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2012 Annual Results Announcement

21 March, 2013



香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT H.K.LTD

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- **2012 Financial Review**
- **2012 Business Review**
- **Business Prospects**
- **Q & A Session**

2012 Financial Review

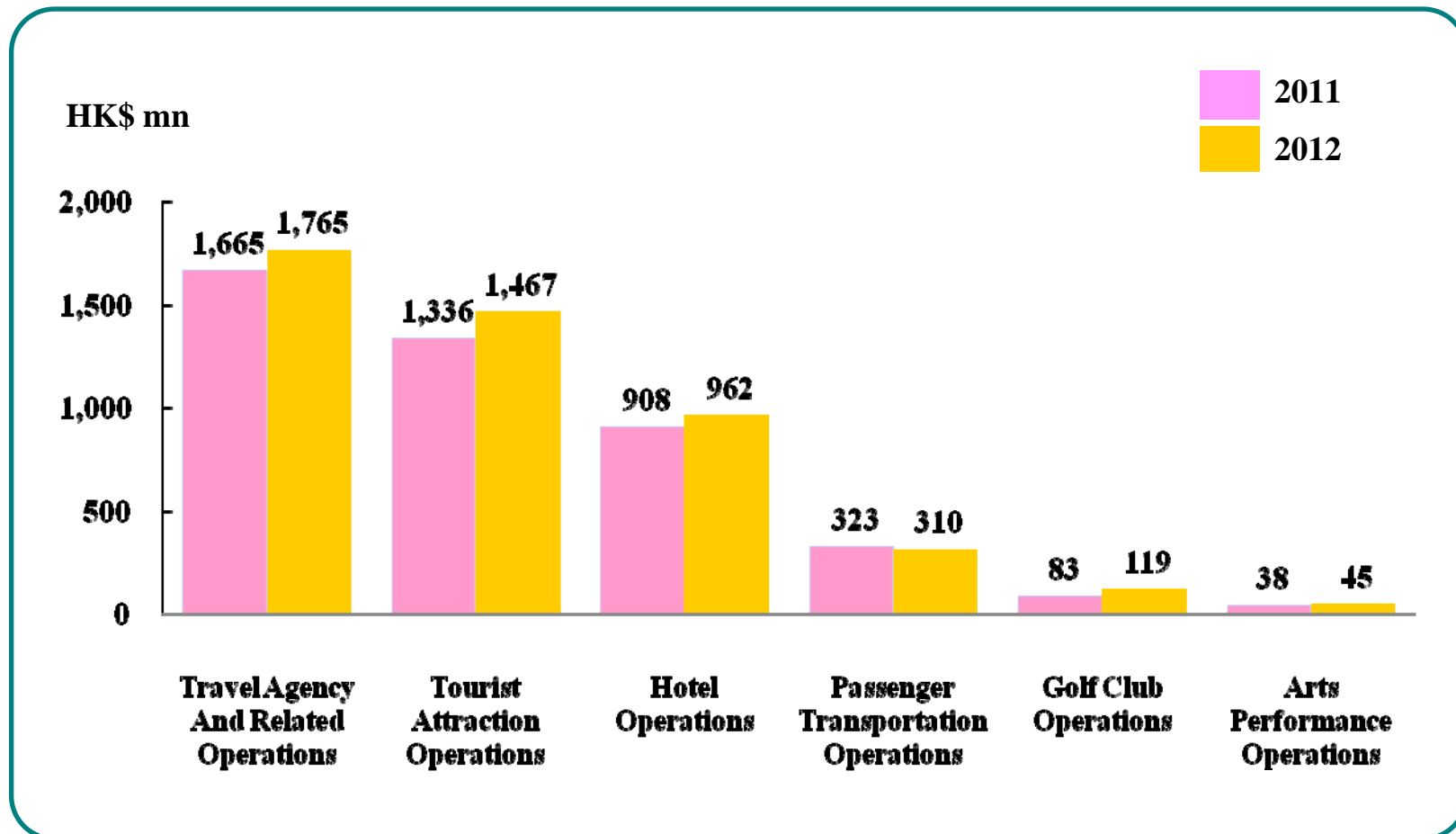
Financial Highlights

For the 12 months ended 31 Dec	2012	2011	Change
	HK\$ mn	(Restated)	
		HK\$ mn	
Turnover	4,668	4,353	7%
Profit attributable to shareholders	804	695	16%
Basic earnings per share (HK cents)	14.2	12.2	16%
Final dividend per share (HK cents)	3	3	0%
Total dividend per share (HK cents)	5	5	0%
Dividend payout ratio	35%	41%	N/A

