



香港 **中旅** 國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

Interim Report 2014



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Corporate Information

Directors

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

* *Independent Non-Executive Director*

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Strategy and Development Committee

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

Company Secretary

Mr. Lai Siu Chung

Auditor

PricewaterhouseCoopers

Legal Advisor

DLA Piper Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Nova Scotia
China Construction Bank
Chong Hing Bank
Ping An Bank

Financial Calendar and Information For Shareholders

Financial Calendar

| | |
|---------------------------------------|--|
| Announcement of 2014 interim results | 20 August 2014 |
| Closure of register of members | 11 to 15 September 2014 (both dates inclusive) |
| Record date for 2014 interim dividend | 15 September 2014 |
| Payment of 2014 interim dividend | 29 September 2014 |

Registered Office

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78-83 Connaught Road Central
Hong Kong

Share Registrar

Tricor Tengis Limited
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Hong Kong

Company Website

www.irasia.com/listco/hk/ctii

Stock Code

308

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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 Project 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 6 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 Transportation 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

Report on Review of Interim Financial Information

To the board of directors of China Travel International Investment Hong Kong Limited

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 38, which comprises the condensed consolidated statement of financial position of China Travel International Investment Hong Kong Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 August 2014

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

| | Note | Unaudited | |
|---|------|--------------------|------------------|
| | | 2014 HK\$'000 | 2013 HK\$'000 |
| Revenue | 7 | 2,085,779 | 2,031,263 |
| Cost of sales | | (1,060,651) | (1,012,633) |
| Gross profit | | 1,025,128 | 1,018,630 |
| Other income and gains, net | 8 | 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 | | (490,518) | (506,656) |
| Operating profit | 9 | 851,601 | 387,385 |
| Finance income | 10 | 62,582 | 46,115 |
| Finance costs | 10 | (13,821) | (3,348) |
| Finance income, net | 10 | 48,761 | 42,767 |
| Share of profits less losses of | | | |
| Associates | | 195,549 | 177,488 |
| Joint ventures | | 3,971 | 2,845 |
| Profit before taxation | | 1,099,882 | 610,485 |
| Taxation | 11 | (106,878) | (103,997) |
| Profit for the period | | 993,004 | 506,488 |
| Attributable to: | | | |
| Equity owners of the Company | | 929,502 | 448,472 |
| Non-controlling interests | | 63,502 | 58,016 |
| Profit for the period | | 993,004 | 506,488 |
| Earnings per share for profit attributable to equity owners of the Company, basic and diluted (HK cents) | 13 | 16.51 | 7.93 |
| Dividends | 12 | | |
| Interim dividend | | 140,278 | 112,724 |
| Special interim dividend | | 140,278 | – |
| | | 280,556 | 112,724 |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

| | Unaudited | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 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

| | Note | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 9,355,035 | 9,231,146 |
| Investment properties | 15 | 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 |
| Total non-current assets | | 14,475,590 | 14,237,832 |
| Current assets | | | |
| Inventories | | 132,686 | 143,027 |
| Trade receivables | 16 | 233,815 | 274,484 |
| Deposits, prepayments and other receivables | 17 | 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 | 18 | 38,038 | 54,683 |
| Cash and bank balances | 18 | 3,676,308 | 1,966,772 |
| Total current assets | | 6,805,256 | 4,990,137 |
| Total assets | | 21,280,846 | 19,227,969 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | Note | 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 |
| | | 15,055,859 | 14,493,265 |
| Non-controlling interests | | 785,548 | 834,012 |
| Total equity | | 15,841,407 | 15,327,277 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income | | 1,048,349 | 771,909 |
| Bank and other borrowings | 20 | 813,706 | 20,233 |
| Deferred tax liabilities | | 513,533 | 512,894 |
| Total non-current liabilities | | 2,375,588 | 1,305,036 |
| Current liabilities | | | |
| Trade payables | 19 | 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 | 20 | 1,210,647 | 512,137 |
| Total current liabilities | | 3,063,851 | 2,595,656 |
| Total liabilities | | 5,439,439 | 3,900,692 |
| Total equity and liabilities | | 21,280,846 | 19,227,969 |
| Net current assets | | 3,741,405 | 2,394,481 |
| Total assets less current liabilities | | 18,216,995 | 16,632,313 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

