

星旅相伴
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2012 Interim Results Announcement

21st Aug, 2012



香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT H.K.LTD

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Table of Contents



- **1H2012 Financial Review**
- **1H2012 Business Review**
- **Business Prospects**
- **Q & A Session**

1H2012 Financial Review

Financial Highlights



For the six months ended 30 June	1H2012	1H2011	Change
	HK\$ mn	(Restated)	
		HK\$ mn	
Turnover	2,126	1,995	7%
Profit attributable to shareholders	330	357	-8%
Basic earnings per share (HK cents)	5.8	6.3	-7%
Interim dividend per share (HK cents)	2	2	0%
Dividend payout ratio	34%	32%	N/A

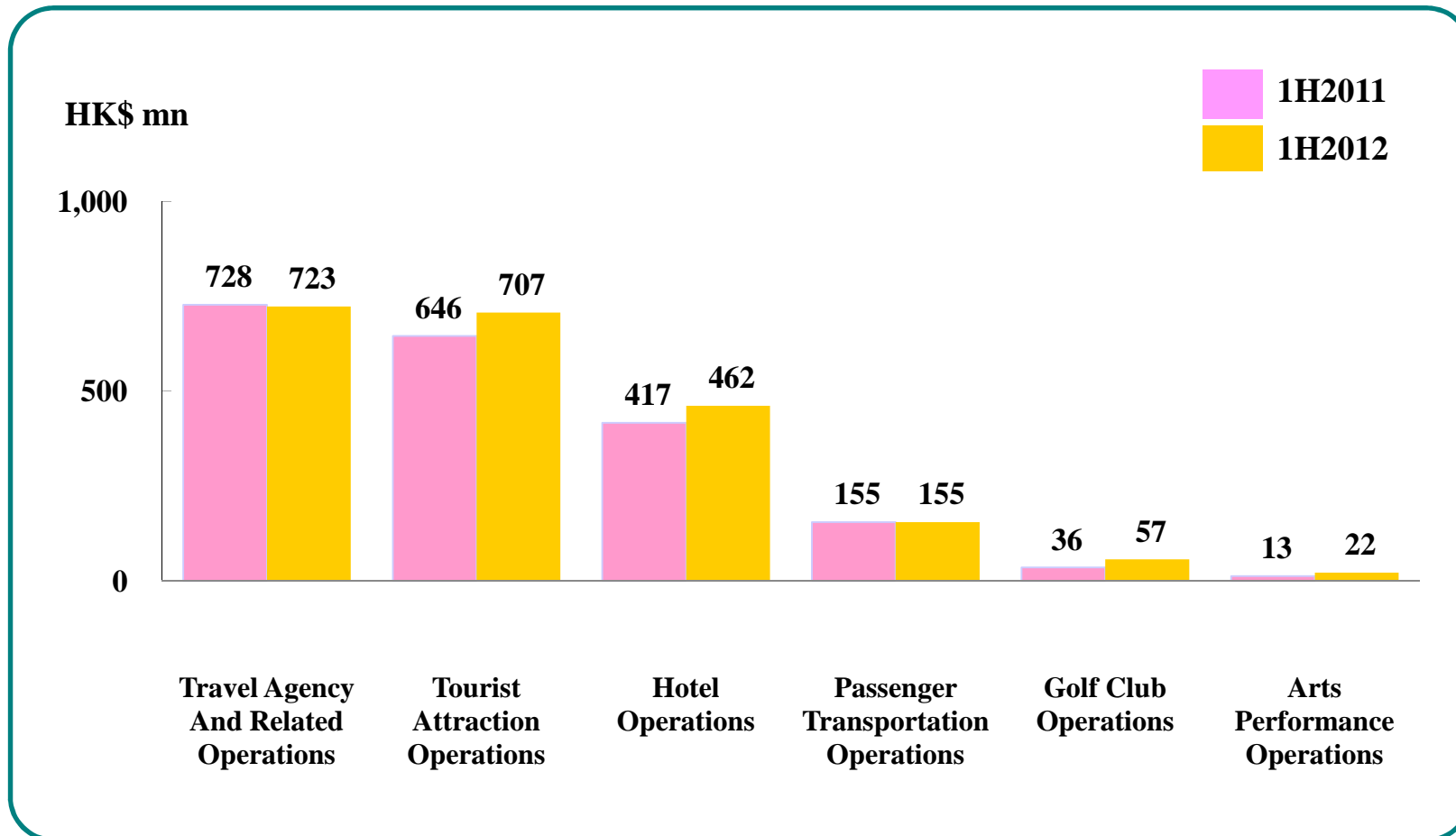
Earnings Analysis



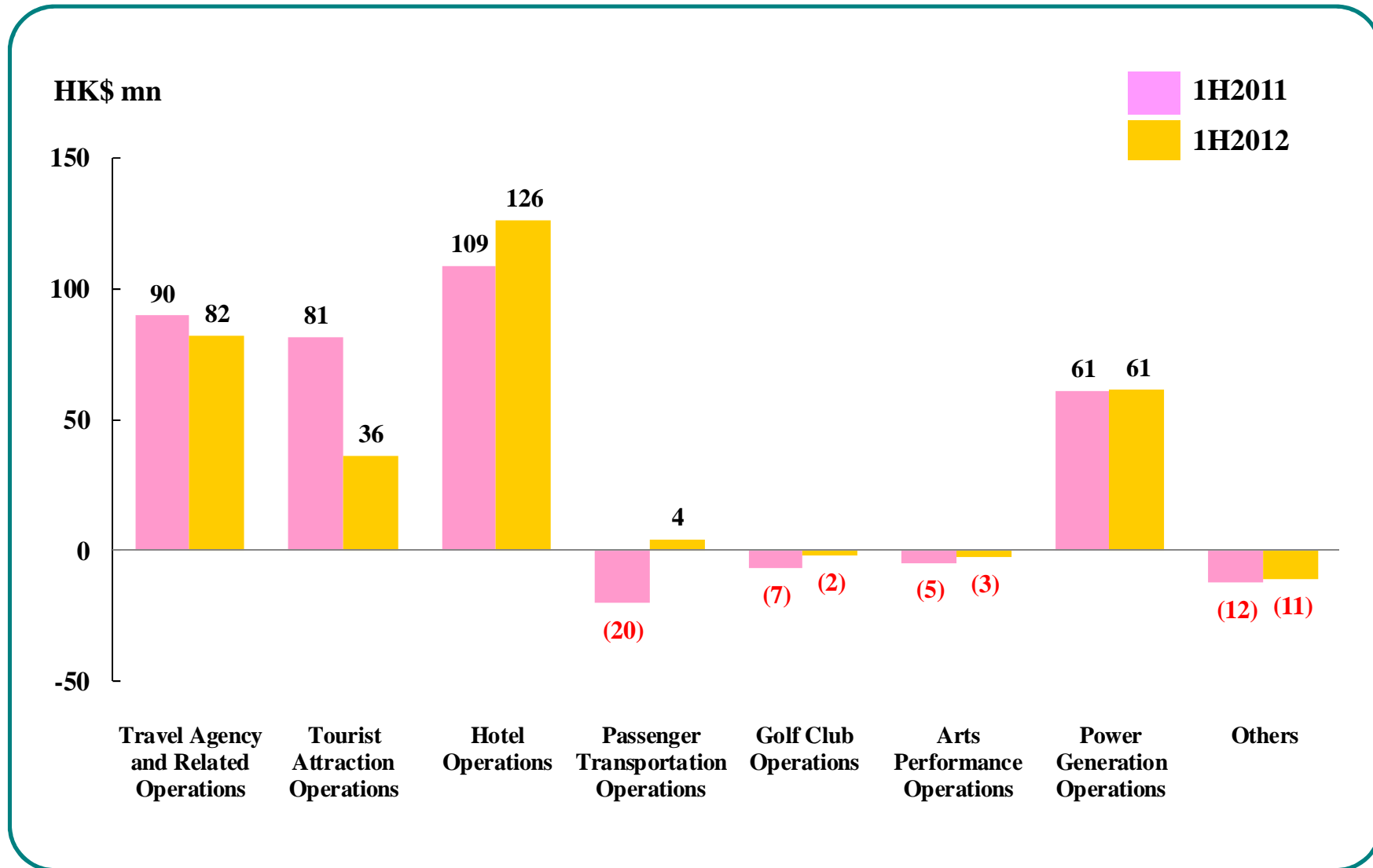
Excluding the effect of revaluation of investment properties and non-recurring items, the profit attributable to shareholders was HK\$294 mn (-1%)

