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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 2013

### INTERIM RESULTS

The Board of Directors (the “Board”) of China Travel International Investment Hong Kong Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 together with the comparative figures.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		<b>Unaudited</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	<b>2,031,263</b>	2,126,004
Cost of sales		<b>(1,012,633)</b>	(1,069,198)
Gross profit		<b>1,018,630</b>	1,056,806
Other income and gains, net	6	<b>102,980</b>	39,548
Changes in fair value of investment properties		<b>45,078</b>	45,371
Selling and distribution costs		<b>(272,647)</b>	(285,440)
Administrative expenses		<b>(506,656)</b>	(495,879)
Operating profit	7	<b>387,385</b>	360,406
Finance income	8	<b>46,115</b>	48,981
Finance costs	8	<b>(3,348)</b>	(12,371)
Finance income, net	8	<b>42,767</b>	36,610
Share of profits less losses of			
Associates		<b>177,488</b>	74,236
Joint ventures		<b>2,845</b>	4,368

		<b>Unaudited</b>	
		<b>2013</b>	2012
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Profit before taxation</b>		<b>610,485</b>	475,620
Taxation	9	<b>(103,997)</b>	(89,255)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>506,488</b>	386,365
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity owners of the Company		<b>448,472</b>	329,840
Non-controlling interests		<b>58,016</b>	56,525
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>506,488</b>	386,365
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share for profit attributable to equity owners of the Company, basic and diluted (HK cents)</b>			
	11	<b>7.93</b>	5.81
		<hr/> <hr/>	<hr/> <hr/>
Interim dividend	10	<b>112,724</b>	113,390
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2013*

	<b>Unaudited</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>506,488</b>	386,365
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified subsequently to profit or loss:		
Share of hedging reserve of an associate	541	(3,983)
Exchange differences on translation of foreign operations, net	83,202	(51,519)
Release of exchange difference upon disposal of a subsidiary	–	901
Other comprehensive income/(loss) for the period, net of tax	<b>83,743</b>	(54,601)
<b>Total comprehensive income for the period</b>	<b>590,231</b>	331,764
Attributable to:		
Equity owners of the Company	521,650	279,196
Non-controlling interests	68,581	52,568
	<b>590,231</b>	331,764

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8,341,256	8,082,383
Investment properties		1,733,336	1,668,577
Prepaid land lease payments		426,211	431,660
Goodwill		1,278,574	1,278,574
Other intangible assets		188,777	188,086
Interests in associates		911,525	901,842
Interests in joint ventures		41,964	36,458
Available-for-sale investments		22,900	22,742
Prepayments		52,464	44,465
Pledged time deposit		–	1,030
Deferred tax assets		13,198	12,915
		<hr/>	<hr/>
Total non-current assets		13,010,205	12,668,732
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		127,249	105,136
Trade receivables	12	236,170	257,785
Deposits, prepayments and other receivables		1,452,412	1,298,753
Amount due from the immediate holding company		43,681	33,701
Amounts due from fellow subsidiaries		35,555	44,901
Tax recoverable		2,746	2,318
Financial assets at fair value through profit or loss		708,214	292,286
Pledged time deposits		25,174	28,313
Cash and bank balances		3,139,600	2,678,401
		<hr/>	<hr/>
Total current assets		5,770,801	4,741,594
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>18,781,006</b>	<b>17,410,326</b>
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		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2013</b>	2012
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		564,715	565,867
Reserves		13,239,451	12,904,962
		<u>13,804,166</u>	<u>13,470,829</u>
<b>Non-controlling interests</b>		<u>756,368</u>	<u>807,603</u>
<b>Total equity</b>		<u><u>14,560,534</u></u>	<u><u>14,278,432</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		514,403	456,721
Bank and other borrowings		35,342	41,985
Deferred tax liabilities		487,816	477,643
		<u>1,037,561</u>	<u>976,349</u>
<b>Total non-current liabilities</b>		<u>1,037,561</u>	<u>976,349</u>
<b>Current liabilities</b>			
Trade payables	13	351,922	335,720
Other payables and accruals		1,330,600	1,336,845
Amount due to the immediate holding company		2,042	1,691
Amounts due to fellow subsidiaries		13,881	8,788
Tax payable		109,601	79,069
Bank and other borrowings		1,374,865	393,432
		<u>3,182,911</u>	<u>2,155,545</u>
<b>Total current liabilities</b>		<u>3,182,911</u>	<u>2,155,545</u>
<b>Total liabilities</b>		<u><u>4,220,472</u></u>	<u><u>3,131,894</u></u>
<b>Total equity and liabilities</b>		<u><u>18,781,006</u></u>	<u><u>17,410,326</u></u>
<b>Net current assets</b>		<u><u>2,587,890</u></u>	<u><u>2,586,049</u></u>
<b>Total assets less current liabilities</b>		<u><u>15,598,095</u></u>	<u><u>15,254,781</u></u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 CORPORATE INFORMATION

