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香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

CHAIRMAN'S STATEMENT

We are pleased to present our report to the Shareholders.

BUSINESS REVIEW

In the first half of 2014, the overall performance of China's economy was favourable. China's tourism industry developed in a relatively favourable environment and leisure travel consumption showed a robust growth trend, highlighting the strong demand for leisure travel.

During the period, due to the favourable external economic environment and the Group's dedicated efforts spent on its core tourism operations in recent years, the Group's core tourism operations achieved remarkable development and the Group's overall profit recorded relatively strong growth. The Group continued to strengthen the fundamental management of its businesses, strived to increase revenue and improved the performance of loss making businesses such as Ocean Spring Resorts. As a result, the operating fundamentals of the Group's businesses were further improved. The overall revenue and profit attributable to shareholders increased by 3% and 107% respectively compared with the same period last year. Excluding non-recurring items, profit attributable to shareholders increased by 18% and attributable profit from core tourism operations was HK\$304 million, an increase of 28% compared with the same period last year.

Meanwhile, the Group actively pushed forward the implementation of strategies to develop integrated travel destination projects, enter into famous natural and cultural scenic spots and exit from negative return business. Key strategic projects such as Zhuhai OSR Phase 2 and Anji Lingfeng Mountain Resort made steady progress and the tourism real estate components of key strategic projects started construction. The newly-signed scenic spot projects in Ningxia Shapotou and Guangxi Guilin are going through procedures of joint venture and it is expected that the joint ventures will be completed in the second half of this year and will bring new incomes for the Group. Since our online travel agency Mangocity.com had been incurring losses for a long term and failed to achieve synergies, the Group decided to dispose of it and the transaction was completed in June of this year. The Group recorded a one-off gain on disposal of HK\$420 million and will no longer bear the attributable losses of Mangocity.com.

With the further improvement of the Group's operating fundamentals, the Company bought back a total of 23.46 million of its shares on The Stock Exchange of Hong Kong Limited in the first half of 2014.

DIVIDENDS

The Board declared an interim dividend of HK2.5 cents (1H2013: HK2.0 cents) per share and a special interim dividend of HK2.5 cents (1H2013: Nil) per share for the six months ended 30 June 2014. The interim dividends are expected to be paid to our shareholders on or round Monday, 29 September 2014.

RESULTS OVERVIEW

In the first half of 2014, the Group's consolidated revenue and profit attributable to shareholders were HK\$2,086 million and HK\$930 million respectively, representing a 3% and 107% increase compared with the same period last year. Earnings per share increased by 108% to HK16.51 cents. Excluding the revaluation of investment properties and non-recurring items such as disposal of Mangocity.com (please refer to note 4 to condensed consolidated interim financial information for details), attributable profit was HK\$455 million, an 18% increase compared with the same period last year. The attributable profit from core tourism operations and non-core power generation operations was HK\$304 million and HK\$151 million respectively, representing an increase of 28% and 2% respectively compared with the same period last year.

The Group's financial position remained stable, with relatively strong investing and financing capabilities. As at 30 June 2014, total assets was HK\$21,281 million, an 11% increase compared with the end of last year; the equity attributable to shareholders was HK\$15,056 million, a 4% increase compared with the end of last year; cash and bank balances and wealth management products, etc. amounted to HK\$5,789 million, of which cash and bank balances amounted to HK\$3,676 million and deducting bank loans and other borrowings of HK\$2,024 million, net cash was HK\$1,652 million, a 15% increase compared with the end of last year.

TOURIST ATTRACTION OPERATIONS

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 and cultural 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"), Chengdu Huashuiwan Sakura Hotel Company Limited and CTS (Anji) Tourism Development Company Limited ("Anji Lingfeng Mountain Resort Project")); 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 2014, the number of visitors at our tourist attractions was 5.11 million, a 5% increase compared with the same period last year; revenue was HK\$708 million, a 2% increase compared with the same period last year; attributable profit was HK\$53 million, a 10% increase compared with the same period last year.