| | Unaudited | | | | | | | |
|--|--|---------------|-----------------|----------------|------------------|------------|---------------------------|--------------|
| | Attributable to equity owners of the Company | | | | | | | |
| | Share capital | Share premium | Treasury shares | Other reserves | Retained profits | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2014 | 563,457 | 8,357,579 | - | 616,709 | 4,955,520 | 14,493,265 | 834,012 | 15,327,277 |
| Comprehensive income | | | | | | | | |
| Profit for the period | - | - | - | - | 929,502 | 929,502 | 63,502 | 993,004 |
| Other comprehensive (loss)/income for the period: | | | | | | | | |
| Gain on property revaluation, net of tax | - | - | - | 1,746 | - | 1,746 | - | 1,746 |
| Share of hedging reserve of an associate | - | - | - | (2,542) | - | (2,542) | - | (2,542) |
| Exchange differences on translation of foreign operations, net | - | - | - | (95,233) | - | (95,233) | (5,698) | (100,931) |
| Release of exchange difference upon disposal of subsidiaries | - | - | - | (11,436) | - | (11,436) | - | (11,436) |
| Total other comprehensive loss for the period, net of tax | - | - | - | (107,465) | - | (107,465) | (5,698) | (113,163) |
| Total comprehensive (loss)/income for the period | - | - | - | (107,465) | 929,502 | 822,037 | 57,804 | 879,841 |
| Transactions with owners | | | | | | | | |
| Transfer from retained profits | - | - | - | (26) | 26 | - | - | - |
| Relating to disposal of subsidiaries | - | - | - | (4,863) | 4,863 | - | - | - |
| Transition to no-par value regime on 3 March 2014 | 8,357,579 | (8,357,579) | - | - | - | - | - | - |
| Equity-settled share option arrangement | - | - | - | 1,849 | - | 1,849 | - | 1,849 |
| Repurchase of shares | - | - | (36,705) | - | - | (36,705) | - | (36,705) |
| Cancellation of shares repurchased | (2,345) | - | 36,705 | 2,345 | (36,807) | (102) | - | (102) |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | (106,268) | (106,268) |
| 2013 final dividend paid | - | - | - | - | (224,485) | (224,485) | - | (224,485) |
| Total transactions with owners for the period | 8,355,234 | (8,357,579) | - | (695) | (256,403) | (259,443) | (106,268) | (365,711) |
| At 30 June 2014 | 8,918,691 | - | - | 508,549 | 5,628,619 | 15,055,859 | 785,548 | 15,841,407 |

During the period ended 30 June 2014, the Company repurchased a total of 23,456,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$36,705,160 (excluding transaction costs). All shares repurchased during the period ended 30 June 2014, were cancelled during the period and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

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

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

The remaining 6,302,000 shares that were repurchased during the period ended 30 June 2013, together with 4,650,000 shares repurchased by the Company in July 2013 were cancelled by the Company on 31 July 2013.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Unaudited | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Cash flows from operating activities | | |
| Cash generated from operations | 746,159 | 507,089 |
| Income tax paid | (89,485) | (67,326) |
| Net cash flows from operating activities | 656,674 | 439,763 |
| Cash flows from investing activities | | |
| Proceeds from disposal of subsidiaries, net | 629,946 | 11,913 |
| Finance income received | 62,582 | 46,115 |
| Dividends received from associates and joint ventures | 193 | 127,581 |
| Purchases of property, plant and equipment | (789,929) | (418,416) |
| Increase in entrustment loan receivables | (63,200) | (124,306) |
| Additions to financial assets at fair value through profit or loss | (48,821) | (401,716) |
| Increase in time deposits with original maturity of more than three months when acquired | (606,759) | (101,959) |
| Others | 86,611 | 47,242 |
| Net cash flows used in investing activities | (729,377) | (813,546) |
| Cash flows from financing activities | | |
| Finance cost paid | (13,821) | (3,348) |
| Dividends paid | (265,875) | (213,571) |
| New bank loans, net | 1,491,983 | 974,790 |
| Repurchase of shares | (36,807) | (24,850) |
| Net cash flows from financing activities | 1,175,480 | 733,021 |
| Net increase in cash and cash equivalents | 1,102,777 | 359,238 |
| Cash and cash equivalents at 1 January | 1,837,062 | 2,521,226 |
| Cash and cash equivalents at 30 June | 2,939,839 | 2,880,464 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 3,676,308 | 3,139,600 |
| Deposits of non-cash and cash equivalents | (736,469) | (259,136) |
| Cash and cash equivalents | 2,939,839 | 2,880,464 |

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. 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.

This condensed consolidated interim financial information has not been audited.

