

星旅相伴
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2013 Interim Results Announcement

20th Aug, 2013



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



- **1H2013 Financial Review**
- **1H2013 Business Review**
- **Business Prospects**
- **Q & A Session**

1H2013 Financial Review

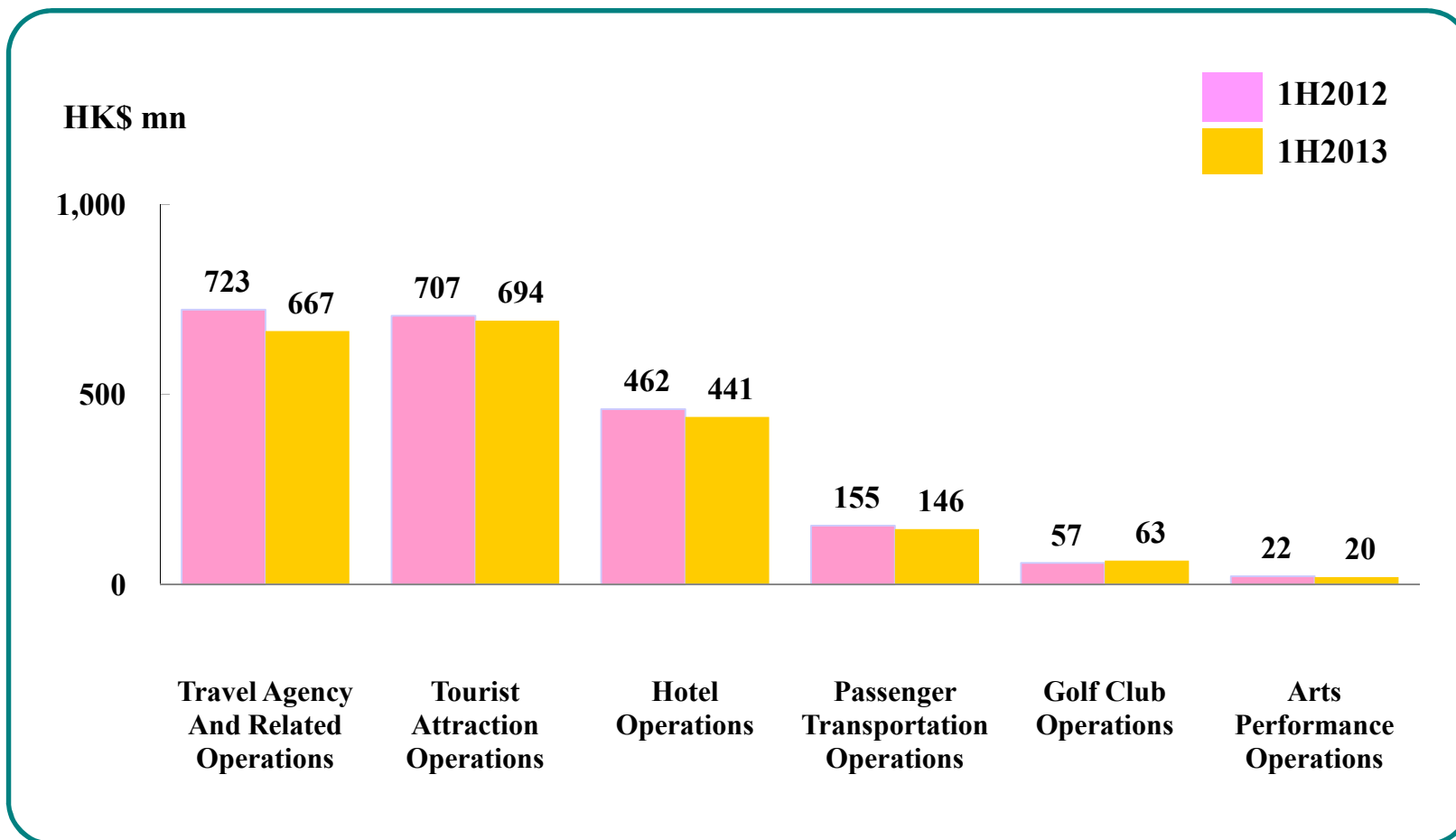
Financial Highlights

For the six months ended 30 June	1H2013 HK\$ mn	1H2012 HK\$ mn	Change
Turnover	2,031	2,126	-4%
Profit attributable to shareholders	448	330	36%
Basic earnings per share (HK cents)	7.93	5.81	36%
Interim dividend per share (HK cents)	2	2	0%
Dividend payout ratio	25%	34%	N/A