- **Results improved:** hotel, passenger transportation, golf club and arts performance operations
- **Remained stable:** power generation operations
- **Results declined:** travel agency and related operations and tourist attraction operations
- Overall performance remained relatively stable

Revenue by Segment



Attributable Profit by Segment



Balance Sheet



	30th June 2012 HK\$ mn	31st December 2011 HK\$ mn	Change
Total assets	17,406	17,024	2%
Equity attributable to shareholders	13,081	12,986	1%
Net asset value per share**(HK\$)	2.3	2.3	0%
Cash and cash equivalents*	3,579	3,491	3%
Interest-bearing bank and other borrowings	1,149	850	35%
Net cash	2,430	2,641	-8%
Net cash to equity**	19%	20%	N/A
Total liabilities to equity**	27%	25%	N/A
Current ratio	2.0	2.1	N/A

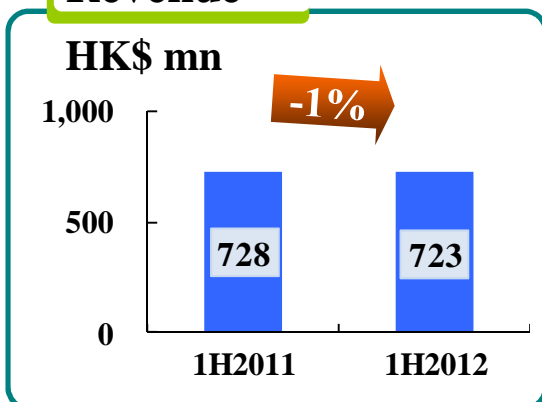
* Excluding pledged time deposits

** Based on equity attributable to shareholders

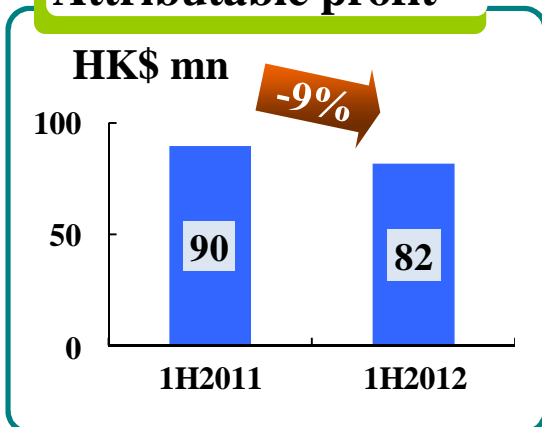
1H2012 Business Review

Travel Agency and Related Operations

Revenue



Attributable profit



Hong Kong and overseas travel agencies and online travel consolidator

Profit declined due to decreased contribution from the travel permit business resulting from the reduction of certain visa fee since July last year

HK Travel Agency

- Revenue of travel business decreased by 3%, of which, revenue from outbound tours declined, whereas the remaining businesses recorded growth in revenue
- Profit increased as revenue from high margin business such as packages increased and certain expenses declined

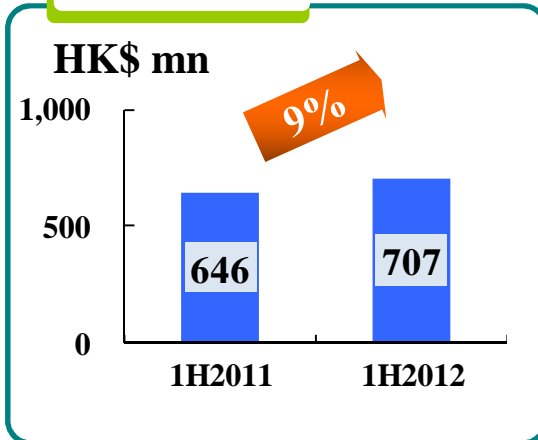
Mangocity

- Revenue increased by 1%, of which air ticketing commission revenue increased by 2% and hotel commission revenue decreased by 6%
- 180,000 hotel room nights were booked through Young Mango, a budget hotel reservation platform and a leader in this niche market; the cruise business was ranked first in South China and second in China in terms of sales made to individual customers
- Loss continued to narrow due to stringent cost control