The revenue of our theme parks was HK\$358 million, a 10% increase compared with the same period last year; attributable profit was HK\$65 million, an 8% increase compared with same period last year. Window of the World continued to strengthen holidays' market promotions and established brand effect to drive growth. Number of visitors, revenue and profit of Window of the World increased by 17%, 12% and 11%, respectively. Splendid China's operation remained stable overall. Building on its management service, Splendid China started to provide consultation service. It signed a new creative planning project and a new management project.

The revenue of our natural and cultural scenic spots was HK\$136 million, comparable to the same period last year; attributable profit was HK\$2.22 million. Songshan Scenic Spot consolidated resources, realized travel product innovation and continued to improve the travel environment of the scenic spot.

Revenue of leisure resorts was HK\$213 million, an 8% decrease compared with the same period last year; attributable loss was HK\$31 million (1H2013: loss of HK\$32 million). In response to the impacts of adjustment of travel policy and environment in mainland China, Zhuhai OSR initiated product changes, stabilized sales channels, developed convention and conference markets aggressively and adjusted the customer mix; Xianyang OSR's operation remained stable overall.

Attributable profit from non-controlling scenic spots investments was HK\$18 million, an increase of 5% compared with the same period last year, which was mainly due to the increase of attributable profit from two Huangshan cable car companies.

TRAVEL AGENCY AND RELATED OPERATIONS

The Group's travel agency and related operations comprise:

1. Travel agency business (China Travel Service (Hong Kong) Limited and overseas travel agencies); and
2. Travel document business.

In the first half of 2014, revenue of the travel agency and related operations was HK\$699 million, a 5% increase compared with the same period last year; attributable profit was HK\$91 million, a 23% increase compared with the same period last year.

The revenue of the travel agency business increased by 10% compared with the same period last year, which was mainly due to the increase in sales agency fee, and attributable profit increased due to continued strengthening of internal control during the period.

During the first half of last year, the business volume of travel document business realized growth, and revenue and attributable profit increased by 3% and 9% respectively.

Since our online travel agency Mangocity.com had been incurring losses for a long term and failed to achieve synergies, the Group decided to dispose of it and the transaction was completed in June of this year. The Group recorded a one-off gain on disposal of approximately HK\$420 million and will no longer bear the attributable losses of Mangocity.com.

HOTEL OPERATIONS

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 2014, the results of our five hotels in Hong Kong and Macau recovered with the continued increase in visitor arrivals to Hong Kong and Macau, while our hotels in mainland China and Metropark Hotels Management Company were still affected by China's frugality policy. The revenue of the hotels operations was HK\$461 million, a 5% increase compared with the same period last year; attributable profit was HK\$116 million, an 8% increase compared with the same period last year.

The revenue of our five hotels in Hong Kong and Macau was HK\$351 million, an 8% increase compared with the same period last year; attributable profit was HK\$87 million, a 13% increase compared with the same period last year.

The revenue of our hotels in mainland China was HK\$96 million, a 4% decrease compared with the same period last year; attributable profit was HK\$17 million, a 9% decrease compared with the same period last year.

The revenue of Metropark Hotels Management Company was HK\$27 million, comparable to the same period last year; attributable profit was HK\$12 million, comparable to the same period last year.

Key operation figures

	1H2014	1H2013
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	91.4	87.6
Average room rate (HK\$)	913	868
Three hotels in mainland China		
Average occupancy rate (%)	62.7	64.7
Average room rate (RMB)	494	506

PASSENGER TRANSPORT OPERATIONS

The Group's passenger transportation operations comprise:

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

In the first half of 2014, revenue of passenger transportation operations was HK\$144 million, a 2% decrease compared with the same period last year due to rationalization of bus routes; attributable profit was HK\$46 million, an increase of 74% compared with the same period last year.