China Travel International Investment Hong Kong Limited (the “Company”) and its subsidiaries (together 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 19 August 2013.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012, as described in those annual financial statements.

- (a) The following new standards, amendments and interpretations to existing standards are mandatory and relevant to the Group for the financial year beginning 1 January 2013.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRSs 10,11 and 12	Transitional Guidance
HKFRS 13	Fair Value Measurements

- (b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted. The Group is assessing the impact of these standards, amendments and interpretations to existing standards and will apply when they are effective.

HKAS 32 (Amendment) <sup>(1)</sup>	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36 <sup>(1)</sup>	Recoverable amount disclosures for non-financial assets
HKFRS 9 <sup>(2)</sup>	Financial Instruments
HKFRS 7 and HKFRS 9 (Amendments) <sup>(2)</sup>	Mandatory Effective Date and Transition Disclosures
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (revised 2011) <sup>(1)</sup>	Investment entities
HK(IFRIC)-Int 21 <sup>(1)</sup>	Levies

<sup>(1)</sup> Effective for financial periods beginning on or after 1 January 2014

<sup>(2)</sup> Effective for financial periods beginning on or after 1 January 2015

#### 4 OPERATING SEGMENT INFORMATION

Executive management is the Group's chief operating decision-maker. The chief operating decision-maker regularly reviews the segment results. 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. A summary of details of the operating segments is 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 resort 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, food and beverage 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, vehicle 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 arts performance operations segment engages in the production of arts performances in Mainland China and overseas; and
- (g) the power generation operations segment engages in the generation of electricity in Mainland China.

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker and 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) attributable to equity owners of the Company of each reportable operating segment excluding material non-recurring income or expenses, such as changes in fair value of investment properties, net of tax.

Six months ended 30 June 2013 (Unaudited)	Travel agency and related operations <i>HKS'000</i>	Tourist attraction operations <i>HKS'000</i>	Hotel operations <i>HKS'000</i>	Passenger transportation operations <i>HKS'000</i>	Golf club operations <i>HKS'000</i>	Arts performance operations <i>HKS'000</i>	Power generation operations <i>HKS'000</i>	Total of reportable segments <i>HKS'000</i>	Corporate and others <i>HKS'000</i>	Consolidated <i>HKS'000</i>
Segment revenue:										
Sales to external customers	666,638	694,299	440,562	146,329	63,450	19,985	-	2,031,263	-	2,031,263
Intersegment revenue	3,642	7,157	2,742	608	141	-	-	14,290	10,140	24,430
	<u>670,280</u>	<u>701,456</u>	<u>443,304</u>	<u>146,937</u>	<u>63,591</u>	<u>19,985</u>	<u>-</u>	<u>2,045,553</u>	<u>10,140</u>	<u>2,055,693</u>
Elimination of intersegment revenue								(14,290)	(10,140)	(24,430)
Revenue								<u>2,031,263</u>	<u>-</u>	<u>2,031,263</u>
Segment results	73,945	72,797	108,205	26,598	2,821	(4)	148,919	433,281	(22,039)	411,242
Changes in fair value of investment properties, net of tax										35,642
Gain on disposal of a subsidiary										28
Gain on disposal of property, plant and equipment, net										31
Taxation										103,997
Non-controlling interests										58,016
Others										1,529
Profit before taxation										<u>610,485</u>