Tourist Attraction Operations

Revenue



Attributable profit



Theme parks, natural scenic spots and leisure resorts

Profit declined due to decrease in exchange gain and rise in costs resulting from the opening of Xianyang OSR hotel

Theme parks:

Window of the World

- No. of ticket purchasing visitors was 1.30 mn (+5%), revenue was HK\$214 mn (+9%), attributable profit was HK\$44 mn (+13%)
- Launched a miniature train project “Cross Europe ” in mid-June and raised ticket price
- More new projects will follow “Cross Europe” to promote the long-term growth of the park

Splendid China

- No. of ticket purchasing visitors was 0.55 mn (on par), revenue was HK\$92 mn (+3%), attributable profit was HK\$10 mn (+7%), which was mainly attributable to the ticket price increase with the launch of new projects at the end of last year and the increase in revenue from provision of management services
- Signed a management service contract with Yungang Grottoes in Datong for a term of five years
- Continued to organize and implement the upgrade and renovation projects including the Tea Horse Post House

Tourist Attraction Operations (Cont'd)



Natural Scenic Spots: Songsshan Scenic Spot

- No. of ticket purchasing visitors was 1.34 mn (+18%), revenue was HK\$151 mn (+29%), attributable profit was HK\$15 mn (+44%)
- Increased revamp efforts to enhance service facilities and management services and strengthened marketing. Together with the cancellation of discount for group tickets, revenue and profit growth was achieved
- Planning design work of the project “Tourism Town in the Centre of Heaven” is now underway



Jigongshan Scenic Spot

- No. of ticket purchasing visitors decreased to 90,000, which was mainly attributable to the redevelopment work of National Highway and the reduction in discount of ticket price, but ticketing revenue still increased by 3%
- Overall revenue was HK\$13 mn (+40%), attributable loss was HK\$8 mn (1H2011: loss of HK\$3 mn), which was mainly attributable to higher depreciation expenses charged over the whole period and increase in labour costs
- Will strive to conduct planning design and establish a proper market position and pursue new development model

Tourist Attraction Operations (Cont'd)

Leisure Resorts:

Zhuhai OSR



- No. of visitors was 1.14 mn (-10%), revenue was HK\$181 mn (-4%), attributable loss was HK\$17 mn (1H2011: profit of HK\$15 mn)
- Excluding the exchange gain, attributable loss was HK\$10 mn (1H2011: loss of HK\$13 mn). Decrease in loss was mainly attributable to stringent cost control
- Soft foundation treatment work of phase two project commenced in June

Xianyang OSR



- No. of visitors was 0.16 mn (+8%), revenue was HK\$42 mn (+20%), attributable loss was HK\$24 mn (1H2011: loss of HK\$10 mn)
- 225-room complementary hotel commenced trial operation in mid-April and drove visitor and revenue growth. However, hotel related expenses such as pre-operating expenses led to an increase in loss
- Construction proposal of the real estate project gained government approval and construction plan design work is now underway

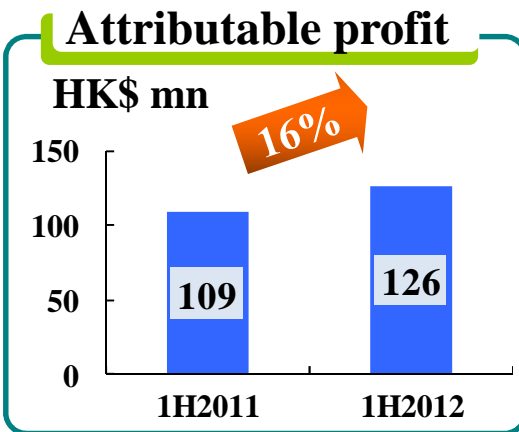
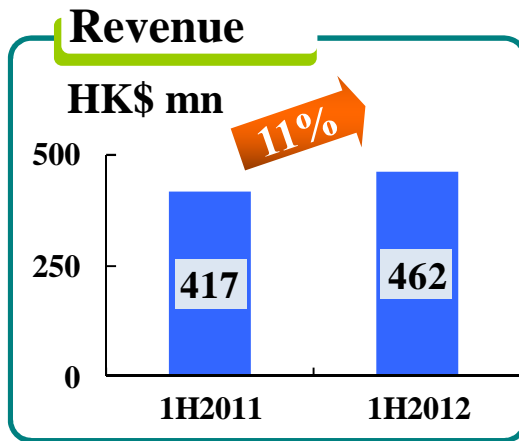
Tourist Attraction Operations (Cont'd)