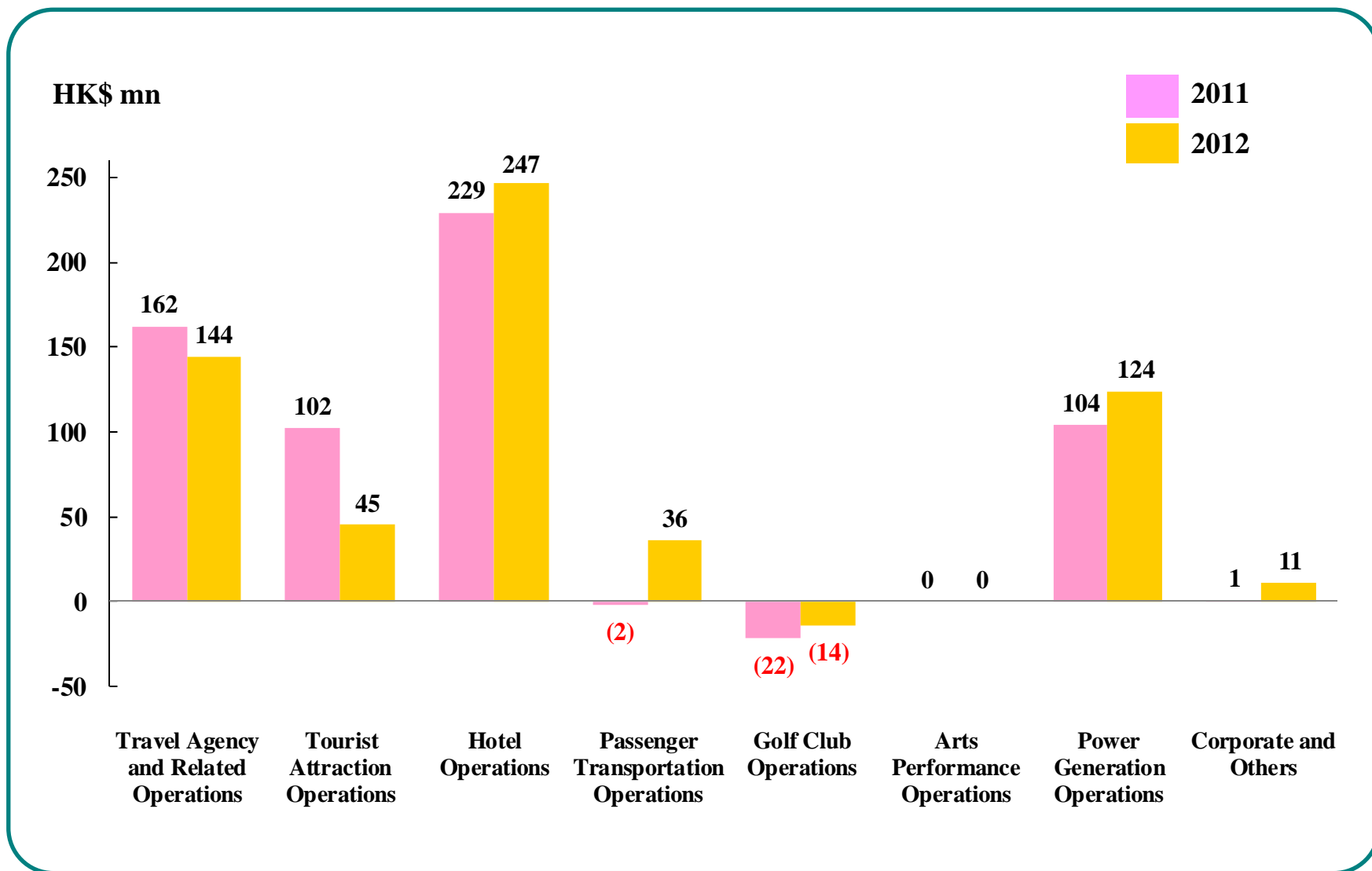
Excluding the effect of revaluation of investment properties and non-recurring items, profit attributable to shareholders was HK\$593 mn (+3%)