CTTT served 2.56 million passengers, a 3% decrease compared with the same period last year; revenue was HK\$144 million, a 2% decrease compared with the same period last year; attributable profit was HK\$18 million, a 36% increase compared with the same period last year. The benefits from closing down of loss-making bus routes and stringent cost control drove CTTT's profit growth.

Attributable profit from STCT Ferry increased compared with the same period last year. During the period, number of passengers carried and average fare increased.

GOLF CLUB OPERATIONS

In the first half of 2014, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK\$66 million, a 4% increase compared to the same period last year; attributable profit was HK\$2.95 million, a 5% increase compared with the same period last year.

ARTS PERFORMANCE OPERATIONS

In the first half of 2014, revenue of China Heaven Creation International Performing Arts Co., Ltd. (“Heaven Creation”) was HK\$8.12 million, a 59% decrease compared with the same period last year.

POWER GENERATION OPERATIONS

In the first half of 2014, attributable profit from the Group’s associated company Shaanxi Weihe Power Co., Ltd. (“Weihe Power”, a Sino-foreign co-operative joint venture) increased by 2% to HK\$151 million, mainly due to an 8% decrease in the average coal cost compared with the same period last year.

MANAGEMENT ENHANCEMENT

Since 2013 the Group has been striving to enhance management in four areas, and will continue to increase its efforts to sharpen the competitive edges of its businesses to cope with the environment. We believe results will surface gradually.

1. Streamline business portfolio and gradually exit from businesses or enterprises incurring losses or with low gross profit margin, so as to raise profitability;
2. Improve organizational structure, reduce management layers, speed up the recruitment of professionals and enhance management efficiency;
3. Benchmark against industry leaders, enhance marketing and cost control capabilities of our businesses to increase profit; and
4. Establish standardized and smart tourist attractions, implement sales coordination and centralized procurement, enhance standardized management and IT support of tourist attractions, and enhance the digitalization of customer service.

PROGRESS OF DEVELOPMENT PROJECTS

The newly-signed scenic spot projects in Ningxia Shapotou and Guangxi Guilin are going through procedures of joint venture and it is expected that the joint ventures will be completed in the second half of this year. The two projects are profit-making projects and after completion of the joint venture arrangement, they would effectively increase the business foundation and market influence of the Group’s natural and cultural scenic spots and bring new incomes. In addition, the Group also actively pushed forward the negotiation and finalization of other integrated travel destination projects.

In accordance with its strategic plan, the Group was pushing forward the development of integrated travel destination projects. In the first half of 2014, Zhuhai OSR pushed forward the tasks of land acquisition, planning and design and soft ground foundation treatment works for its phase two development. Approximately 3.15 million square metres of land has been acquired, of which 950,000

square metres of land is for real estate development. It is expected that in the second half of this year, the tenders for construction works for the initial development for Zhuhai OSR phase two (with planning land area of approximately 118,000 square metres and a total gross floor area of approximately 60,000 square metres) will be completed and construction will start.

Anji Lingfeng Mountain Resort Project acquired 90,000 square metres of land for real estate development. At present, the Group is preparing the tender process for construction of residential units and complementary works for the initial development (with planning land area of approximately 30,000 square metres and a total gross floor area of approximately 30,000 square metres). It is expected that the construction of complementary works will start in the second half of this year and the construction of residential units will start at the beginning of next year. The Group is working with Club Med on the tourism component of Anji Lingfeng Mountain Resort Project. It is expected that in the second half of the year, the positioning of tourism products will be completed and the design of tourism products and other works will start.

During the period under review, the Group's bank loan increased as the Group took advantage of the low interest rate environment to acquire funding for future capital expenditure needs at relatively low cost. Currently the Group has adequate amount of cash and the debt to asset ratio is approximately 26%, a relatively low debt level.

