Interim Report **2013**

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

Stock Code: 308

Contents

Corporate Information

Directors

Mr. Wang Shuai Ting *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Ms. Jiang Yan
Mr. Zhang Fengchun
Mr. Xu Muhan *(General Manager)*
Mr. Fu Zhuoyang
Dr. Fong Yun Wah*
Mr. Wong Man Kong, Peter*
Mr. Sze, Robert Tsai To*
Mr. Chan Wing Kee*

* *Independent Non-Executive Director*

Audit Committee

Mr. Wong Man Kong, Peter *(Chairman)*
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

Remuneration Committee

Mr. Wong Man Kong, Peter *(Chairman)*
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee
Mr. Wang Shuai Ting
Ms. Jiang Yan

Nomination Committee

Mr. Wang Shuai Ting *(Chairman)*
Ms. Jiang Yan
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

Strategy and Development Committee

Mr. Xu Muhan *(Chairman)*
Mr. Zhang Fengchun
Mr. Fu Zhuoyang
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To

Company Secretary

Mr. Lai Siu Chung

Auditors

PricewaterhouseCoopers

Legal Advisors

DLA Piper Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Credit Agricole Corporate & Investment Bank
China Everbright Bank
China Construction Bank
Chong Hing Bank
The Bank of Nova Scotia
Ping An Bank

Financial Calendar and Information for Shareholders

Financial Calendar

Announcement of 2013 interim results	19 August 2013
Closure of register of members	9 to 11 September 2013 (both dates inclusive)
Record date for 2013 interim dividend	11 September 2013
Payment of 2013 interim dividend	27 September 2013

Registered Office

12th Floor, CTS House
78-83 Connaught Road Central
Hong Kong

Share Registrar

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Company Website

www.irasia.com/listco/hk/ctii

Stock Code

308

Investor Relations Contact

Tel: (852) 2853 3111
Fax: (852) 2851 7538
Email: ir@hkcts.com

Report on Review of Interim Financial Information

To the board of directors of China Travel International Investment Hong Kong Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 27, which comprises the condensed consolidated statement of financial position of China Travel International Investment Hong Kong Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2013

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Note	Unaudited 2013 HK$'000	2012 HK$'000
Revenue	7	**2,031,263**	2,126,004
Cost of sales		**(1,012,633)**	(1,069,198)
Gross profit		**1,018,630**	1,056,806
Other income and gains, net	8	**102,980**	39,548
Changes in fair value of investment properties		**45,078**	45,371
Selling and distribution costs		**(272,647)**	(285,440)
Administrative expenses		**(506,656)**	(495,879)
Operating profit	9	**387,385**	360,406
Finance income	10	**46,115**	48,981
Finance costs	10	**(3,348)**	(12,371)
Finance income, net	10	**42,767**	36,610
Share of profits less losses of			
Associates		**177,488**	74,236
Joint ventures		**2,845**	4,368
Profit before taxation		**610,485**	475,620
Taxation	11	**(103,997)**	(89,255)
Profit for the period		**506,488**	386,365
Attributable to:			
Equity owners of the Company		**448,472**	329,840
Non-controlling interests		**58,016**	56,525
Profit for the period		**506,488**	386,365
Earnings per share for profit attributable to equity owners of the Company, basic and diluted (HK cents)	13	**7.93**	5.81
Interim dividend	12	**112,724**	113,390

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited 2013 HK$'000	Unaudited 2012 HK$'000
Profit for the period	**506,488**	386,365
Other comprehensive income/(loss)		
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	**83,743**	(54,601)
Total comprehensive income for the period	**590,231**	331,764
Attributable to:		
Equity owners of the Company	**521,650**	279,196
Non-controlling interests	**68,581**	52,568
	590,231	331,764

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Note	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**8,341,256**	8,082,383
Investment properties	15	**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	18	**–**	1,030
Deferred tax assets		**13,198**	12,915
Total non-current assets		**13,010,205**	12,668,732
Current assets			
Inventories		**127,249**	105,136
Trade receivables	16	**236,170**	257,785
Deposits, prepayments and other receivables	17	**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	18	**25,174**	28,313
Cash and bank balances	18	**3,139,600**	2,678,401
Total current assets		**5,770,801**	4,741,594
Total assets		**18,781,006**	17,410,326