Six months ended 30 June 2012 (Unaudited)	Travel agency and related operations <i>HK\$'000</i>	Tourist attraction operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Golf club operations <i>HK\$'000</i>	Arts performance operations <i>HK\$'000</i>	Power generation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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
	<u>728,653</u>	<u>712,929</u>	<u>465,549</u>	<u>155,358</u>	<u>56,662</u>	<u>22,412</u>	<u>–</u>	<u>2,141,563</u>	<u>10,580</u>	<u>2,152,143</u>
Elimination of intersegment revenue								(15,559)	(10,580)	(26,139)
Revenue								<u>2,126,004</u>	<u>–</u>	<u>2,126,004</u>
Segment results	81,856	38,503	126,162	4,297	(2,081)	(2,656)	61,318	307,399	(13,604)	293,795
Changes 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)
Taxation										89,255
Non-controlling interests										56,525
Others										1,342
Profit before taxation										<u>475,620</u>

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications have no impact on the Group's total equity as at both 30 June 2013 and 31 December 2012, and on the Group's profits for the six months ended 30 June 2013 and 2012.

## 5 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.

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Travel agency and related operations	666,638	723,498
Tourist attraction operations	694,299	706,746
Hotel operations	440,562	462,239
Passenger transportation operations	146,329	154,585
Golf club operations	63,450	56,524
Arts performance operations	19,985	22,412
	<hr/>	<hr/>
Total	<b>2,031,263</b>	<b>2,126,004</b>

## 6 OTHER INCOME AND GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Gross rental income	9,942	8,414
Foreign exchange differences, net	50,036	1,209
Government grants received	10,342	9,333
Gain/(loss) on disposal of property, plant and equipment, net	31	(24)
Income from financial assets at fair value through profit or loss	14,212	11,242
Gain/(loss) on disposal of subsidiaries	28	(8,112)
Others	18,389	17,486
	<hr/>	<hr/>
	<b>102,980</b>	<b>39,548</b>

## 7 OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Staff costs	648,023	610,175
Depreciation	208,197	219,512
Amortisation of prepaid land lease payments	12,029	12,174
Amortisation of other intangible assets	1,627	1,141
Minimum lease payments under operating leases:		
Land and buildings	34,227	35,746
Plant and machinery and motor vehicles	8,336	16,782
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## 8 FINANCE INCOME, NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income:		
Bank deposits and entrustment loans	<u>46,115</u>	<u>48,981</u>
Finance income	<u>46,115</u>	<u>48,981</u>
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	<u>(3,348)</u>	<u>(12,371)</u>
Finance costs	<u>(3,348)</u>	<u>(12,371)</u>
Finance income, net	<u><u>42,767</u></u>	<u><u>36,610</u></u>

## 9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits 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 profits 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current taxation		
– Hong Kong	36,454	35,317
– Mainland China and other territories	60,693	50,932
Deferred taxation	<u>6,850</u>	<u>3,006</u>
	<u><u>103,997</u></u>	<u><u>89,255</u></u>

## 10 INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK 2 cents per ordinary share (2012: HK 2 cents) for the six months ended 30 June 2013 to shareholders on the register of members on 11 September 2013.

## 11 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

	Unaudited Six months ended 30 June	
	2013	2012
Profit attributable to equity owners of the Company (HK\$'000)	<u>448,472</u>	<u>329,840</u>
Weighted average number of ordinary shares in issue	<u>5,654,437,525</u>	<u>5,681,339,635</u>
Basic earnings per share (HK cents)	<u>7.93</u>	<u>5.81</u>

### Diluted

No adjustment was made to the basic earnings per share presented for the period ended 30 June 2013 (2012: same) 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 2013 and 2012 and the diluted earnings per share was equal to the basic earnings per share (2012: same).

## 12 TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade debtors. The ageing 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:

	<b>Unaudited</b> <b>30 June</b> <b>2013</b> <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
Within 3 months	207,748	229,648
3 to 6 months	18,256	18,161
6 to 12 months	9,499	5,922
1 to 2 years	667	4,054
	<hr/> <b>236,170</b> <hr/>	<hr/> <b>257,785</b> <hr/>

## 13 TRADE PAYABLES

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

	<b>Unaudited</b> <b>30 June</b> <b>2013</b> <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
Within 3 months	304,320	296,328
3 to 6 months	24,048	18,646
6 to 12 months	8,822	5,697
1 to 2 years	8,432	4,842
Over 2 years	6,300	10,207
	<hr/> <b>351,922</b> <hr/>	<hr/> <b>335,720</b> <hr/>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business Review

In the first half of 2013, global economic growth was still sluggish, facing downside risks and pressure. China's economy also experienced the severe challenge of decelerating growth rate. Despite the emergence of resilient demand in tourism industry, China's tourism economy slowed down slightly due to macroeconomic uncertainty, calls by Chinese authorities for people to practise thrift and shun extravagance and waste as well as the outbreak of H7N9 avian influenza.