THE GROUP'S DEVELOPMENT STRATEGY

It is the strategy of the Group to offer new travel destination lifestyle to its customers. On one hand, the Group will acquire scarce natural and cultural scenic spots such as places of renown, consolidate resources and create synergies, enhance their management, extend their industry chain and prolong the staying time of customers, so as to develop travel destination life circle. On the other hand, the Group will adopt the composite resort business model of "tourism + real estate + leisure and entertainment facilities", which focuses on and satisfies the lifestyle demand of middle and high-end customers in respect of leisure, holiday, health and entertainment, and uses return from real estate development to enhance the return of tourism projects.

The Group's tourism real estate guided by the above-mentioned strategy will possess the following three elements:

1. Situates in tourist attractions adjacent to city boundary with good scenery and easy access and targets middle and high-end customers who crave for travel lifestyle;
2. The real estate property possesses the functionality of travel products. The Group will establish a system of time share properties which allows owners to exchange time at their home resort for a stay at a different affiliated property, where they could enjoy our resources and participate in all kinds of leisure and entertainment activities. The Group will strive to forge cooperation with vacation exchange networks in mainland China, the United States of America and Australia, etc., so as to increase the property locations where our customers could stay for their vacations;

3. Provides a travel service platform for the property owners. The property owners shall become the top VIP members of the Group's loyalty program. The Group shall provide them with gifts of travel products and lifetime value-added travel services

In respect of existing businesses, the Group will continue to strengthen their fundamental management to raise profitability. At the same time, the Group will gradually dispose of low-return and non-performing assets and exit from businesses which are incompatible with its strategy, lacking synergy, and have been loss making for a long time with no prospects of turning around, so as to maintain the Group's high asset quality to ensure favourable operation.

The Group is reviewing its hotel portfolio and studying the feasibility of acquiring quality hotel group or asset and disposing of hotel with low profitability. The Group is also studying the feasibility of changing its Hong Kong property into a hotel or hotel-style serviced apartment. At the same time, the Group will actively study the exit arrangement of Weihe Power to focus on its core tourism operations.

The Group will actively push forward reform of systems and mechanisms of enterprise and activate the development vigor and momentum of enterprise. Firstly, the Group will actively push forward diversified shareholding. In the group level, the introduction of strategic investor will improve the Group's shareholder base and enhance the decision making process of the Board. In the subsidiary level, the introduction of outstanding private enterprises, foreign enterprises and state-owned enterprises to the Group's suitable business units through joint venture, strategic investment and merger and acquisition, will help the business units to acquire funding and resources, enhance capabilities, diversify investment risks and enhance project return. Secondly, under the composite resort business model of "tourism + real estate + leisure and entertainment facilities", the Group will invest in or control developed enterprises through acquisition or joint venture. The Group will also invest in high end projects with well-received market acceptance, growth potential and good management team, so as to establish high end, high value added and high profit margin businesses and products.

SHARE BUYBACK

In the first half of 2014, the Company bought back a total of approximately 23.46 million of its shares on The Stock Exchange of Hong Kong Limited. The total consideration paid was HK\$36.71 million and the average purchase price per share was approximately HK\$1.56. The Board of the Company considers that buying back its shares at the appropriate time would help to increase shareholder value.

BUSINESS PROSPECTS

At present, the world economy continues to recover moderately. The mainland China's economy continues to grow within a reasonable range and is expected to grow steadily and favourably, despite still facing downward pressure. In an executive meeting of the State Council, measures which spurs reform and development of tourism industry were approved. The measures will push forward transformation and upgrading of tourism industry, increase policy support to strengthen travel enterprises, improve the environment for tourism development, enhance the quality and content of travel products, develop old age, folklore, health travel and medical travel aggressively, and implement policy of paid holiday leave, creating favorable conditions for the sustainable development of tourism industry and the Group. China Tourism Academy continued to hold a relatively optimistic expectation of China's tourism economy in the second half of 2014, and considered that it would continue the overall steady growth.

In spite of the complex economic situations domestic and abroad and the keen industry competition, the fundamentals of the Group's overall businesses remained steady and healthy. Barring any unforeseeable negative situations, the Group continues to hold a prudently optimistic view towards the operation and development of its overall businesses.