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Note	**Unaudited 30 June 2013 HK$'000**	Audited 31 December 2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**564,715**	565,867
Reserves		**13,239,451**	12,904,962
		13,804,166	13,470,829
Non-controlling interests		**756,368**	807,603
Total equity		**14,560,534**	14,278,432
LIABILITIES			
Non-current liabilities			
Deferred income		**514,403**	456,721
Bank and other borrowings	20	**35,342**	41,985
Deferred tax liabilities		**487,816**	477,643
Total non-current liabilities		**1,037,561**	976,349
Current liabilities			
Trade payables	19	**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	20	**1,374,865**	393,432
Total current liabilities		**3,182,911**	2,155,545
Total liabilities		**4,220,472**	3,131,894
Total equity and liabilities		**18,781,006**	17,410,326
Net current assets		**2,587,890**	2,586,049
Total assets less current liabilities		**15,598,095**	15,254,781

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Unaudited							
	Attributable to equity owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	565,867	8,357,579	(2,233)	418,249	4,131,367	13,470,829	807,603	14,278,432
Comprehensive income								
Profit for the period	–	–	–	–	448,472	448,472	58,016	506,488
Other comprehensive income for the period:								
Share of hedging reserve of an associate	–	–	–	541	–	541	–	541
Exchange differences on translation of foreign operations, net	–	–	–	72,637	–	72,637	10,565	83,202
Total other comprehensive income for the period, net of tax	–	–	–	73,178	–	73,178	10,565	83,743
Total comprehensive income for the period	–	–	–	73,178	448,472	521,650	68,581	590,231
Transactions with owners								
Transfer from retained profits	–	–	–	310	(310)	–	–	–
Equity-settled share option arrangement	–	–	–	5,988	–	5,988	–	5,988
Repurchase of shares	–	–	(24,794)	–	–	(24,794)	–	(24,794)
Cancellation of shares repurchased	(1,152)	–	17,758	1,152	(17,815)	(57)	–	(57)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(119,816)	(119,816)
2012 final dividend paid	–	–	–	–	(169,450)	(169,450)	–	(169,450)
Total transactions with owners for the period	(1,152)	–	(7,036)	7,450	(187,575)	(188,313)	(119,816)	(308,129)
At 30 June 2013	564,715	8,357,579	(9,269)	498,877	4,392,264	13,804,166	756,368	14,560,534

During the period ended 30 June 2013, the Company repurchased a total of 16,426,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$24,794,000 (excluding transaction costs). 11,524,000 repurchased shares, of which 10,124,000 shares were repurchased during the period ended 30 June 2013, were cancelled during the period ended 30 June 2013 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Up to the date of the interim report, the remaining 6,302,000 shares that were repurchased during the period ended 30 June 2013, together with 4,650,000 shares repurchased by the Company subsequent to the end of the reporting period in July 2013 were subsequently cancelled by the Company on 31 July 2013.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Unaudited							
	Attributable to equity owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	568,990	8,357,579	(1,602)	394,825	3,666,339	12,986,131	786,152	13,772,283
Comprehensive income								
Profit for the period	–	–	–	–	329,840	329,840	56,525	386,365
Other comprehensive (loss)/income for the period:								
Share of hedging reserve of an associate	–	–	–	(3,983)	–	(3,983)	–	(3,983)
Exchange differences on translation of foreign operations, net	–	–	–	(47,562)	–	(47,562)	(3,957)	(51,519)
Release of exchange difference upon disposal of a subsidiary	–	–	–	901	–	901	–	901
Total other comprehensive loss for the period, net of tax	–	–	–	(50,644)	–	(50,644)	(3,957)	(54,601)
Total comprehensive (loss)/income for the period	–	–	–	(50,644)	329,840	279,196	52,568	331,764
Transactions with owners								
Transfer from retained profits	–	–	–	326	(326)	–	–	–
Equity-settled share option arrangement	–	–	–	10,641	–	10,641	–	10,641
Repurchase of shares	–	–	(25,052)	–	–	(25,052)	–	(25,052)
Cancellation of shares repurchased	(1,651)	–	23,676	1,651	(23,736)	(60)	–	(60)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(89,150)	(89,150)
2011 final dividend paid	–	–	–	–	(170,334)	(170,334)	–	(170,334)
Total transactions with owners for the period	(1,651)	–	(1,376)	12,618	(194,396)	(184,805)	(89,150)	(273,955)
At 30 June 2012	567,339	8,357,579	(2,978)	356,799	3,801,783	13,080,522	749,570	13,830,092