Amid challenging market environment in the first half of 2013, the Group strived to adjust its business and product structures and further strengthen the fundamental management of existing businesses, especially the improvement and turnaround of loss making businesses such as Mangocity.com, so as to improve their fundamentals. The Group's overall results improved steadily, with five operations achieving better results including tourist attraction, passenger transportation, golf club, arts performance and power generation, albeit declines in travel document and hotel operations. At the same time, the Group steadily pushed forward development of travel destination and tourism real estate in accordance with its strategic plan in order to provide momentum for its medium to long term growth.

### Results overview

In the first half of 2013, the Group's consolidated revenue was HK\$2,031 million, a 4% decrease compared to the same period last year; profit attributable to shareholders was HK\$448 million, a 36% increase compared to the same period last year; earnings per share was HK7.93 cents, a 36% increase compared to the same period last year.

Excluding the effect of revaluation of investment properties and non-recurring items (please refer to note (4) to condensed consolidated interim financial information for details), profit attributable to shareholders was HK\$411 million, a 40% increase compared to the same period last year, of which the profit attributable to shareholders of core tourism operations and non-core power generation operations was HK\$262 million and HK\$149 million respectively, representing an increase of 13% and 143% compared to the same period last year.

The Group's financial position remained stable and strong. As at 30 June 2013, the equity attributable to shareholders was HK\$13,804 million, a 2% increase compared to the end of last year; cash and bank balances amounted to HK\$3,140 million and excluding bank loans and other borrowings of HK\$1,410 million, net cash was HK\$1,730 million, a 23% decrease compared to the end of last year.

## Travel agency and related operations

The Group's travel agency and related operations comprise:

1. Travel agency business (China Travel Service (Hong Kong) Limited (“CTSHK”) and overseas travel agencies);
2. Travel document business; and
3. Mangocity.com, an on-line travel consolidator.

In the first half of 2013, revenue of travel agency and related operations was HK\$667 million, an 8% decrease compared to the same period last year; profit attributable to shareholders was HK\$74 million, a 10% decrease compared to the same period last year.

Revenue of CTSHK increased by 2%, of which ticketing revenue increased whereas tour revenue decreased as a result of weak global economy and the outbreak of H7N9 avian influenza in mainland China, and with effective cost control, profit attributable to shareholders increased. Revenue of overseas travel agencies decreased as a result of weak global economy but due to effective cost control, loss attributable to shareholders reduced.

As affected by the outbreak of H7N9 avian influenza and promulgation of the “zero quota” policy in Hong Kong towards non-local pregnant women, business volume, revenue and profit attributable to shareholders of travel document business decreased.

Revenue of Mangocity.com increased by 3% compared to the same period last year, of which revenue of travel packages and travel insurance increased and offsetted the decrease in revenue of air ticketing and hotel commission. Mangocity.com continued to optimize its organizational structure to enhance management and operational efficiency and to reduce staff costs, and as a result, loss of Mangocity.com reduced. The headquarters building of Mangocity.com under construction is currently undergoing decoration and in an early preparation stage for lease.

## Tourist attraction operations

Operation figures of key tourist attractions:

<b>Number of visitors received (millions)</b>	<b>1H2012</b>	<b>1H2013</b>
Window of the World	1.39	1.41
Splendid China	0.66	0.63
Songshan Scenic Spot	1.61	1.33
Zhuhai OSR	1.13	1.10

The Group's tourist attraction operations comprise:

1. Theme parks (Shenzhen The World Miniature Co., Ltd. ("Window of the World") and Shenzhen Splendid China Development Co., Ltd. ("Splendid China"));
2. Natural scenic spots (CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("Songshan Scenic Spot"), CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd ("Jigongshan Scenic Spot") and Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd.);
3. Leisure resorts (China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("Zhuhai OSR"), Xianyang Ocean Spring Resort Co., Ltd. ("Xianyang OSR") and Chengdu Huashuiwan Sakura Hotel Company Limited); and
4. Non-controlling scenic spot investments (Changsha Colorful World Company Limited, Changchun Jingyuetan Youle Co. Ltd., Huangshan Taiping Cable Car Co., Ltd., Huangshan Yuping Cable Car Company Ltd. and Nanyue Cable Car Co. Ltd.).