In accordance with the requirements of the above-mentioned strategy and management enhancement initiatives, the Group will strive to create value and work for its shareholders.

CORPORATE SOCIAL RESPONSIBILITY

The Group is unwaveringly dedicated to performing its responsibility as a good corporate citizen, conducting business honestly, paying applicable taxes, caring for its employees, emphasizing the long term interests of shareholders, and keenly supporting all charity, environmental protection and educational activities.

Jiang Yan
Chairman of the Board

Hong Kong, 20 August 2014

INTERIM RESULTS

The Board of Directors (the “Board”) of China Travel International Investment Hong Kong Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

		Unaudited	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	5	2,085,779	2,031,263
Cost of sales		<u>(1,060,651)</u>	<u>(1,012,633)</u>
Gross profit		1,025,128	1,018,630
Other income and gains, net	6	510,255	102,980
Changes in fair value of investment properties		49,122	45,078
Selling and distribution costs		(242,386)	(272,647)
Administrative expenses		<u>(490,518)</u>	<u>(506,656)</u>
Operating profit	7	851,601	387,385
Finance income	8	62,582	46,115
Finance costs	8	(13,821)	(3,348)
Finance income, net	8	48,761	42,767
Share of profits less losses of			
Associates		195,549	177,488
Joint ventures		<u>3,971</u>	<u>2,845</u>

		Unaudited	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
Profit before taxation		1,099,882	610,485
Taxation	9	(106,878)	(103,997)
		<hr/>	<hr/>
Profit for the period		993,004	506,488
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity owners of the Company		929,502	448,472
Non-controlling interests		63,502	58,016
		<hr/>	<hr/>
Profit for the period		993,004	506,488
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to equity owners of the Company, basic and diluted (HK cents)			
	11	16.51	7.93
		<hr/> <hr/>	<hr/> <hr/>
Dividends	10		
Interim dividend		140,278	112,724
Special interim dividend		140,278	–
		<hr/>	<hr/>
		280,556	112,724
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2014*

	Unaudited	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	993,004	506,488
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Gain on property revaluation, net of tax	1,746	–
Share of hedging reserve of an associate	(2,542)	541
Exchange differences on translation of foreign operations, net	(100,931)	83,202
Release of exchange difference upon disposal of a subsidiary	(11,436)	–
Other comprehensive (loss)/income for the period, net of tax	(113,163)	83,743
Total comprehensive income for the period	879,841	590,231
Attributable to:		
Equity owners of the Company	822,037	521,650
Non-controlling interests	57,804	68,581
	879,841	590,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Unaudited	Audited
	30 June	31 December
	2014	2013
<i>Note</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,355,035	9,231,146
Investment properties	1,900,633	1,859,778
Prepaid land lease payments	371,478	418,068
Goodwill	1,278,574	1,278,574
Other intangible assets	185,937	188,853
Interests in associates	1,211,139	1,092,225
Interests in joint ventures	42,361	38,503
Available-for-sale investments	22,931	23,017
Prepayments	92,666	93,583
Deferred tax assets	14,836	14,085
	<hr/>	<hr/>
Total non-current assets	14,475,590	14,237,832
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Current assets		
Inventories	132,686	143,027
Trade receivables	233,815	274,484
Deposits, prepayments and other receivables	1,716,616	1,583,487
Amount due from immediate holding company	30,522	28,297
Amounts due from fellow subsidiaries	22,282	39,186
Tax recoverable	1,048	7,333
Financial assets at fair value through profit or loss	953,941	892,868
Pledged time deposits	38,038	54,683
Cash and bank balances	3,676,308	1,966,772
	<hr/>	<hr/>
Total current assets	6,805,256	4,990,137
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets	21,280,846	19,227,969
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	<i>Note</i>	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Capital		8,918,691	563,457
Reserves		6,137,168	13,929,808
		<u>15,055,859</u>	<u>14,493,265</u>
Non-controlling interests		785,548	834,012
		<u>15,841,407</u>	<u>15,327,277</u>
LIABILITIES			
Non-current liabilities			
Deferred income		1,048,349	771,909
Bank and other borrowings		813,706	20,233
Deferred tax liabilities		513,533	512,894
		<u>2,375,588</u>	<u>1,305,036</u>
Total non-current liabilities		2,375,588	1,305,036
Current liabilities			
Trade payables	13	331,352	377,699
Other payables and accruals		1,429,820	1,616,716
Amount due to immediate holding company		860	1,062
Amounts due to fellow subsidiaries		14,608	19,738
Tax payable		76,564	68,304
Bank and other borrowings		1,210,647	512,137
		<u>3,063,851</u>	<u>2,595,656</u>
Total current liabilities		3,063,851	2,595,656
		<u>5,439,439</u>	<u>3,900,692</u>
Total liabilities		5,439,439	3,900,692
		<u>21,280,846</u>	<u>19,227,969</u>
Total equity and liabilities		21,280,846	19,227,969
Net current assets		3,741,405	2,394,481
		<u>18,216,995</u>	<u>16,632,313</u>
Total assets less current liabilities		18,216,995	16,632,313