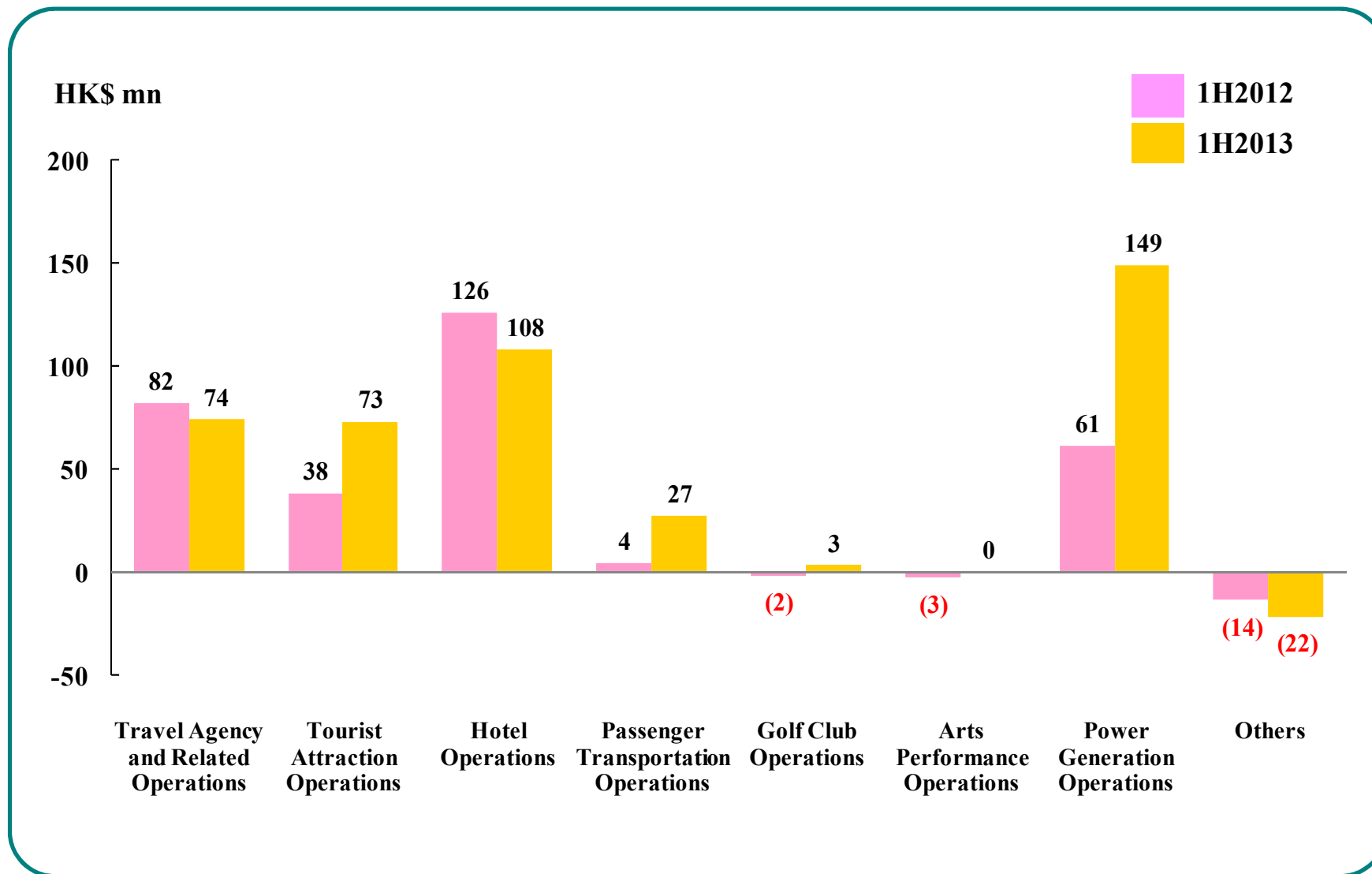
Earnings Analysis

- Excluding the effect of revaluation of investment properties and non-recurring items, profit attributable to shareholders was HK\$411 million (+40%), of which the profit attributable to shareholders of **core tourism operations** and **non-core power generation operations** was HK\$262 million (+13%) and HK\$149 million (+143%) respectively.
- **Results improved:** tourist attraction, passenger transportation, golf club, arts performance and power generation operations
- **Results declined:** travel document and hotel operations