- **Results improved:** hotel, passenger transportation, golf club and power generation operations
- **Results declined:** travel permit and Mangocity.com, tourist attraction and arts performance operations
- Overall businesses achieved steady growth

Revenue by Segment



Attributable Profit by Segment



Balance Sheet

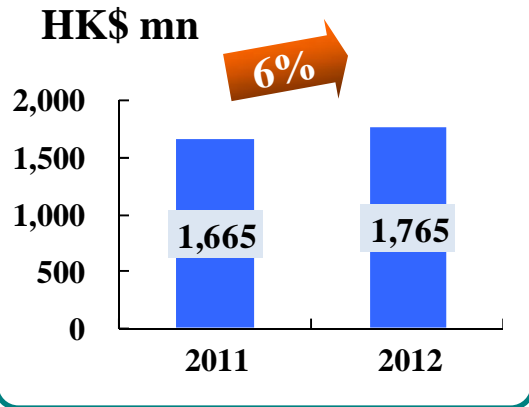
	31 December 2012 HK\$ mn	31 December 2011 HK\$ mn (Restated)	Change
Total assets	17,410	17,087	2%
Equity attributable to shareholders	13,471	12,986	4%
Net asset value per share**(HK\$)	2.38	2.28	4%
Cash and bank balance*	2,678	3,491	-23%
Interest-bearing bank and other borrowings	435	850	-49%
Net cash	2,243	2,641	-15%
Net cash to equity ratio**	17%	20%	N/A
Total liabilities to equity ratio**	23%	26%	N/A
Current ratio	2.2	2.0	N/A

* Excluding pledged time deposits

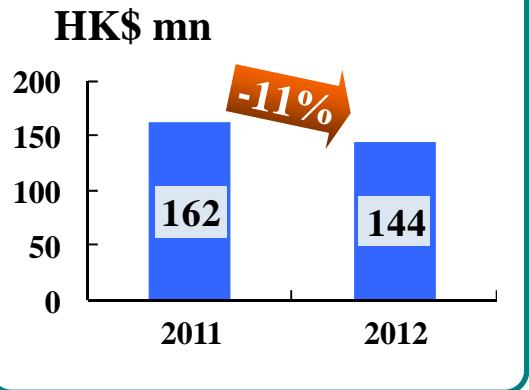
** Based on equity attributable to shareholders

2012 Business Review

Revenue



Attributable profit



Hong Kong and Overseas Travel Agencies and Online Travel Consolidator

Profit declined mainly attributable to the decreased contribution from the travel permit business resulting from the reduction of certain visa fee since July 2011 and the increased losses of Mangocity.com under fierce competition.

HK Travel Agency

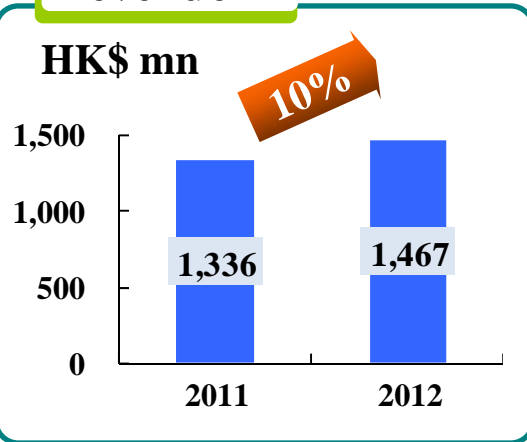
- Travel revenue increased by 18%, in which outbound travel revenue decreased due to fierce competition while ticketing revenue increased;
- Coupled with effective cost control, attributable profit increased.