Expansion of travel resources network

- The Group conducted on-site visits of 5 new projects in Guangdong, Anhui and Jiangsu Provinces
- Due to the severe and complex economic situation, the Group became more cautious
- The Group shelved some projects; the counter parties of some projects also became increasingly prudent and negotiations were in a stalemate; and for some relatively mature projects, we were in the stage of advanced negotiation and the Group will actively push forward such projects

Hotel Operations



5 hotels in HK and Macau, 3 hotels in Mainland China and hotel management company (CTS Metropark)

Hotels in HK & Macau

- Benefited from the continued growth in visitor arrivals to HK and Macau, revenue was HK\$335 mn (+12%), attributable profit was HK\$99 mn (+21%)
- With the hotels aggressively reaching out to high revenue customers including retail, business and meeting, average room rate was HK\$877 (+13%), average occupancy rate was 89% (1H2011: 91%)
- Metropark Hotel Mongkok had planned for a temporary closure for large-scale renovation works, but considering the relatively good hotels market performance, the plan was postponed
- Kept a vigilant eye on hotel investment opportunities in HK, but since the prices of hotel assets were not so attractive, no suitable opportunities exist for the time being

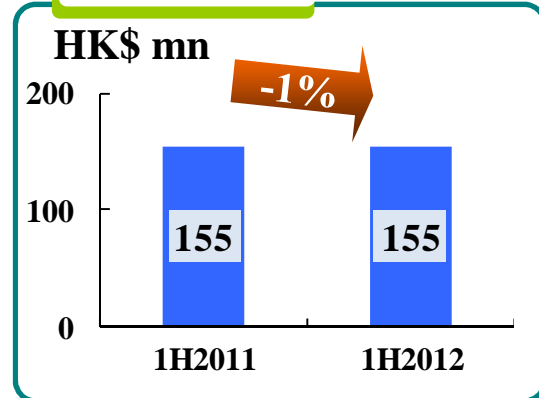
Hotels in Mainland China and CTS Metropark

- Revenue was HK\$127 mn (+9%), attributable profit was HK\$27 mn (on par), which was mainly attributable to increase in labour costs resulting from the expansion of hotel management services by CTS Metropark
- Average occupancy rate was 68% (1H2011: 63%), average room rate was RMB506 (+3%)
- CTS Metropark signed 7 additional hotel management consultancy contracts

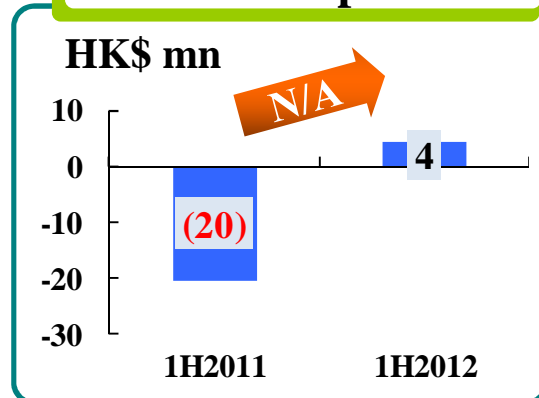


Passenger Transportation Operations

Revenue



Attributable profit/loss



Bus operations (CTTT) and ferry operations (Shun Tak-China Travel)

CTTT

- No. of passenger carried was 2.88 mn (-2%), revenue was HK\$155 mn (-1%), attributable profit was HK\$5 mn (1H2011: profit of HK\$0.71 mn)
- Increase in profit was mainly attributable to decrease in vehicle leasing expenses resulting from the suspension of routes with disappointing performance and increase in share of profit of a jointly controlled entity of CTTT in Macau which benefitted from the development of Macau economy and tourism industry