Revenue by Segment



Attributable Profit by Segment



Balance Sheet



	30th June 2013 HK\$ mn	31st December 2012 HK\$ mn	Change
Total assets	18,781	17,410	8%
Equity attributable to shareholders	13,804	13,471	2%
Net asset value per share*(HK\$)	2.44	2.38	3%
Cash and cash equivalents**	3,140	2,678	17%
Interest-bearing bank and other borrowings	1,410	435	224%
Net cash	1,730	2,243	23%
Net cash to equity*	13%	17%	N/A
Total liabilities to equity*	31%	23%	N/A
Current ratio	1.8	2.2	N/A

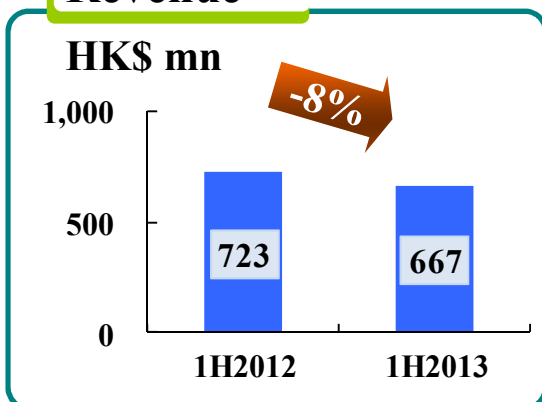
* Based on equity attributable to shareholders

** Excluding pledged time deposits

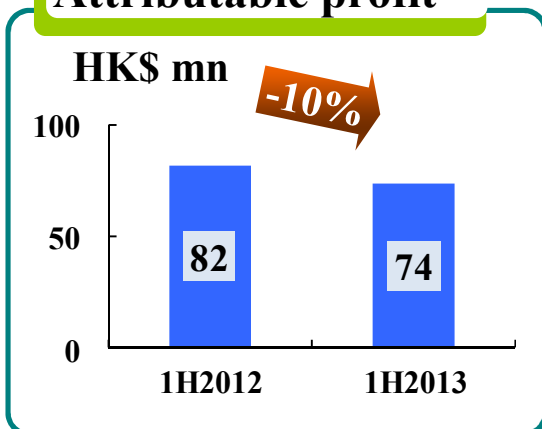
1H2013 Business Review

Travel Agency and Related Operations

Revenue



Attributable profit



Travel agency business

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.

Travel document business

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 decreased.

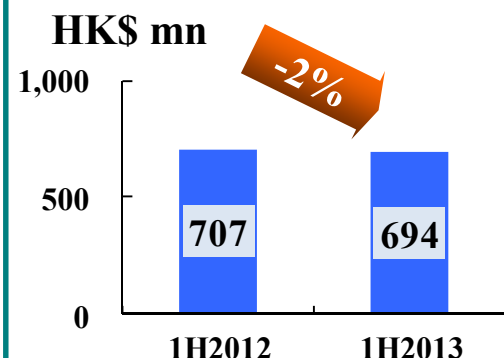
Mangocity.com

- Revenue increased by 3%, of which revenue of travel packages and travel insurance increased and revenue of air ticketing and hotel commission decreased;
- continued to optimize its organizational structure to enhance management and operational efficiency and to reduce staff costs, and as a result, loss reduced;
- Headquarters building under construction is currently undergoing decoration and in an early preparation stage for lease.



Tourist Attraction Operations

Revenue



Performance was mixed, and whole profit increased was mainly attributable to increase in exchange gain and decrease in opening expense.

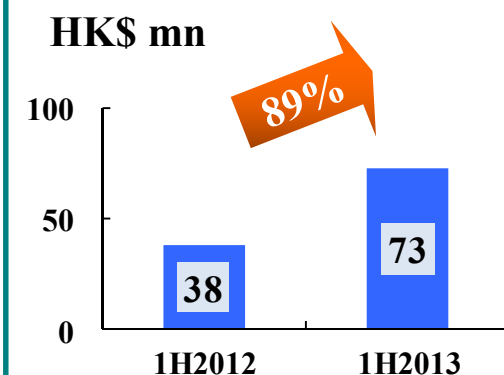
Theme parks (Window of the World and Splendid China)

Revenue was HK\$326 million (+6%); profit attributable to shareholders was HK\$60 million (+9%), 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.

Natural Scenic Spots (Songshan Scenic Spot, Jigongshan Scenic Spot and Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd.)

- Revenue was HK\$136 million (-17%), 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 was HK\$4 million (-38%);
- Jigongshan Scenic Spot raised ticket price in July last year and reduced loss.