Mangocity

- Revenue decreased by 12% due to fierce competition and price war. Commission revenue of air ticket and hotel decreased while travel package revenue increased. Attributable loss increased;
- The Headquarters building of Mangocity.com under construction topped off in 2012



Revenue



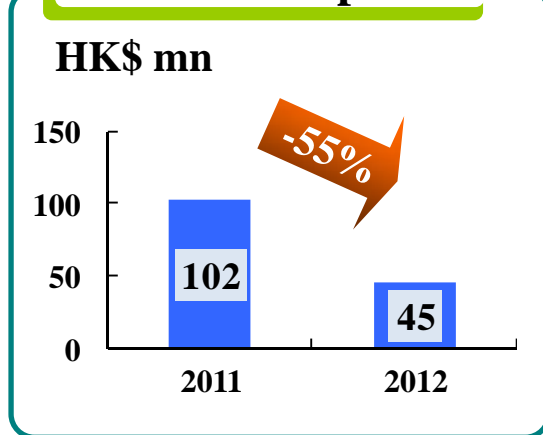
Theme Parks, Natural Scenic Spots and Leisure Resorts

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

Theme Parks

- Number of ticket purchasing visitors was 4.2 mn, almost the same as last year; revenue was HK\$664 mn (+7%), which was mainly attributable to the rise in ticket prices after the launch of new projects; attributable profit was HK\$100 mn (+8%);
- Splendid China further expanded its management services, renewed the service contract for the Wuxiang project in Shanxi Province, signed a new service contract with Datong Yungang Grottoes and actively contacted potential parties which might require its management services.

Attributable profit





Natural Scenic Spots

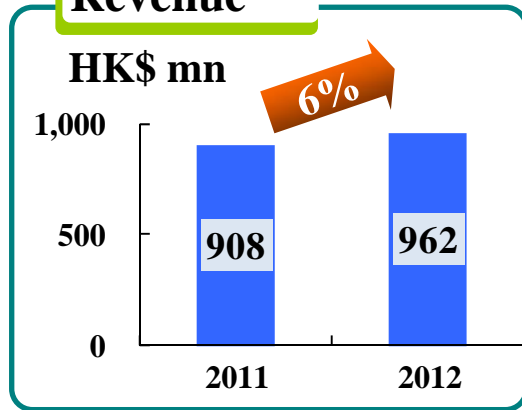
- Revenue was HK\$337 mn (+28%); attributable profit was HK\$34 mn (+18%);
- Songshan Scenic Spot increased its revamp efforts to enhance its service facilities, management and quality of customer services and as a result, revenue and attributable profit increased by 28% and 44% respectively;
- Jigongshan Scenic Spot entered its second year of joint venture and business started to improve. Revenue increased by 39%, in which ticket, hotel and transportation revenues all increased. Attributable loss decreased by 19%.



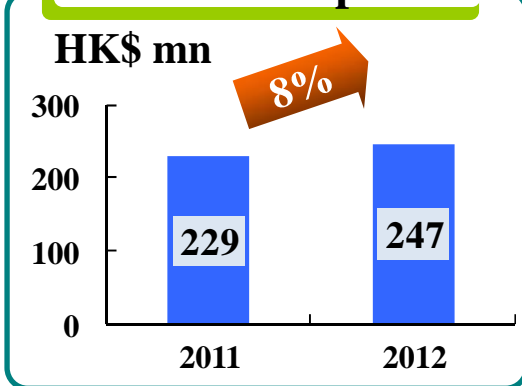
Leisure Resorts

- Number of visitors was 2.75 mn (-8%), revenue was HK\$466 mn (+3%) and attributable loss was HK\$90 mn (2011: loss of HK\$20 mn);
- Zhuhai OSR's revenue decreased by 5% and the loss was mainly attributable to the decrease in exchange gain. After excluding that factor, attributable loss actually decreased because of cost control;
- Xianyang OSR's revenue increased by 45%, which was mainly attributable to the opening of the new hotel in April 2012. Attributable loss increased due to the heavy start-up costs of the hotel. After excluding that factor, attributable loss actually decreased.

Revenue



Attributable profit



5 Hotels in HK and Macau, 3 Hotels in Mainland China and Hotel Management Company (CTS Metropark)

Hotels in HK & Macau

- Revenue was HK\$700 mn (+6%); attributable profit was HK\$201 mn (+9%);
- Average occupancy rate was 91% (2011: 91%); average room rate was HK\$915 (+7%);
- With stable market demand, the Group's hotels in HK and Macau reached out to high revenue customers and raised room rate to spur growth.