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:

- Tourist attraction operations
- Travel agency and related 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 20 August 2014.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, 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 2013, 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 2014.

HKAS 32 (Amendment)	Financial instruments: Presentation-Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement-Novation of derivatives
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Consolidation for investment entities
HK(IFRIC)-Int 21	Levis

- (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 2014 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.

Amendments to HKAS 16 and HKAS 38 ⁽²⁾	Clarification of acceptable methods of depreciation and amortisation
HKAS 19 (Amendment) ⁽¹⁾	Defined Benefit Plans
HKFRS 11 (Amendment) ⁽²⁾	Accounting for acquisitions of interests in joint operation
HKFRS 9 ⁽⁴⁾	Financial Instruments
HKFRS 14 ⁽²⁾	Regulation deferred accounts
HKFRS 15 ⁽³⁾	Revenue from contracts with customers
Annual Improvement 2010-2012 Cycle ⁽¹⁾	Amendments to a number of HKFRSs issued in January 2014
Annual Improvement 2011-2013 Cycle ⁽¹⁾	Amendments to a number of HKFRSs issued in January 2014

- (1) Effective for financial periods beginning on or after 1 July 2014
(2) Effective for financial periods beginning on or after 1 January 2016
(3) Effective for financial periods beginning on or after 1 January 2017
(4) Mandatory effective date to be determined but is available for adoption

4 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 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;
- (b) 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;
- (c) the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China;
- (d) the passenger transportation operations segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicle rental and charter operations in Hong Kong, Macau and Mainland China;
- (e) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members of the Group's golf club in Shenzhen, Mainland China;
- (f) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas; and
- (g) the power generation operations segment engages in the generation of electricity in Mainland China.

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker and monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) attributable to equity owners of the Company of each reportable operating segment excluding material non-recurring income or expenses, such as changes in fair value of investment properties, net of tax.

Six months ended 30 June 2014 (Unaudited)	Travel		Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Power generation operations	Total of reportable segments	Corporate and others	Consolidated
	Tourist attraction operations	agency and related operations								
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:										
Sales to external customers	707,503	698,874	460,908	144,086	66,286	8,122	-	2,085,779	-	2,085,779
Intersegment revenue	7,952	3,873	3,041	475	130	27	-	15,498	10,700	26,198
	<u>715,455</u>	<u>702,747</u>	<u>463,949</u>	<u>144,561</u>	<u>66,416</u>	<u>8,149</u>	<u>-</u>	<u>2,101,277</u>	<u>10,700</u>	<u>2,111,977</u>
Elimination of intersegment revenue								(15,498)	(10,700)	(26,198)
Revenue								<u>2,085,779</u>	<u>-</u>	<u>2,085,779</u>
Segment results	53,420	90,748	116,474	46,227	2,946	(935)	151,497	460,377	(5,139)	455,238
Changes in fair value of investment properties, net of tax										46,941
Gain on disposal of a subsidiary										419,500
Gain on disposal of property, plant and equipment, net										6,268
Taxation										106,878
Non-controlling interests										63,502
Others										1,555
Profit before taxation										<u>1,099,882</u>