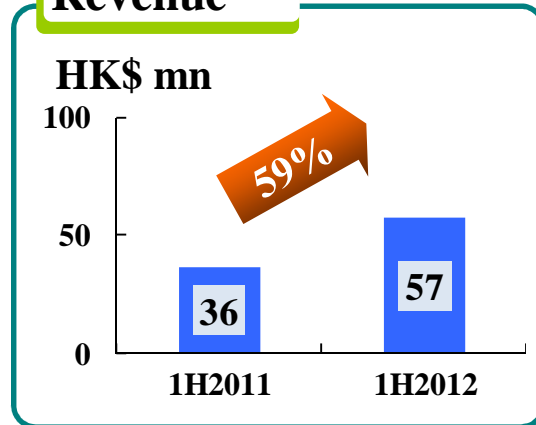
Shun Tak-China Travel

- Attributable loss was HK\$0.26 mn (1H2011: loss of HK\$21 mn)
- Significant decrease in loss was mainly attributable to improved competitive environment and increase in revenue resulting from ticket price increase for some ferry routes since July last year, which offsetted the impact of high fuel prices

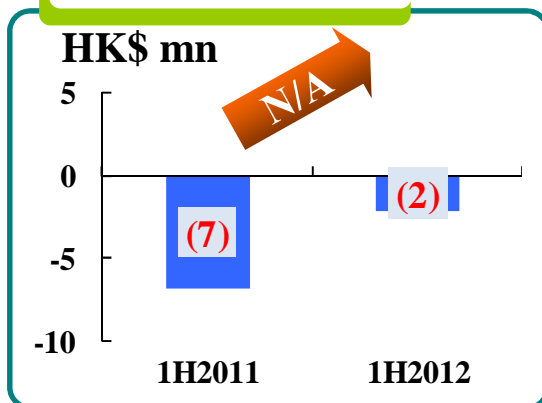


Golf Club Operations

Revenue



Attributable loss



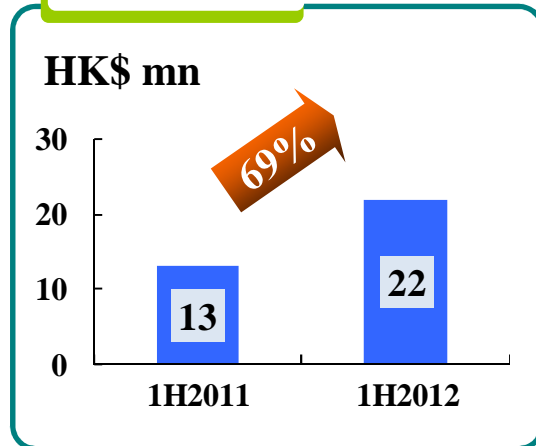
CTS Tycoon (Shenzhen) Golf Club

- Revenue increase was mainly attributable to revenue growth in golfing and catering arising from the operation of the 45-hole golf course throughout the period under review, whereas the golf course was upgraded from 27 holes to 45 holes in mid-March last year, and increase in membership revenue after amortization resulting from satisfactory sales of membership
- Sales of membership generated revenue of RMB 40.6 mn (+41%)