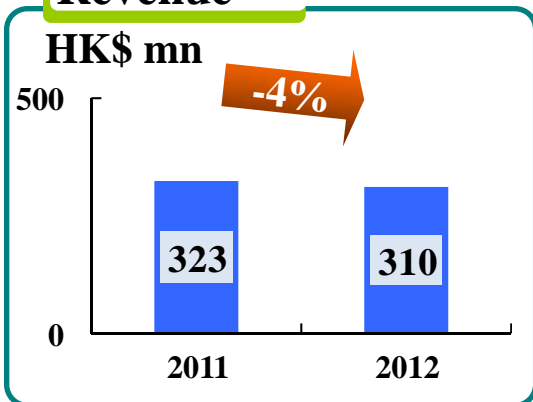
Hotels in Mainland China and CTS Metropark

- Revenue was HK\$261 million (+7%), which was mainly attributable to the increase of management and consulting revenue from CTS Metropark; attributable profit was HK\$46 mn (+1%). Profit growth lagged behind revenue growth because of increased staff costs arising from business expansion of CTS Metropark;
- Average occupancy rate was 68% (2011: 67%); average room rate was RMB 503 (+2%);
- CTS Metropark continued to increase central procurement efforts and expand hotel management services with the signing of 13 additional hotel management consultancy contracts. CTS Metropark was ranked 38th in "Top 300 Hotel Groups 2011" by HOTELS magazine, moving up six notches compared to 2010.

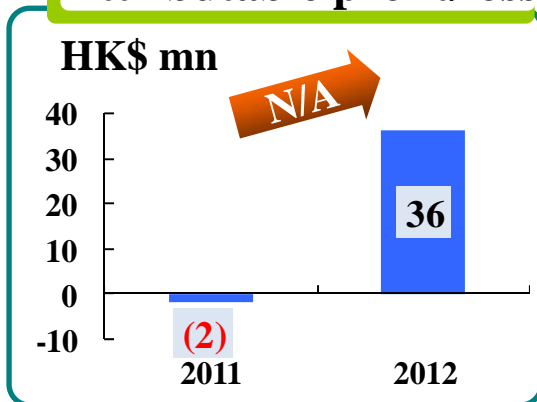


Passenger Transportation Operations

Revenue



Attributable profit/loss



Bus Operations (CTTT) and Ferry Operations (Shun Tak-China Travel)

CTTT

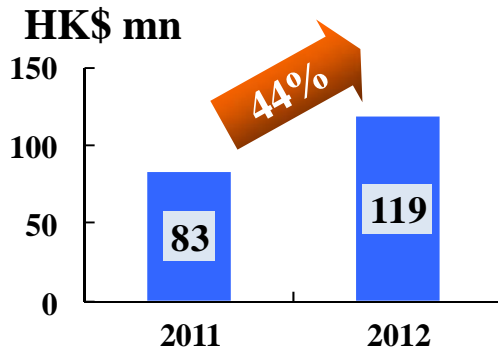
- Served 5.78 mn passengers (-4%), revenue was HK\$310 mn (-4%), attributable profit was HK\$18 mn (+96%);
- Closed down loss making bus routes and reduced trips with low loading factor, which reduced number of passengers served and revenue but the cost savings were even more significant. In addition, profit contribution from a jointly controlled entity of CTTT in Macau increased because of thriving development of tourism there. As a result, profit increased significantly.

Shun Tak-China Travel

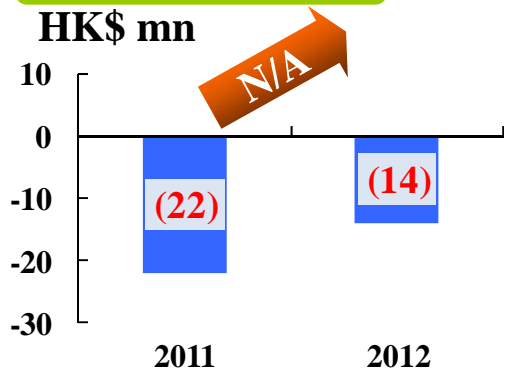
Achieved a turnaround to profit and attributable profit was HK\$18 mn (2011: loss of HK\$11 mn), which was mainly attributable to rise in ticket price for some ferry routes since July 2011 and the increase in market share after acquisition of First Ferry (Macau) in September 2011



Revenue



Attributable loss



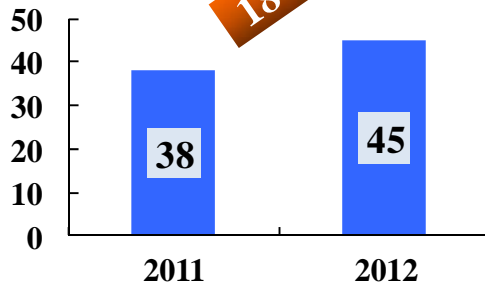
CTS Tycoon (Shenzhen) Golf Club

- The commencement of full operation of the 45-hole golf course in March 2011 and the rise in golfing fees at the beginning of 2012 drove visitor and revenue growth and reduced loss;
- Sales of membership generated revenue of RMB49.3 million. The net operating cash flow was positive.



