golf club operations

In the first half of 2012, the revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK$57 million, a 59% increase compared to the same period last year, which was mainly attributable to the revenue growth in golfing and catering arising from the operation of the 45-hole golf course throughout the period under review, whereas the golf course was upgraded from 27 holes to 45 holes in mid-March last year, and the increase in membership revenue after amortization resulting from satisfactory sales of membership; loss attributable to shareholders was HK$2 million (1H2011: loss of HK$7 million). Sales of membership generated revenue of RMB40.6 million, a 41% increase compared to the same period last year.

Arts performance operations

In the first half of 2012, the revenue of China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation") was HK$22 million, a 69% increase compared to the same period last year; loss attributable to shareholders was HK$3 million (1H2011: loss of HK$5 million). The increase in revenue was mainly attributable to the increase in revenue generated from arts performance production service and the rise in number of visitors for performance at the theatre in Beijing. In addition to regular theatre performance in Beijing and Branson in the United States, "The Legend of Kung Fu" visited four cities in Spain, with 11 performances.

Power generation operations

In the first half of 2012, the on-grid electricity volume of the Group's Shaanxi Weihe Power Co., Ltd. increased by 4% compared to the same period last year. The electricity tariff was raised in April last year and the electricity tariff during the period under review increased by 9% compared to the same period last year. The overall coal costs increased by 8% compared to the same period last year but coal prices have started to decline in recent months. Profit attributable to shareholders of HK$61 million was on par with the same period last year.

Repurchase of Shares

In the first half of 2012, the Company repurchased a total of 17.4 million shares for approximately HK$25.05 million, with an average price per share of approximately HK$1.44. The Board of Directors of the Company considered that repurchasing shares at the appropriate time would help to enhance the Group's earnings per share, net asset value per share and shareholders' value.

Enhance management and increase shareholders' value

In the first half of 2012, the Group strived to enhance its management standard with a value-oriented approach: streamlined the Group's structure, take Zhuhai OSR as an example, some business divisions were merged and departments streamlined to reduce headcount by more than 200 people, thereby increasing management efficiency and reducing management cost; started to develop standardized systems for the Group's subsidiaries, especially the tourist attractions which are broken down into theme parks, natural scenic spots and leisure resorts, in order to standardize service and management to enhance tourists' experience and results of operation; to adjust the business mix with additions and exits, studied the feasibility of exit from lagged behind areas/businesses, and explored the development of high-end, high-grade, high value-added and high gross profit margin tourism retail operations with strategic partners; pushed forward reform of management system and brought diversified shareholding structure and efficient corporate governance structure to the pilot enterprise.

In the meantime, the Group strived to strengthen its transparency and introduced its latest operation and development to the market in detail through annual report, post-results press conference and analyst briefing, non-deal roadshow, investor conference, company visit and media interview, etc.. In May, the Group organized investors, analysts and media to Zhuhai OSR for an on-site visit and exchange, which deepened their understanding of the Group's major project.

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 organized its employees to participate in a series of "15th Anniversary of Hong Kong's Handover" celebrations. Zhuhai OSR took part in "Earth Hour", a climate change awareness campaign, and held "Energy Saving Publicity Week" and a number of energy saving seminars to promote energy saving awareness. Songshan Scenic Spot aided and comforted a total of 44 families of employees in difficulties and wounded and disabled soldiers on Chinese New Year's eve and organized 24 employees in difficulties to participate in medical check-up activity held by the local assistance centre.

Business prospects

According to the economic outlook of the International Monetary Fund in July, the global economic recovery was weak, and the global economic growth rate was forecasted to fall to 3.5% with large downside risks; the Chinese economic growth rate was forecasted to fall to 8%. Despite the severe and complex economic situations at home and abroad, China Tourism Academy predicted that the environment for China's tourism economy in the second half of the year would become better as a whole with a cautiously optimistic trend. The tourism economy would register growth for the full year, but the growth rate would be lower than that of last year. It is probable that certain targets such as inbound tourism will be lower than forecast.

Looking into the second half of 2012, Hong Kong economy will develop steadily, providing a relatively favourable external environment for the travel business of CTSHK. However, due to the increase in number of landing visa ports and the rise in travel permit production cost resulting from the introduction of a new travel permit in October, the pressure faced by the travel document business is expected to increase. The scale of on-line travel market in China is growing steadily, but due to fierce competition in the industry, the revenue prospect of Mangocity.com is expected to remain lackluster. The Group will study the possibility of vitalizing Mangocity.com through management system and mechanism reform.

The tourist attraction operations benefit from the trend of steady development in the tourism economy in Mainland China. However, due to increased market uncertainties in the second half of the year, it is expected that the results for the second half will be basically stable with a slight decline. In June, Window of the World launched the miniature train project "Cross Europe" and raised ticket price, which is expected to drive revenue growth. The development momentum of Splendid China has been stable and certain key projects in the overall renovation program will be launched during the Chinese National Holiday, which is expected to drive revenue growth. Songshan Scenic Spot saw a significant growth in results in the first half of the year. However, due to increased market uncertainties in the second half of the year, it is expected that the growth in full year results may narrow. Jigongshan Scenic

Spot remains in a nurturing stage, and it is expected that pressure will remain high in the second half of the year. Zhuhai OSR saw a decrease in revenue in the first half of the year and amid the increased market uncertainties in the second half of the year, it will cope with challenges proactively by focusing on promoting sales, for example, capturing the opportunity brought by the China International Aviation & Aerospace Exhibition to be held in Zhuhai to increase sales. The complementary hotel for Xianyang OSR has commenced trial operation, and will provide customers to the hot spring centre and vice versa. However, the hotel will incur loss in its preliminary operation, and it is expected that the pressure faced by Xianyang OSR will remain high in the second half of the year.