Attributable profit



Tourist Attraction Operations (Cont'd)



Leisure Resorts (Zhuhai OSR, Xiangyang OSR and Chengdu Huashuiwan Sakura Hotel Company Limited)



- Revenue was HK\$233 million (-1%), 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 decreased to HK\$8 million (1H2012: loss of HK\$36 million) due to increase in exchange gain and the fact that there was a one-off expense resulting from the opening of Xianyang OSR hotel last year.



Non-controlling scenic spots 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.)

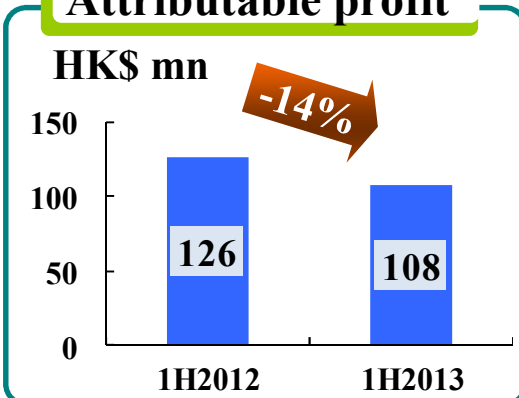
Profit attributable to shareholders was HK\$17 million (+24%), which was mainly attributable to the increase of attributable profit of Changsha Colorful World Company Limited.

Hotel Operations

Revenue



Attributable profit



5 hotels in HK & Macau

- As affected by the increase in hotel supply in HK and Macau, weakness in source markets and calls by Chinese authorities for people to practise thrift and shun extravagance and waste, revenue was HK\$326 million (-3%); profit attributable to shareholders was HK\$78 million (-11%);
- Average occupancy rate was 88% (1H2012: 89%) and average room rate was HK\$868 (-1%).

3 hotels in Mainland China

- 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 was HK\$100 million (-6%); profit attributable to shareholders was HK\$19 million (-8%);
- Average occupancy rate was 65% (1H2012: 68%) and average room rate was RMB506, similar to the same period last year.

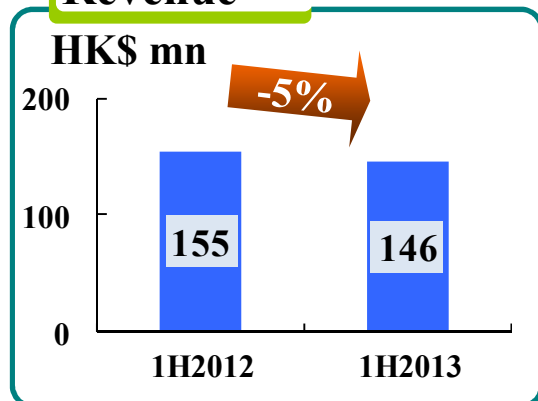
Metropark Hotels Management Company

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

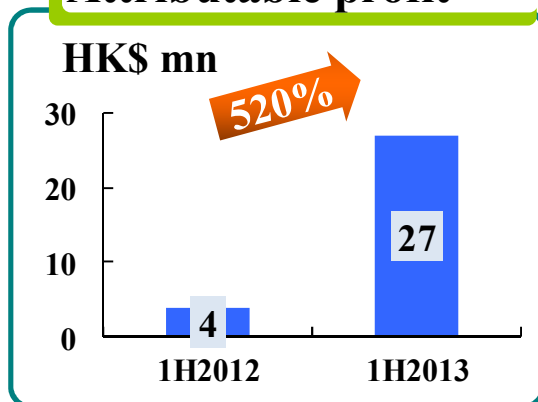


Passenger Transportation Operations

Revenue



Attributable profit



CT Bus

- CT Bus served 2.63 million passengers (-8%); revenue was HK\$146 million (-5%) ; profit attributable to shareholders was HK\$13 million (+193%);
- 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.

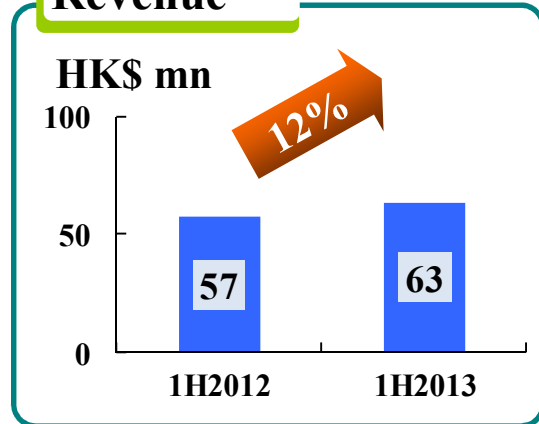
STCT Ferry

achieved a turnaround to profit with profit attributable to shareholders of HK\$13 million (1H2012: attributable 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.