In the first half of 2013, revenue of tourist attraction operations was HK\$694 million, a 2% decrease compared to the same period last year; profit attributable to shareholders was HK\$73 million, an 89% increase compared to the same period last year, which was mainly attributable to the increase in exchange gain and the fact that there was a one-off expense resulting from the opening of Xianyang OSR hotel in the same period last year.

Revenue of theme parks was HK\$326 million, a 6% increase compared to the same period last year; profit attributable to shareholders was HK\$60 million, a 9% increase compared to the same period last year, which was mainly attributable to the ticket prices rise of Window of the World and Splendid China upon the launch of new projects last year.

Revenue of natural scenic spots was HK\$136 million, a 17% decrease compared to the same period last year, which was mainly attributable to the drop in number of visitors in Songshan Scenic Spot due to the slowdown in Chinese economy, calls by Chinese authorities for people to practise thrift and shun extravagance and waste as well as the outbreak of H7N9 avian influenza. Profit attributable to shareholders of natural scenic spots was HK\$4 million, a 38% decrease compared to the same period last year. Jigongshan Scenic Spot raised ticket price in July last year and reduced loss.

Revenue of leisure resorts was HK\$233 million, a 1% decrease compared to the same period last year, of which revenue of Zhuhai OSR decreased due to calls by Chinese authorities for people to practise thrift and shun extravagance and waste, while revenue of Xianyang OSR increased due to the opening of hotel last year. Loss attributable to shareholders of leisure resorts decreased to HK\$8 million (1H2012: loss of HK\$36 million) due to the increase in exchange gain and the fact that there was a one-off expense resulting from the opening of Xianyang OSR hotel in the same period last year.



Profit attributable to shareholders of non-controlling scenic spots investments was HK\$17 million, an increase of 24% compared to the same period last year, which was mainly attributable to the increase of attributable profit of Changsha Colorful World Company Limited.

## Hotel operations

Key operation figures	1H2012	1H2013
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	89	88
Average room rate (HK\$)	877	868
Three hotels in mainland China		
Average occupancy rate (%)	68	65
Average room rate (RMB)	506	506

The Group's hotel operations comprise:

1. Five hotels in Hong Kong and Macau;
2. Three hotels in mainland China; and
3. CTS H.K. Metropark Hotels Management Company Limited ("Metropark Hotels Management Company").

In the first half of 2013, revenue of hotel operations was HK\$441 million, a 5% decrease compared to the same period last year; profit attributable to shareholders was HK\$108 million, a 14% decrease compared to the same period last year.

As affected by the increase in hotel supply in Hong Kong and Macau, weakness in source markets and calls by Chinese authorities for people to practise thrift and shun extravagance and waste, revenue of the five hotels in Hong Kong and Macau was HK\$326 million, a 3% decrease compared to the same period last year; profit attributable to shareholders was HK\$78 million, an 11% decrease compared to the same period last year. Average occupancy rate of the five hotels in Hong Kong and Macau was 88% (1H2012: 89%) and average room rate dropped 1% to HK\$868.

As affected by the calls by Chinese authorities for people to practise thrift and shun extravagance and waste as well as weakness in overall consumption market, revenue of the three hotels in mainland China was HK\$100 million, a 6% decrease compared to the same period last year; profit attributable to shareholders was HK\$19 million, an 8% decrease compared to the same period last year. Average occupancy rate of the three hotels in mainland China was 65% (1H2012: 68%) and average room rate was RMB506, similar to the same period last year.

As the results of hotels under management dropped, revenue of Metropark Hotels Management Company decreased by 22% to HK\$27 million; profit attributable to shareholders decreased by 36% to HK\$12 million. Metropark Hotels Management Company continued to strengthen its hotel management services with the signing of six additional hotel management consultancy contracts in regions including Beijing, Hainan and Guizhou.

### **Passenger transportation operations**

The Group's passenger transportation operations comprise:

1. China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries ("CT Bus"); and
2. the Group's associated company, Shun Tak – China Travel Shipping Investments Limited ("STCT Ferry").

In the first half of 2013, revenue of passenger transportation operations was HK\$146 million, a 5% decrease compared to the same period last year; profit attributable to shareholders was HK\$27 million, a significant increase of 520% compared to the same period last year.