During the period ended 30 June 2012, the Company repurchased a total of 17,398,000 of its own ordinary shares through the Stock Exchange at an aggregate consideration of HK$25,052,000 (excluding transaction costs). 16,508,000 repurchased shares, of which 15,242,000 shares were repurchased during the period ended 30 June 2012, were cancelled during the period ended 30 June 2012 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

The remaining 2,156,000 shares that were repurchased during the period ended 30 June 2012, together with 1,728,000 shares repurchased by the Company subsequent to the end of the reporting period in July 2012 were subsequently cancelled by the Company on 18 July 2012 and 9 August 2012 respectively.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited	
	2013 **HK$'000**	2012 HK$'000
Net cash flows from operating activities	**439,763**	394,299
Net cash flows used in investing activities	**(813,546)**	(883,060)
Net cash flows from financing activities	**733,021**	28,146
Net increase/(decrease) in cash and cash equivalents	**359,238**	(460,615)
Cash and cash equivalents at 1 January	**2,521,226**	3,395,611
Cash and cash equivalents at 30 June	**2,880,464**	2,934,996
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**3,139,600**	3,578,540
Deposits of non-cash and cash equivalents	**(259,136)**	(643,544)
Cash and cash equivalents	**2,880,464**	2,934,996

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. This condensed consolidated interim financial information has been reviewed, not audited.

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 ("HKAS") 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 HKFRS 10, HKFRS 11 and HKFRS 12	Transitional Guidance
HKFRS 13	Fair Value Measurements

3 Accounting policies (Continued)

(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) (1)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36 (1)	Recoverable Amount Disclosures for Non-financial Assets
HKFRS 9 (2)	Financial Instruments
HKFRS 7 and HKFRS 9 (Amendments) (2)	Mandatory Effective Date and Transition Disclosures
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (revised 2011) (1)	Investment Entities
HK(IFRIC)-Int 21 (1)	Levies

(1) Effective for financial periods beginning on or after 1 January 2014

(2) Effective for financial periods beginning on or after 1 January 2015

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 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management

5.1 Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group under policies approved by the Directors of the Company.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

There have been no changes in the risk management since year end or in any risk management policies.

5 Financial risk management (Continued)

5.2 Fair value estimation

Management analyses financial instruments and investment properties carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and investment properties that are measured at fair values.

	As at 30 June 2013		
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**
Financial assets at fair value through profit or loss	**–**	**708,214**	**–**
Investment properties	**–**	**1,733,336**	**–**

	As at 31 December 2012		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss	–	292,286	–
Investment properties	–	1,668,577	–

The carrying amounts of the Group's financial assets and liabilities approximate their fair values, except for the followings:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Fair value of non-current portion of bank and other borrowings	**35,085**	41,809

6 Operating segment information

Executive management is the Group's chief operating decision-maker and 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.

6 Operating segment information (Continued)

Six months ended 30 June 2013 (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$'000	Arts performance operations HK$'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	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
	670,280	701,456	443,304	146,937	63,591	19,985	-	2,045,553	10,140	2,055,693
Elimination of intersegment revenue								(14,290)	(10,140)	(24,430)
Revenue								2,031,263	-	2,031,263
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										610,485

6 Operating segment information (Continued)

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$'000	Arts performance operations HK$'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	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										475,620

Certain comparative figures in the operating segment information 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.

7 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
	2,031,263	2,126,004

8 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
	102,980	39,548

9 Operating profit

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

	Unaudited Six months ended 30 June 2013 HK$'000	Unaudited Six months ended 30 June 2012 HK$'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

10 Finance income, net

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

11 Taxation

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

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:

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

12 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.

13 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)	**448,472**	329,840
Weighted average number of ordinary shares in issue	**5,654,437,525**	5,681,339,635
Basic earnings per share (HK cents)	**7.93**	5.81

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).