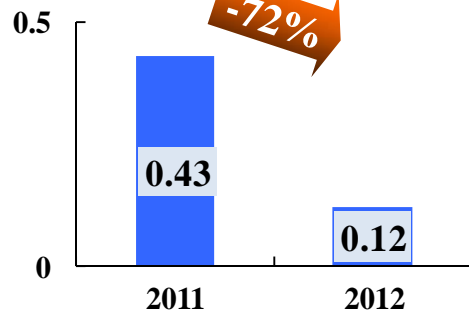
Revenue

HK\$ mn



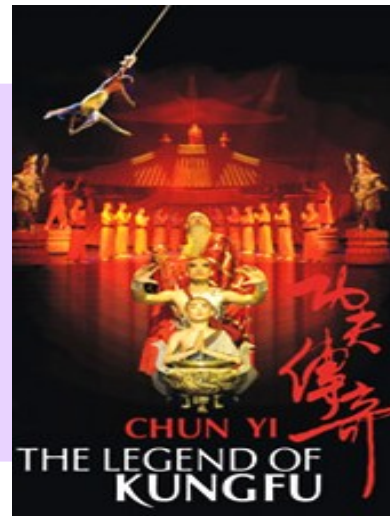
Attributable profit

HK\$ mn



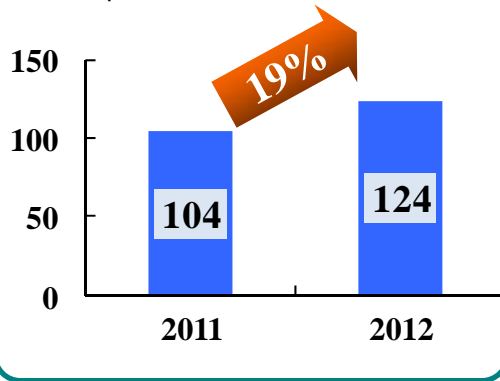
China Heaven Creation

- Revenue increase was mainly attributable to the increase in revenue generated from arts performance production service; attributable profit decrease was mainly attributable to the increase in its theatre operating costs in the United States and decrease in government subsidies;
- 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 profit

HK\$ mn



Weihe Power

- On-grid electricity volume was 5.60 billion kwh, almost the same as last year;
- Attributable profit increase was mainly attributable to the increase of average electricity tariff of 7% and the decrease of coal cost of 1% compared to last year.



Repurchased Share

In 2012, the company repurchased a total of 31.36 mn of its shares. The average purchase price per share was approximately HK\$1.45 and the total consideration paid amounted to HK\$45.62 mn. The company considers that repurchasing its shares at the appropriate time would enhance the earnings and net asset value per share and increase shareholder value.

Enhanced Management

- Upgrading product offerings;
- Optimizing organizational structure, the two Ocean Spring Resorts streamlined headcount by merging branches and departments to enhance management efficiency and reduce management costs;
- Promoting standardization of management of tourist attractions, the Group started the compilation of management manuals for different categories of tourist attractions to standardize service and management;
- Strengthened its cost management and suppressed growth in costs and expenses of its enterprises.

Strategic Positioning

The Group is positioned as a tourism businesses and capital operation platform with focus on tourist attractions and adopts the development model of “travel destination development plus tourism real estate”. Travel destination development will focus on the 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.