CT Bus served 2.63 million passengers, an 8% decrease compared to the same period last year; revenue was HK\$146 million, a 5% decrease compared to the same period last year; profit attributable to shareholders was HK\$13 million, a significant increase of 193% compared to the same period last year. During the period under review, number of passengers served and revenue decreased because CT Bus had closed down loss making bus routes and reduced trips with low loading factor. However, such adjustment brought significant reduction of operating costs. In addition, fuel price decreased by 8% compared to the same period last year. The cost savings offsetted the adverse impact on the jointly controlled entity of CT Bus in Macau due to diversion of business to the Guangzhou-Zhuhai-Shenzhen Light Rail. The overall results of CT Bus recorded significant growth.

STCT Ferry achieved a turnaround to profit with profit attributable to shareholders of HK\$13 million (1H2012: loss of HK\$260,000), which was mainly attributable to the exit of a competitor in June last year, increase in market share brought by strengthened sales effort, as well as ticket price rise in March this year.

### **Golf club operations**

In the first half of 2013, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK\$63 million, a 12% increase compared to the same period last year, which was mainly attributable to visitor growth and increase in per capita spending due to reduction in promotion events. Profit attributable to shareholders was HK\$3 million (1H2012: loss of HK\$2 million), achieving a turnaround to profit. Revenue from sales of membership was RMB34 million, a 17% decrease compared to the same period last year.

## **Arts performance operations**

In the first half of 2013, revenue of China Heaven Creation International Performing Arts Co., Ltd. (“Heaven Creation”) was HK\$20 million, an 11% decrease compared to the same period last year, which was mainly attributable to the drop in number of audiences of “The Legend of Kung Fu” due to the decrease in overseas visitors to Beijing, as well as the decrease in revenue of White House Theatre in Branson in the United States of America. Due to increase in government subsidies, Heaven Creation managed to break even (1H2012: loss of HK\$3 million). “Adventures of Marco Polo”, the new stage play produced by Heaven Creation, made its debut in Hohhot in July and its US debut in White House Theatre in Branson in August and is scheduled to perform in the National Centre for the Performing Arts in Beijing in December.

## **Power generation operations**

In the first half of 2013, the settlement electricity volume of the Group’s associated company Shaanxi Weihe Power Co., Ltd. (“Weihe Power Plant”, a Sino-foreign co-operative joint venture) decreased by 1% compared to the same period last year. The electricity tariff was the same compared to the same period last year. Due to a 21% decrease in average coal costs compared to the same period last year and the increase in revenue from trans-regional electricity supply and heat supply, profit attributable to shareholders increased significantly by 143% to HK\$149 million.

## **Repurchase of shares**

In the first half of 2013, the Company repurchased a total of 16.43 million of its shares on The Stock Exchange of Hong Kong Limited. The average purchase price per share was approximately HK\$1.51 and the total consideration paid was HK\$24.79 million. The Company considers that repurchasing its shares at the appropriate time would help to increase shareholders’ value.

## **Enhancement of management**

Amid challenging market environment in the first half of 2013, the Group strived to adjust its business and product structures and further strengthen the fundamental management of existing businesses, especially the improvement and turnaround of loss making businesses such as Mangocity.com, so as to improve their fundamentals. Mangocity.com strengthened its differentiating businesses such as international air ticketing, prepaid hotel reservation, packages and Young Mango, etc. and adjusted those small businesses lacking competitive edges such as car rental. Amid weak market demand, the two OSRs strengthened their sales efforts through measures such as paying more sales visits to target customers. The hotels operation continued to strengthen its hotel management services and increase centralized procurement. Mangocity.com and Zhuhai OSR continued to optimize their organizational structure to enhance management and operational efficiency and to reduce staff costs. All of the Group’s businesses conducted stringent cost management and suppressed growth in costs and expenses.

In the process of strengthening its investment and development of quality travel destinations and tourism real estate projects, the Group enhanced its capability in travel planning and design, real estate development and construction management through internal resources sharing and recruitment of professionals, so as to provide solid support for project development.

### **Strategic positioning**

The Group is positioned as a tourism businesses and capital operation platform with focus on tourist attractions and adopted the development model of “travel destination development plus tourism real estate”. Travel destination development will focus on acquisition of scarce natural scenic spots such as famous mountains while tourism real estate will leverage on tourism element to create and enhance real estate value. The Group will actively acquire travel resources, strengthen internal resources sharing, enhance its professional standards, play its role as a capital market platform, so as to become a leading tourism enterprise in China and a renowned tourism investor and operator in Greater China region. The Group will adhere to the use of strategy to guide development and strive to increase shareholder value.