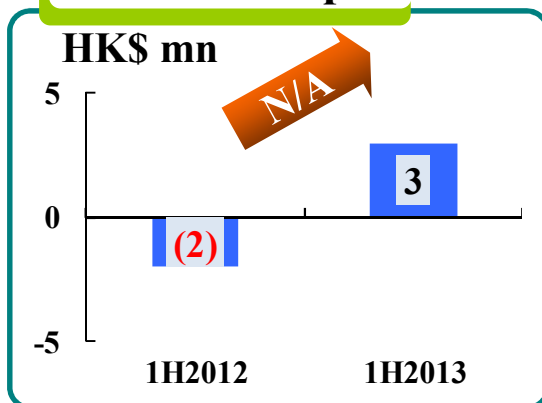


Golf Club Operations

Revenue



Attributable profit/loss



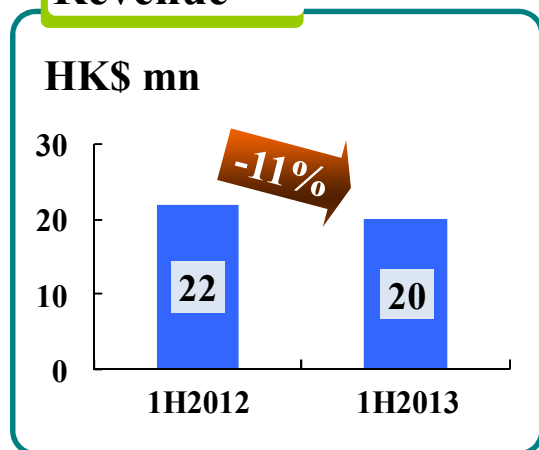
CTS Tycoon (Shenzhen) Golf Club

- Revenue increase was mainly attributable to visitor growth and increase in per capita spending due to reduction in promotion events. Profit attributable to shareholders achieved a turnaround;
- Revenue from sales of membership was RMB34 million (-17%).

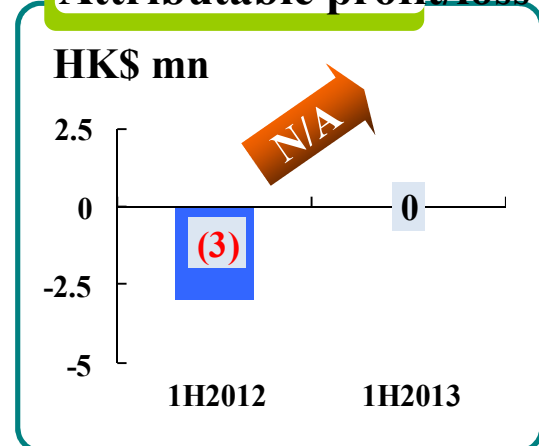


Arts Performance Operations

Revenue



Attributable profit/loss



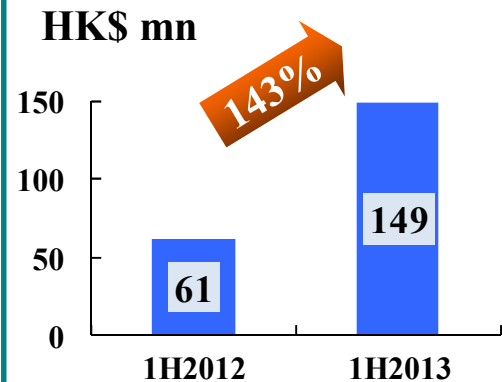
Heaven Creation

- Revenue decrease 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;
- “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

Attributable profit



Weihe Power Plant (a Sino-foreign co-operative joint venture)

- The settlement electricity volume decreased by 1%;
- 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.



Share Repurchase & Strategic Positioning



Share Repurchase

In 1H2013, the Company repurchased a total of 16.43 million of its shares. The average purchase price per share was approximately HK\$1.51 and the total consideration paid was HK\$24.79 million.

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: 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

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. 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:

Travel Agency and Related Operations

Travel agency business: the operating environment 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;

Mangocity.com: Although competition in online tourism market remains fierce, it will focus on development of differentiating businesses and implement effective cost control, and its operation is expected to remain steady.

Tourist Attraction Operations

It 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.

Hotel 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

They are expected to continue the favourable development trend shown in the first half of the year.

Business Prospects (Cont'd)

Capital Expenditure

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.

Conclusion

- 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.

Q & A Session