Strategic Development

- In accordance with its strategic plan, the Group pushed forward the development of travel destinations and tourism real estate: Zhuhai OSR basically secured the land for tourism real estate in phase two development and the soft ground foundation treatment works commenced in June 2012, the earth excavation works of Xianyang OSR tourism real estate project also commenced, the master planning of the Golf Club's small-scale tourism real estate project was under the approval process and the Golf Club began preliminary product planning;
- Entered into a joint venture to invest in and develop the travel and leisure resort on Lingfeng Mountain in Anji;
- Actively pushed forward progress of investment opportunities in new travel projects in Guangdong, Anhui and Jiangsu;
- Began to conduct study over business mix adjustment and studied the feasibility of withdrawing from businesses and enterprises that were incompatible with its strategic positioning, lacking synergy, and had been loss making for a long time with no prospects of turning around, and identified preliminary withdrawal targets.

Business Prospects

2013 will witness the subsiding of factors that depress the world economic, so growth will gradually increase, but the recovery is slow, and downside risks must be addressed. China's economy has gradually warmed up with stable and favourable prospects. Looking ahead in 2013, the Group will adhere to its strategy of “travel destination development plus tourism real estate”, enhance management and operation of existing businesses, and push forward development of new projects.

Travel Agency and Related Operations

Travel Business: Hong Kong's tourism industry will continue to benefit from the continued economic development of Hong Kong and Mainland China and the business of CTSHK is expected to develop steadily;

Travel Document Business: has reflected the effect of reduction of certain visa fee since July 2011 but is still affected by the diversion of business from opening up of more landing visa ports;

Mangocity: expected to encounter intense price competition and its operating environment remains challenging. Mangocity.com will strengthen its core air ticket reservation business and develop its competitive travel package business and niche markets. Also, it will control costs in its hotel reservation business by forging cooperation and reduce staff costs.

Tourist Attraction Operations

benefit from the trend of steady development in the tourism market in Mainland China and the operating environment is expected to remain positive.

Window of the World: will launch a new night show in a new theater and continue to enrich its products;

Splendid China: will expand its management services and carry out the overall renovation plan in an orderly manner;

Jigongshan Scenic Spot and Two OSRs: will strengthen fundamental management and make efforts to turnaround; Xianyang OSR will strengthen the coordinated marketing of its hotel and hot spring centre.

Hotel Operations

The steady development of China's economy provides support for the inbound tourism markets in Hong Kong and Macau. The operating environment of the hotel operations is expected to remain positive but growth rate may slow down. The Group will expand its hotel management business and its brand awareness. To achieve better return on assets, the Group plans to gradually improve the quality of its hotel assets

Passenger Bus Transportation Operations

CTTT Macau reduced bus fare for its core Guangzhou route amid competition from Guangzhou-Zhuhai light rail and the results of CTTT are expected to be affected.

Golf Club Operations

It is affected by roadwork at the Hezhou exit of Guangzhou-Shenzhen highway which creates inconveniences for its visitors and operating pressure is expected to increase.

Travel Destination And Tourism Real Estate Projects

Zhuhai OSR : the soft foundation treatment work is expected to complete in the first half of the year and it will strive to start tourism real estate construction this year. The gross floor area of the first batch of real estate to test the market is approximately 70,000 square metres;

Xianyang OSR: tourism real estate project will start construction. The gross floor area is approximately 150,000 square metres and will be developed in two years;

Anji: the travel and leisure resort on Lingfeng Mountain will enter the preparation stage before construction;

Golf Club: will push forward the approval and preparation work of its tourism real estate project with gross floor area of approximately 50,000 square metres and strive to start construction by the end of this year;

Songshan Scenic Spot: will push forward the planning and evaluation work of the tourist town project.

Capital Expenditure

- Capital expenditure is expected to increase. To use financial leverage to increase shareholder return, the Group will moderately increase its bank loans and maintain the debt ratio at a healthy level;
- The group expects interest income to decrease and financing costs to increase, which may impact short-term results, but in the medium to long term, the possession and development of these high-quality tourism resources will strengthen the Group's profit growth ability.

Conclusion

- The fundamentals of the Group's overall businesses remain stable. The Group will strive for steady operational growth through adjustments of its business and product mix and further strengthening of fundamental management of existing businesses, especially the improvement and turnaround of loss making enterprises;
- In accordance with its strategic plan, the Group will increase investment in travel destination development and tourism real estate to promote long term growth. The Group expects that its travel destination and tourism real estate projects will gradually provide returns in the next few years and the foundation for sustainable development will become stronger;
- The Group is confident in its development prospects.

Q & A Session