14 Property, plant and equipment

During the period ended 30 June 2013, additions of items of property, plant and equipment amounted to HK$401,582,000 (2012: HK$179,075,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK$17,063,000 (2012: HK$15,361,000).

15 Investment properties

The Group's investment properties were revalued on 30 June 2013 by RHL Appraisal Ltd., an independent professionally qualified valuer.

The fair values of completed investment properties have been generally derived using the direct comparison approach. Prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

There were no changes in valuation techniques during the period.

16 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:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
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
	236,170	257,785

17 Deposits, prepayments and other receivables

At 30 June 2013, the balances included:

(a) Entrustment loans as provided to the non-controlling shareholders of Shenzhen The Splendid China Development Co., Ltd. and Shenzhen The World Miniature Co., Ltd. respectively, which are the Group's 51%-owned subsidiaries. These entrustment loans of HK$225,975,000 (31 December 2012: HK$258,987,000) are unsecured, are repayable by the non-controlling shareholders upon one month notice from the Group, and bear interest at the 1-year People's Bank of China Base Lending Rate less 10% per annum.

(b) Entrustment loans as provided to certain PRC companies. These entrustment loans of HK$816,019,000 (31 December 2012: HK$641,302,000) are unsecured and bear interest ranging from 5.8% to 8.5% per annum. These loans are repayable between September 2013 and May 2014 (31 December 2012: repayable between January 2013 and October 2013).

(c) Amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., a 51%-owned subsidiary of the Group, which is unsecured and bears interest at 5.52% per annum.

18 Cash and bank balances

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Cash and bank balances	**939,051**	1,162,251
Time deposits	**2,225,723**	1,545,493
	3,164,774	2,707,744
Less: Pledged time deposits		
– Non-current portion, pledged for a bank loan	**–**	(1,030)
– Current portion, pledged for a bank loan, credit facilities and bank guarantees	**(25,174)**	(28,313)
	3,139,600	2,678,401

19 Trade payables

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

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
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
	351,922	335,720

20 Bank and other borrowings

Movements in bank and other borrowings are analysed as follows:

	Unaudited	
	2013	2012
	HK$'000	HK$'000
As at 1 January	**435,417**	850,450
Borrowings	**1,350,000**	900,000
Repayments	**(376,277)**	(600,000)
Exchange adjustment	**1,067**	(1,420)
As at 30 June	**1,410,207**	1,149,030
Less: Non-current portion	**(35,342)**	(41,724)
Current portion	**1,374,865**	1,107,306

The interest charged on the bank and other borrowings ranged from 0.471% to 6% per annum as at 30 June 2013 (31 December 2012: 0.868% to 6% per annum).

As at 30 June 2013, the Group's secured bank loan was pledged by the Group's bank deposit amounting to HK$1,012,000 (31 December 2012: HK$1,030,000).

21 Pledge of assets

As at 30 June 2013, the Group's bank deposits of HK$1,012,000 (31 December 2012: HK$1,030,000) was pledged for a bank loan, HK$22,148,000 (31 December 2012: HK$25,162,000) were pledged to banks to secure certain credit facilities granted by suppliers to certain subsidiaries of the Company and HK$2,014,000 (31 December 2012: HK$3,151,000) were pledged in favour 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$9,268,000 (31 December 2012: HK$9,433,000) were pledged to secure bank guarantees given to suppliers in connection with credit facility granted.

22 Contingent liabilities

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Performance bond given to a customer for due performance of a sales contract	**300**	300

23 Commitments

At 30 June 2013, the Group had the following significant capital commitments:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Property, plant and equipment and land:		
Contracted, but not provided for	**971,953**	494,232
Authorised, but not contracted for	**201,416**	259,113
	1,173,369	753,345

24 Related party transactions

(a) In addition to those related party balances and transactions disclosed elsewhere in this condensed consolidated interim financial information, the Group had the following significant transactions with related parties during the period:

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Travel-related income from (a)		
– the immediate holding company (b)	**145,639**	177,591
– fellow subsidiaries	**15,106**	15,156
– associates	**24,656**	20,986
– other related parties	**3,076**	3,245
Hotel-related income from (a)		
– the immediate holding company	**1,394**	2,112
– fellow subsidiaries	**972**	2,029
Management income from (c)		
– fellow subsidiaries	**9,512**	8,839
– associates and joint ventures	**4,614**	6,451
Rental income from (d)		
– associates	**19,589**	20,797
Other service income from (e)		
– fellow subsidiaries	**–**	8,563
Travel-related expenses paid to (a)		
– fellow subsidiaries	**(25,450)**	(42,638)
– other related parties	**(2,438)**	(2,345)
Management expenses paid to (c)		
– fellow subsidiaries	**(5,013)**	(2,986)
Rental expenses paid to (d)		
– the immediate holding company	**(6,985)**	(8,854)
– associates	**(2,988)**	(2,904)
Interest expenses paid to (f)		
– associates	**–**	(6,124)

24 Related party transactions (Continued)

Notes:

(a) Travel-related and hotel-related income and expenses are entered into in the normal course of business based on terms mutually agreed by the parties.

(b) The travel permit administration income was determined in accordance with the terms of an agency agreement entered into between the parties and was charged at 45% of the gross fee revenue from travel permit applications.

(c) Management income and expense are charged at rates in accordance with relevant contracts.

(d) Rental income and expenses are charged in accordance with respective tenancy agreements.

(e) Other service income is charged as specified in the contract.

(f) Interest expenses are charged in accordance with relevant agreements.

(b) Other transactions with related parties

(i) On 26 January 2011, China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation"), a 78%-owned subsidiary of the Group, applied for a RMB30 million loan from the Export-Import Bank of China. Under the loan agreement, China National Travel Service (HK) Group Corporation ("China CTS (HK)") provided a credit guarantee in favour of the bank to secure the repayment obligations of Heaven Creation.

On the same date, the Company provided a counter guarantee to China CTS (HK) for the amount of the loan drawn down from the loan agreement together with any interest, penalty, compensation and other related fees and expenses which may be payable by China CTS (HK) contemplated under the credit guarantee provided by China CTS (HK) to the bank.

(ii) On 13 April 2011 and 29 December 2011, entrustment loan arrangements were entered into between Shaanxi Weihe Power Co., Ltd. ("Weihe Power"), Shaanxi Qinlong Electric Power Co., Ltd., which was a substantial shareholder of Weihe Power, and a bank. Total borrowing amounted to approximately RMB150 million as at 30 June 2013 and 2012.

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 (6) 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:

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

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	**1H2013**	1H2012
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	**88**	89
Average room rate (HK$)	**868**	877
Three hotels in mainland China		
Average occupancy rate (%)	**65**	68
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 favour 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).

Other Information

Directors' and Chief Executive's Interests

As at 30 June 2013, the interests and short positions of the Directors and the Company's chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares Corporate interest	 Family interest	Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 30 June 2013
Mr. Lo Sui On	–	–	1,770,000	1,770,000	0.03%
Ms. Jiang Yan	–	–	1,770,000	1,770,000	0.03%
Mr. Zhang Fengchun	–	–	1,770,000	1,770,000	0.03%
Mr. Xu Muhan	–	2,000 (Note 1)	1,850,000	1,852,000	0.03%
Mr. Fu Zhuoyang	–	–	1,770,000	1,770,000	0.03%
Dr. Fong Yun Wah	50,000 (Note 2)	–	–	50,000	0.00%

Note 1: Mr. Xu Muhan is deemed to be interested in these shares of the Company held by his spouse.

Note 2: These shares are beneficially owned by certain corporations the voting power at general meetings of which Dr. Fong Yun Wah controlled one-third or more. Dr. Fong Yun Wah is taken to be interested in such shares pursuant to Divisions 7 and 8 of Part XV of the SFO.

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Share Option Scheme

On 4 May 2012, the Company has passed the resolution in a shareholders' meeting for the termination of the share option scheme adopted on 3 June 2002 (the "2002 Share Option Scheme") and the adoption of a new share option scheme (the "2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Outstanding share options granted under the 2002 Share Option Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the 2002 Share Option Scheme.