Six months ended 30 June 2013 (Unaudited)	Tourist attraction operations HK\$'000	Travel	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
		agency and related operations HK\$'000								
Segment revenue:										
Sales to external customers	694,299	666,638	440,562	146,329	63,450	19,985	-	2,031,263	-	2,031,263
Intersegment revenue	7,157	3,642	2,742	608	141	-	-	14,290	10,140	24,430
	<u>701,456</u>	<u>670,280</u>	<u>443,304</u>	<u>146,937</u>	<u>63,591</u>	<u>19,985</u>	<u>-</u>	<u>2,045,553</u>	<u>10,140</u>	<u>2,055,693</u>
Elimination of intersegment revenue								(14,290)	(10,140)	(24,430)
Revenue								<u>2,031,263</u>	<u>-</u>	<u>2,031,263</u>
Segment results	48,457	73,945	108,205	26,598	2,821	(4)	148,919	408,941	(22,039)	386,902
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										25,869
Profit before taxation										<u>610,485</u>

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications have no impact on the Group's total equity as at both 30 June 2014 and 31 December 2013, or on the Group's profits for the six months ended 30 June 2014 and 2013.

5 REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the period.

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Tourist attraction operations	707,503	694,299
Travel agency and related operations	698,874	666,638
Hotel operations	460,908	440,562
Passenger transportation operations	144,086	146,329
Golf club operations	66,286	63,450
Arts performance operations	8,122	19,985
	<hr/>	<hr/>
Total	2,085,779	2,031,263

6 OTHER INCOME AND GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Gross rental income	14,589	9,942
Foreign exchange differences, net	10,399	50,036
Government grants received	22,951	10,342
Gain on disposal of property, plant and equipment, net	6,268	31
Income from financial assets at fair value through profit or loss	16,907	14,212
Gain on disposal of subsidiaries (a)	419,500	28
Others	19,641	18,389
	<hr/>	<hr/>
	510,255	102,980

Notes:

- (a) Gain on disposal of subsidiaries for the year was the disposal of the indirect wholly-owned subsidiary, Mangocity.com (Investment) Limited to a fellow subsidiary. (Note 14)

7 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	618,482	648,023
Depreciation	231,131	208,197
Amortisation of prepaid land lease payments	12,250	12,029
Amortisation of other intangible assets	1,654	1,627
Minimum lease payments under operating leases:		
Land and buildings	42,095	34,227
Plant and machinery and motor vehicles	10,263	8,336
	<u>618,482</u>	<u>648,023</u>

8 FINANCE INCOME, NET

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income:		
Bank deposits and entrustment loans	62,582	46,115
Finance income	<u>62,582</u>	<u>46,115</u>
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	(13,821)	(3,348)
Finance costs	<u>(13,821)</u>	<u>(3,348)</u>
Finance income, net	<u>48,761</u>	<u>42,767</u>

9 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% (2013: 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 territories in which the Group operates.

The amount of taxation charged to condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current taxation		
Hong Kong	37,506	36,454
Mainland China and other territories	66,596	60,693
Deferred taxation	2,776	6,850
	<hr/>	<hr/>
	106,878	103,997
	<hr/> <hr/>	<hr/> <hr/>

10 DIVIDENDS

The Board recommends the payment of an interim dividend of HK2.5 cents per ordinary share (2013: HK2 cents) and a special interim dividend of HK2.5 cents per ordinary share (2013: Nil) for the six months ended 30 June 2014 to shareholders on the register of members on 15 September 2014.