Arts Performance Operations

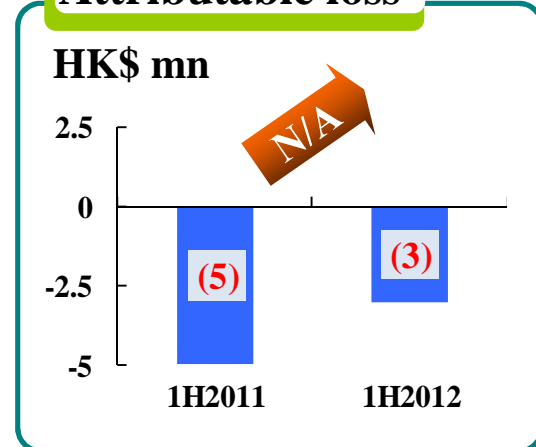
Revenue



China Heaven Creation

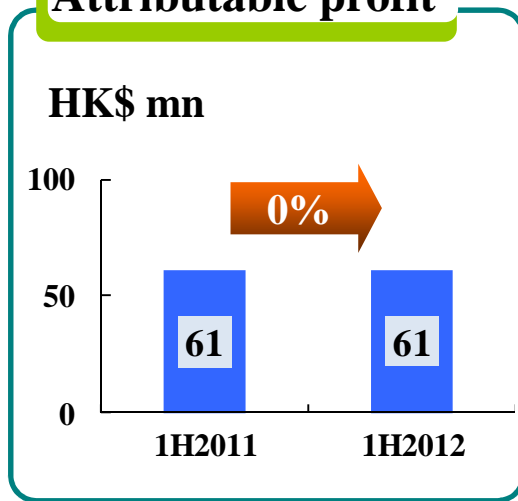
- Increase in revenue was mainly attributable to increase in revenue generated from arts performance production service and rise in number of visitors for performance at the theatre in Beijing
- In addition to regular theatre performance in Beijing and Branson in the United States, “The Legend of Kung Fu” visited four cities in Spain, with 11 performances

Attributable loss



Power Generation Operations

Attributable profit



Weihe Power

- On-grid electricity volume increased by 4%
- On-grid electricity tariff increased by 9%
- Overall coal costs increased by 8% but coal prices have started to decline in recent months



Share Repurchase & Management Enhancement



Share Repurchase

In 1H2012, the Company repurchased a total of 17.40 million shares for approximately HK\$25.05 million, with an average price of approximately HK\$1.44 per share

Enhanced Management

- Streamlined the Group's structure, increasing management efficiency and reducing management cost
- Started to develop standardized systems for the Group's subsidiaries, especially the tourist attractions
- Studied the adjustment of business mix with additions and exits
- Pushed forward reform of management system and brought diversified shareholding structure and efficient corporate governance structure to the pilot enterprise

Strengthened Transparency

- Introduced the Group's latest operation and development to the market in detail through annual report, post-results press conference and analyst briefing, investor conference, etc.
- Organized investors, analysts and media to Zhuhai OSR for an on-site visit in May

Business Prospects

The global economic recovery was weak with large downside risks, while the environment for China's tourism economy would become better as a whole with a cautiously optimistic trend, but the growth rate would be lower than that of last year. Looking into the second half of 2012:

Travel Agency and Related Operations

Travel Business: Hong Kong economy will develop steadily, providing a relatively favourable external environment

Travel document business: Due to increase in number of landing visa ports and rise in travel permit production cost resulting from the introduction of a new travel permit in October, pressure is expected to increase

Mangocity: The scale of online travel market in China is growing steadily, but due to fierce competition in the industry, the revenue prospect of Mangocity is expected to remain lackluster. The Group will study the possibility of vitalizing Mangocity through management system and mechanism reform

Business Prospects (Cont'd)

Tourist Attraction Operations

It will benefit from the trend of steady development in the tourism economy in Mainland China. However, due to increased market uncertainties, it is expected that the results for the second half will be basically stable with a slight decline

Window of the World: Launched the miniature train project “Cross Europe” and raised ticket price, which is expected to drive revenue growth

Splendid China: Development momentum has been stable and certain key renovation projects will be launched during the Chinese National Holiday, which is expected to drive revenue growth

Songshan Scenic Spot: Due to increased market uncertainties, it is expected that growth in full year results may narrow

Jigongshan Scenic Spot: Remains in a nurturing stage, and it is expected that pressure will remain high

Zhuhai OSR: Market uncertainties increased and it will cope with challenges proactively

Xianyang OSR: The complementary hotel has commenced trial operation and will provide customers to the hot spring centre and vice versa. However, the hotel will incur loss in its preliminary operation, and it is expected that pressure will remain high

Hotel Operations

Inbound tourism markets in HK and Macau has performed relatively well, together with the competitive room rates of the Group's hotels which remains relatively attractive to travellers, it is expected that the hotel operations will have steady performance

Passenger Bus Transportation Operations

As there are more high seasons during the second half of the year and the fuel price has started to decline, the results are expected to improve

Golf Club Operations

Summer is low season and some large expenses such as advertising expenses will be incurred in the second half of the year, pressure is expected to increase

On the whole, there are no material changes in the fundamentals that support the development of the Group's travel businesses. The Group will keep a vigilant eye, and strive to maintain relatively steady results continually.

Q & A Session