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 |

3 Accounting policies (Continued)

- (b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 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 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

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

5 Financial risk management (Continued)

5.2 Fair value estimation

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

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

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

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

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

Assets

| | As at 30 June 2014 | | |
|---|---------------------|---------------------|---------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 |
| Financial assets at fair value through profit or loss | – | 953,941 | – |

Assets

| | As at 31 December 2013 | | |
|---|------------------------|---------------------|---------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 |
| Financial assets at fair value through profit or loss | – | 892,868 | – |

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

The following table analyses the investment properties of the Group carried at fair value, using a valuation technique with significant unobservable inputs.

| | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|-----------------------------------|--|--|
| Recurring fair value measurements | | |
| Hong Kong: | | |
| – Commercial properties | 630,600 | 597,400 |
| Outside Hong Kong: | | |
| – Commercial properties | 1,270,033 | 1,262,378 |
| | 1,900,633 | 1,859,778 |

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Group measures its investment properties at fair value. The investment properties were revalued on 30 June 2014 by RHL Appraisal Ltd., an independent professionally qualified valuer, at HK\$1,900,633,000 (2013: HK\$1,859,778,000). For all investment properties, their current use equates to the highest and best use.

The Group assigns a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial period/year end the team:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements by comparing with the prior year valuation report;
- Holds discussions with the independent valuer.

The fair value of investment properties are determined by direct comparison approach, on the market basis assuming sale with immediate vacant possession and taking reference to their respective existing states and comparable sales evidence. The valuations take into account the characteristics of the properties including the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristics will result in a higher fair value measurement.

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

The carrying amounts of the Group's financial assets and liabilities approximate their fair values, except for non-current fixed rate and interest free borrowing as follows:

| | Carrying amounts | | Fair values | |
|---------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | 30 June 2014 HK\$'000 | 31 December 2013 HK\$'000 | 30 June 2014 HK\$'000 | 31 December 2013 HK\$'000 |
| Bank and other borrowings | 7,407 | 7,514 | 6,993 | 7,166 |

6 Operating segment information

Executive management is the Group's chief operating decision-maker and regularly reviews the segment results. For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. A summary of details of the operating segments is as follows:

- (a) the 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.

6 Operating segment information (Continued)

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 | | Passenger | | Arts performance operations HK\$'000 | Power generation operations HK\$'000 | Total of reportable segments HK\$'000 | Corporate and others HK\$'000 | Consolidated HK\$'000 | |
|--|---|---|---|---|---|---|--|-------------------------------------|--------------------------|-----------|
| | Tourist attraction operations HK\$'000 | agency and related operations HK\$'000 | Hotel transportation operations HK\$'000 | Hotel transportation operations HK\$'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 |
| | 715,455 | 702,747 | 463,949 | 144,561 | 66,416 | 8,149 | - | 2,101,277 | 10,700 | 2,111,977 |
| Elimination of intersegment revenue | | | | | | | | (15,498) | (10,700) | (26,198) |
| Revenue | | | | | | | | 2,085,779 | - | 2,085,779 |
| 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 | | | | | | | | | | 1,099,882 |

Notes to Condensed Consolidated Interim Financial Information

6 Operating segment information (Continued)

| Six months ended 30 June 2013 (Unaudited) | Tourist attraction operations HK\$'000 | Travel agency and related operations HK\$'000 | Hotel operations HK\$'000 | Passenger transportation operations HK\$'000 | Golf club operations HK\$'000 | Arts performance operations HK\$'000 | Power generation operations HK\$'000 | Total of reportable segments HK\$'000 | Corporate and others HK\$'000 | Consolidated HK\$'000 |
|---|---|---|---------------------------------|---|-------------------------------------|---|---|--|-------------------------------------|--------------------------|
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 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 |
| | 701,456 | 670,280 | 443,304 | 146,937 | 63,591 | 19,985 | - | 2,045,553 | 10,140 | 2,055,693 |
| Elimination of intersegment revenue | | | | | | | | (14,290) | (10,140) | (24,430) |
| Revenue | | | | | | | | 2,031,263 | - | 2,031,263 |
| Segment results | 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 | | | | | | | | | | 610,485 |

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.

7 Revenue

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

| | Unaudited | |
|--------------------------------------|---------------------------------|-----------|
| | Six months ended 30 June | |
| | 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 |
| Total | 2,085,779 | 2,031,263 |

8 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 a subsidiary (a) | 419,500 | 28 |
| Others | 19,641 | 18,389 |
| | 510,255 | 102,980 |

Notes:

- (a) Gain on disposal of a subsidiary for the year was the disposal of the indirect wholly-owned subsidiary, Mangocity.com (Investment) Limited to a fellow subsidiary. (Note 25)

9 Operating profit

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

| | Unaudited | |
|--|---------------------------------|----------|
| | Six months ended 30 June | |
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| 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 |

10 Finance income, net

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

11 Taxation

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

Hong Kong profits tax has been provided at the rate of 16.5% (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 |
| | 106,878 | 103,997 |

12 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.