In execution of its strategy, the Group will gradually withdraw from businesses which are incompatible with its strategic positioning, lacking synergy, and have been loss making for a long time with no prospects of turning around.

### **Strategic development**

In accordance with its strategic plan, the Group steadily pushed forward development of travel destinations and tourism real estate. In the first half of 2013, Zhuhai OSR actively pushed forward various tasks such as land acquisition, planning and design and soft ground foundation treatment works for its phase two tourism plus real estate development, in preparation for the construction of the first batch of real estate (with a total gross floor area within 100,000 square metres). Xianyang OSR’s real estate project (with a total gross floor area of approximately 150,000 square metres) commenced construction and the preparation work for pre-sale was basically ready. The preliminary architectural design of the Golf Club’s real estate project (with a gross floor area of approximately 43,000 square metres) was delivered. The travel and leisure resort on Lingfeng Mountain in Anji underwent planning and land acquisition work and engaged a world renowned resort management group to provide consultancy service in the project phase and to manage the resort upon completion, in an effort to develop a successful countryside travel destination. Songshan Scenic Spot actively pushed forward the planning and evaluation work of the tourist town project. At the same time, the Group continued the negotiation for new projects in Beijing, Fujian and Guangxi, etc. and strived to close new projects as soon as practicable, so as to build up project and land reserve.

In respect of business structure adjustment, the Group started preliminary negotiation with potential buyers for businesses from which the Group intended to withdraw.

## **Business prospects**

According to the economic outlook of the International Monetary Fund in July 2013, global growth is projected to remain subdued and downside risks to global growth prospects still dominate. Facing economic slowdown and in response to changing economic conditions, China shall maintain its economic growth within a reasonable range through macroeconomic regulation and control and the Chinese economy is expected to maintain a steady development trend overall. China Tourism Academy considers that due to numerous complicated factors affecting the tourism economy, there are downside risks to tourism demand. However, with the stable fundamentals of the tourism market in mainland China, Chinese tourism economy is expected to remain steady overall with a relatively optimistic bias.

Looking into the second half of 2013, the operating environment of travel agency business is expected to improve as the effects of H7N9 avian influenza subdue. Travel document business will still be affected by the “zero quota” policy in Hong Kong towards non-local pregnant women and is expected to be under pressure continually. Although competition in online tourism market remains fierce, Mangocity.com will focus on development of differentiating businesses and implement effective cost control, and its operation is expected to remain steady.

Tourist attraction operations will still be affected by macroeconomic uncertainty and calls by Chinese authorities for people to practise thrift and shun extravagance and waste. However, with the stable fundamentals of the tourism market in mainland China, it is expected that tourist attraction operations will develop steadily. Window of the World will actively push forward the renovation of its performance stage and the new evening show is scheduled to launch in late September. Jigongshan Scenic Spot and two OSRs will continue to focus on improvement and turnaround of their operations.

While hotel operations will still be affected by the increase in hotel supply in Hong Kong and Macau, weakness in source markets and calls by Chinese authorities for people to practise thrift and shun extravagance and waste, the continual increase in visitor arrival to Hong Kong and Macau will provide support to the market. Hotel operations are expected to recover steadily. Passenger transportation and golf club operations are expected to continue the favourable development trend shown in the first half of the year.

With the commencement of construction of existing travel destinations and tourism real estate projects and addition of new projects, it is expected that capital expenditures will continue to increase in the second half of the year. In order to increase shareholder’s return through financial leverage, the Group will moderately increase its bank loans and maintain a healthy gearing ratio.

On the whole, there is no change in the long term positive trend in fundamentals of Chinese economy and tourism industry. Although factors such as economic uncertainties continue to affect the Group and some of the Group’s businesses are still facing great difficulties and challenges, the fundamentals of the Group’s overall business remain sound with great resilience. In the second half of 2013, the Group will continue its efforts to maintain a steady growth in its operations and adhere to prudent financial discipline in steadily pushing forward development of travel destination and tourism real estate, so as to provide momentum for its medium to long term growth. The Group is confident of its development prospects. Barring unexpected circumstances, the Group expects its full year results to be satisfactory.