The inbound tourism markets in Hong Kong and Macau has performed relatively well, together with the competitive room rates for the Group's Hong Kong and Macau hotels which remains relatively attractive to cost conscious travelers, it is expected that the hotel operations will have a steady performance in the second half of the year.

As there are more high seasons during the second half of the year and the fuel price has started to decline, the results of passenger bus transportation operations are expected to improve. Although the attributable loss of the Golf Club narrowed in the first half of the year, summer is low season and some large expenses such as advertising expenses will be incurred in the second half of the year, the pressure faced by the Golf Club is expected to increase in the second half of the year.

On the whole, there are no material changes in the fundamentals that support the development of the Group's travel businesses. Although individual operations still face relatively big challenges, the capability to withstand risks remains strong as a whole. The Group has stable business and financial foundation, will keep a vigilant eye under the severe and complex economic situations, strive to maintain relatively steady results continually, and prudently advance the expansion of its travel destination network and development of tourism real estate projects, so as to lay down a solid foundation for the realization of future profit growth.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2012, the Group had a total of 14,696 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 retirement benefit 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 2012, the cash and bank balances of the Group amounted to HK$3,579 million whereas the interest bearing bank and other borrowings amounted to HK$1,149 million. The debt to capital ratio was 20% and the debt includes bank and other borrowings, trade and other payables, amounts due to the immediate holding company and fellow subsidiaries.

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

During the six months ended 30 June 2012, the Company repurchased a total of 17,398,000 ordinary shares of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), of which 15,242,000 shares were cancelled during the six months ended 30 June 2012 and 2,156,000 shares were cancelled on 18 July 2012. The number of issued shares of the Company as of 30 June 2012 was 5,673,387,525 shares. Particulars of the shares repurchased during the period are as follows:

Month/Year	Number of shares repurchased	Purchase price paid per share Highest	Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
January 2012	6,738,000	1.42	1.28	9,324,180
February 2012	1,000,000	1.53	1.51	1,523,000
March 2012	3,100,000	1.59	1.57	4,917,200
April 2012	1,600,000	1.53	1.52	2,441,000
May 2012	3,404,000	1.39	1.36	4,699,560
June 2012	1,556,000	1.39	1.37	2,146,720

Subsequent to 30 June 2012 and up to the date of this report, the Company repurchased a total of 1,728,000 shares at an aggregate consideration of HK$2,498,040. The repurchased shares were cancelled on 9 August 2012. The number of issued shares of the Company as of 20 August 2012 is 5,669,503,525.

The Directors consider that the repurchases of shares will enhance shareholder value in the long term. Save as disclosed above, 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 2012.

CORPORATE GOVERNANCE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries as it believes that effective corporate governance practices are fundamental to safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value.

The Stock Exchange made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has complied with all the code provisions of the Old Code and the CG Code during the six months ended 30 June 2012 except for the following deviations:

– Code Provision A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Although the independent non-executive directors of the Company do not have a specific term of appointment, pursuant to the Company's articles of association, at each annual general meeting one-third of the directors for the time being 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.

– Code Provision A.5.1 to A.5.4 requires the establishment of a nomination committee with specific terms of reference and sufficient resources. The Company established a nomination committee and published its terms of reference on the website of the Stock Exchange and the Company on 25 June 2012, which was after the CG Code took effect, because the directors took a cautious approach to compare and contrast the merits of appointment of new director by a nomination committee and by the Board collectively.

– Code Provisions C.3.3 and C.3.7 make certain revisions to the minimum requirements of the terms of reference of the audit committee. The Company published its revised terms of reference of the audit committee incorporating all these minimum requirements on the website of the Stock Exchange and the Company on 25 June 2012 because, for the purposes of reducing administrative burdens and increasing efficiency, the revised terms of references were submitted together with the proposal for establishment of nomination committee to the Board on the same date for approval and the Board approved all these proposals on 25 June 2012.

- Code Provision D.1.4 specifies that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for directors because all directors are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association. In addition, the directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. Besides, the directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

- Code Provision E.1.2 specifies shat the chairman of the Board should attend the annual general meeting. The chairman of the Board of the Company did not attend the Company's annual general meeting held on 4 May 2012 because of other business commitment.

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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share for the six months ended 30 June 2012 (2011: HK2 cents). 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, 12 September 2012. The interim dividend will be paid on or around Friday, 28 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 10 September 2012 to Wednesday, 12 September 2012 (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 Share 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, 7 September 2012.

PUBLICATION OF INTERIM REPORT

The 2012 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
Wang Shuai Ting
Chairman

Hong Kong, 20 August 2012

As at the date of this announcement, the Board of the Company comprises seven executive Directors, namely Mr. Wang Shuai Ting, 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.