The 2002 Share Option Scheme

Details of the movement in the share options granted under the 2002 Share Option Scheme during the six months ended 30 June 2013 are set out below:

Name or category of participant	Number of share options: Balance as at 1 January 2013	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Reclassified during the period	Balance as at 30 June 2013	Date of grant	Exercise period (Note 2)	Exercise price (HK$)
Directors									
Lo Sui On	1,770,000	–	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Jiang Yan	1,770,000	–	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fang Xiaorong (Note 1)	1,770,000	–	–	–	(1,770,000)	–	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	1,770,000	–	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Xu Muhan	1,850,000	–	–	–	–	1,850,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fu Zhuoyang	1,770,000	–	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	10,700,000	–	–	–	(1,770,000)	8,930,000			
Other employees in aggregate	110,660,000	–	–	–	1,770,000	112,430,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	121,360,000	–	–	–	–	121,360,000			

Note 1: Mr. Fang Xiaorong retired as a Director of the Company on 1 March 2013.

Note 2: The vesting period of the share options is from the date of grant until the commencement of the exercise period. The options are exercisable in the following manner subject to the achievement of certain performance targets:

The proportion of options exercisable	Exercise period
First 30% of the share options	18 June 2012 to 17 June 2020
Second 30% of the share options	18 June 2013 to 17 June 2020
Remaining 40% of the share options	18 June 2014 to 17 June 2020

The 2012 Share Option Scheme

No share options were granted under the 2012 Share Option Scheme during the six months ended 30 June 2013.

Save as disclosed above, as at 30 June 2013, none of the Directors or the Company's chief executive, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at 30 June 2013, the following shareholders (other than Directors or chief executive of the Company) had interests, directly or indirectly, and short positions in the shares and underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO:

Long position in the ordinary shares of the Company

Name of shareholders	**Capacity**	**Number of shares held**	**% of the issued share capital as at 30 June 2013**
China National Travel Service (HK) Group Corporation ("China CTS (HK)")	Interest of controlled corporation *(Note)*	3,231,822,728	57.23%
China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)")	Interest of controlled corporation and beneficial owner	3,231,822,728	57.23%

Note: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS (HK). CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS (HK) is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO and the interests of China CTS (HK) in the Company duplicate the interests of CTS (Holdings).

Save as aforesaid, as at 30 June 2013, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares or debentures of the Company recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 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 Highest	Lowest	Aggregate consideration paid
		HK$	HK$	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 report, 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 at the date of this report 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.

Disclosures pursuant to Rule 13.21 of the Listing Rules

On 4 July 2011, the Company entered into a facility agreement with a bank for an uncommitted revolving term loan facility of HK$300,000,000.

On 20 July 2011, China Travel Service (Hong Kong) Limited, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for an uncommitted facility of HK$300,000,000. The term of the credit facility has been extended to 30 June 2014.

On 19 June 2013, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for a committed revolving loan of HK$300,000,000. The final maturity date of the credit facility is one year from the date of acceptance of the facility agreement.

Pursuant to the aforesaid facility agreements, CTS (Holdings), the controlling shareholder of the Company, is required, at all times, to be the largest shareholder of the Company with at least 40% equity interest throughout the life of the credit facilities. Breach of this specific performance obligation will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 25 June 2013, the Company, as borrower, entered into a facility agreement with a bank for a committed revolving credit facility to the extent of HK$300,000,000 and an uncommitted revolving credit facility to the extent of HK$100,000,000. The final maturity date of the committed revolving credit facility is one year from the date of acceptance of the facility agreement. Pursuant to the facility agreement, the Company undertakes with the bank that CTS (Holdings) shall hold, directly or indirectly, not less than 50% of the issued share capital of the Company.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2012 Annual Report are set out below:

Name of Director	Changes
Jiang Yan	– Resigned as a Director of CTS H.K. Metropark Hotels Management Company Limited, a wholly-owned subsidiary of the Company, with effect from 29 April 2013.
Xu Muhan	– Appointed as a Director of China Heaven Creation International Performing Arts Co., Ltd., a non wholly-owned subsidiary of the Company, with effect from 3 April 2013.
Sze, Robert Tsai To	– Retired as an Independent Non-Executive Director of Asia Satellite Telecommunications Holdings Limited (Stock Code: 1135) with effect from 19 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 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. 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.

By order of the Board
Wang Shuai Ting
Chairman

Hong Kong, 19 August 2013