11 EARNINGS PER SHARE

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	
	2014	2013
Profit attributable to equity owners of the Company (HK\$'000)	929,502	448,472
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	5,628,530,343	5,654,437,525
	<hr/>	<hr/>
Basic earnings per share (HK cents)	16.51	7.93
	<hr/> <hr/>	<hr/> <hr/>

Diluted

No adjustment was made to the basic earnings per share presented for the period ended 30 June 2014 (2013: 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 2014 and 2013 and the diluted earnings per share was equal to the basic earnings per share (2013: Same).

12 TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade debtors. The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of the provision for impairment, is as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 <i>HK\$'000</i>
Within 3 months	206,660	221,675
3 to 6 months	15,411	35,257
6 to 12 months	9,649	9,039
1 to 2 years	2,095	8,513
	<hr/> 233,815 <hr/>	<hr/> 274,484 <hr/>

13 TRADE PAYABLES

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

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 <i>HK\$'000</i>
Within 3 months	290,078	323,979
3 to 6 months	13,493	22,087
6 to 12 months	10,281	13,680
1 to 2 years	6,217	9,584
Over 2 years	11,283	8,369
	<hr/> 331,352 <hr/>	<hr/> 377,699 <hr/>

14 DISPOSAL OF A SUBSIDIARY

On 27 March 2014, the Company entered into an agreement with its fellow subsidiary, Dean Success Limited, a subsidiary of the Company's immediate holding company, China Travel Service (Holdings) Hong Kong Limited, to dispose of the entire interest of its indirect wholly-owned subsidiary, Mangocity.com (Investment) Limited for a consideration of RMB602 million. The Disposal was approved by the shareholders on 23 May 2014.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2014, the Group had 10,420 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 2014, the cash and bank balances of the Group amounted to HK\$3,676 million whereas the bank and other borrowings amounted to HK\$2,024 million. The debt-to-capital ratio was 25% 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 2014, the Group's bank deposits of HK\$38 million (31 December 2013: HK\$54 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As at 30 June 2014, certain of the Group's buildings with an aggregate value of approximately HK\$9.14 million (31 December 2013: HK\$9.01 million) were pledged to secure bank guarantees given to suppliers in connection with credit facility granted.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2013: HK\$0.3 million).

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

During the six months ended 30 June 2014, the Company repurchased a total of 23,456,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited, all of which were cancelled during the six months ended 30 June 2014. The number of issued shares of the Company as of 30 June 2014 was 5,611,117,525 shares. Particulars of the shares repurchased during the period are as follows:

Month/Year	Number of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
March 2014	2,138,000	1.58	1.55	3,334,700
April 2014	11,818,000	1.60	1.52	18,636,660
May 2014	9,500,000	1.57	1.53	14,733,800

The Directors consider that the buy-backs 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 2014.

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 2014, the Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 A.5.1 specifies that the nomination committee should be chaired by the chairman of the Board or an independent non-executive director. The nomination committee of the Company does not have a chairman since 19 May 2014, the date of resignation of the former chairman, until Ms. Jiang Yan is appointed as the chairman of the Board and the nomination committee of the Company.

- 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

DIVIDENDS

The Board has declared an interim dividend of HK2.5 cents per share (1H 2013: HK2 cents) and a special interim dividend of HK2.5 cents per share (1H 2013: Nil) for the six months ended 30 June 2014. 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 Monday, 15 September 2014. The interim dividend will be paid on or around Monday, 29 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 11 September 2014 to Monday, 15 September 2014 (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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 September 2014.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2014 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial information for the six months ended 30 June 2014 has not been audited but has been reviewed by the Company’s external auditors, PricewaterhouseCoopers.

PUBLICATION OF 2014 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website at www.hkexnews.hk and the Company website at www.irasia.com/listco/hk/ctii/. The 2014 Interim Report will be available on the HKExnews and the Company websites, and despatched to the shareholders of the Company in due course.

By order of the Board

Jiang Yan

Chairman

Hong Kong, 20 August 2014

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Ms. Jiang Yan, Mr. Lo Sui On, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang and four independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.