## **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, the Group actively encouraged its staff to support the fundraising activity for the earthquake distressed area in Ya'an, Sichuan. Zhuhai OSR organized a staff discussion event to listen to the voices of grassroots workers and assist them to resolve their problems. Window of the World organized a dumplings banquet for more than 300 staff staying in Shenzhen on Chinese New Year's eve as well as a staff gathering evening event for the Chinese New Year. Weihe Power gradually implemented environmental protection upgrades for its power generation units to meet the more stringent air pollutant emission requirements of the state.

## **NUMBER AND REMUNERATION OF EMPLOYEE**

As at 30 June 2013, the Group had 11,039 employees. The employees are 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 are 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 2013, the cash and bank balances of the Group amounted to HK\$3,140 million whereas the bank and other borrowings amounted to HK\$1,410 million. The debt to capital ratio was 23% and the debt includes bank and other borrowings, trade and other payables, amounts due to the immediate holding company and fellow subsidiaries.

## **FOREIGN EXCHANGE RISK**

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

## **CHARGE ON ASSETS**

As at 30 June 2013, the Group's bank deposits of HK\$1.01 million (31 December 2012: HK\$1.03 million) was pledged for a bank loan, HK\$22.15 million (31 December 2012: HK\$25.16 million) were pledged to banks to secure certain credit facilities granted by suppliers to certain subsidiaries of the Company and HK\$2.01 million (31 December 2012: HK\$3.15 million) were pledged in favor of the banks for certain bank guarantees given in lieu of utility and rental deposits.

As at 30 June 2013, certain of the Group's buildings with net carrying amount of HK\$9.27 million (31 December 2012: HK\$9.43 million) were pledged to secure bank guarantees given to suppliers in connection with credit facility granted.

## CONTINGENT LIABILITIES

As at 30 June 2013, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2012: HK\$0.3 million).

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

During the six months ended 30 June 2013, the Company repurchased a total of 16,426,000 ordinary shares of HK\$0.10 each of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), of which 10,124,000 shares were cancelled during the six months ended 30 June 2013 and 6,302,000 shares were cancelled on 31 July 2013. The number of issued shares of the Company as of 30 June 2013 was 5,647,145,525 shares. Particulars of the shares repurchased during the period are as follows:

Month/Year	Number of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2013	10,124,000	1.58	1.45	15,524,780
June 2013	6,302,000	1.50	1.44	9,268,520

Subsequent to 30 June 2013 and up to the date of this announcement, the Company repurchased a total of 4,650,000 shares at an aggregate consideration of HK\$6,637,240. These repurchased shares were cancelled on 31 July 2013. The number of issued shares of the Company as of 19 August 2013 is 5,636,193,525.

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 or sold and the Company did not redeem any of the Company's listed securities during the six months ended 30 June 2013.

## **CORPORATE GOVERNANCE**

The Group is committed to maintain high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholder value. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance.

For the six months ended 30 June 2013, the Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing Listing of Securities on the Stock Exchange (the "Listing Rules"), 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 Company's Non-Executive Directors do not have a specific term of appointment, pursuant to the Company's articles of association (the "Articles"), 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 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 Articles. 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 that the chairman of the Board should attend the annual general meeting. The chairman of the Board of the Company has not attended the Company's annual general meeting held on 10 May 2013 because of other business commitment.

## **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 (the "Model Code") as set out in Appendix 10 to the Listing Rules. 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 2013.



## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK 2 cents per share for the six months ended 30 June 2013 (2012: HK 2 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, 11 September 2013. The interim dividend will be paid on or around Friday, 27 September 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 9 September 2013 to Wednesday, 11 September 2013 (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, 6 September 2013.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2013 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial information for the six months ended 30 June 2013 has not been audited but has been reviewed by the Company's external auditors, PricewaterhouseCoopers.

## **PUBLICATION OF 2013 INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company website at [www.irasia.com/listco/hk/ctii/](http://www.irasia.com/listco/hk/ctii/). The 2013 Interim Report will be available on the HKExnews and the Company websites, and despatched to the shareholders of the Company in due course.

By order of the Board  
**Wang Shuai Ting**  
*Chairman*

Hong Kong, 19 August 2013

*As at the date of this announcement, the Board of the Company comprises six executive Directors, namely Mr. Wang Shuai Ting, Mr. Lo Sui On, Ms. Jiang Yan, 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.*