13 Earnings per share for profit attributable to equity owners of the Company

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners by the weighted average number of ordinary shares in issue during the period.

Basic

| | Unaudited | |
|--|---------------------------------|---------------|
| | Six months ended 30 June | |
| | 2014 | 2013 |
| Profit attributable to equity owners of the Company (HK\$'000) | 929,502 | 448,472 |
| Weighted average number of ordinary shares in issue | 5,628,530,343 | 5,654,437,525 |
| Basic earnings per share (HK cents) | 16.51 | 7.93 |

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).

14 Property, plant and equipment

During the period ended 30 June 2014, additions of items of property, plant and equipment amounted to HK\$703,953,000 (2013: HK\$401,582,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK\$293,497,000 (2013: HK\$17,063,000), of which HK\$286,233,000 (2013: Nil) related to the disposal of a subsidiary (Note 25).

15 Investment properties

| | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|---|--|--|
| At fair value | | |
| At 1 January | 1,859,778 | 1,668,577 |
| Net gain from fair value adjustments | 49,122 | 155,529 |
| Transfer from property, plant and equipment | 3,402 | – |
| Exchange adjustments | (11,669) | 35,672 |
| At 30 June/31 December | 1,900,633 | 1,859,778 |

16 Trade receivables

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

| | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|-----------------|--|--|
| 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 |
| | 233,815 | 274,484 |

17 Deposits, prepayments and other receivables

At 30 June 2014, the balances included:

- (a) Entrustment loans as provided to the non-controlling shareholders of Shenzhen The Splendid China Development Co., Ltd. and Shenzhen The World Miniature Co., Ltd. respectively, which are the Group's 51%-owned subsidiaries. These entrustment loans of HK\$277,165,000 (31 December 2013: HK\$254,378,000) are unsecured, are repayable by the non-controlling shareholders upon one month notice from the Group, and bear interest at the 1-year People's Bank of China ("PBOC") Base Lending Rate less 10% per annum.
- (b) Entrustment loans as provided to certain PRC companies. These entrustment loans of HK\$844,095,000 (31 December 2013: HK\$814,011,000) are unsecured and bear interest ranging from 5.6% to 7.5% per annum. These loans are repayable between September 2014 and May 2015 (31 December 2013: repayable between March 2014 and October 2014).
- (c) Amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., a 51%-owned subsidiary of the Group, of HK\$ 103,052,000 (31 December 2013: HK\$108,789,000), which is unsecured and bears interest at 5.52% per annum.
- (d) Amount due from a PRC local government bureau, of HK\$ 93,225,000 (31 December 2013: Nil), which is unsecured and bears interest at the 1-year People's Bank of China ("PBOC") Base Lending Rate.

18 Cash and bank balances

| | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|--|--|--|
| Cash and bank balances | 975,842 | 1,346,316 |
| Time deposits | 2,738,504 | 675,139 |
| | 3,714,346 | 2,021,455 |
| Less: Pledged time deposits | | |
| – Non-current portion, pledged for a bank loan | – | (1,068) |
| – Current portion, pledged for credit facilities and bank guarantees | (38,038) | (53,615) |
| | 3,676,308 | 1,966,772 |

19 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 HK\$'000 |
|-----------------|--|--|
| 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 |
| | 331,352 | 377,699 |

20 Bank and other borrowings

Movements in borrowings is analysed as follows:

| | Unaudited 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------|--|------------------|
| As at 1 January | 532,370 | 435,417 |
| Borrowings | 2,797,027 | 1,350,000 |
| Repayments | (1,304,612) | (376,277) |
| Exchange adjustment | (432) | 1,067 |
| As at 30 June | 2,024,353 | 1,410,207 |
| Less: Non-current portion | (813,706) | (35,342) |
| Current portion | 1,210,647 | 1,374,865 |

The interest charged on the bank and other borrowings ranged from 1.21%-6.31% per annum as at 30 June 2014 (31 December 2013: 0.47% to 6% per annum).

As at 30 June 2014, the Group had no secured bank loans. As at 31 December 2013, the secured bank loan of HK\$1,068,000 was secured by the same amount of bank deposit.

21 Pledge of assets

| | Unaudited 30 June 2014 HK\$'000 | Audit 31 December 2013 HK\$'000 |
|---|--|--|
| Bank deposits | | |
| Pledged for a bank loan | – | 1,068 |
| Pledged for credit facilities granted by suppliers to certain Group's subsidiaries | 36,024 | 51,601 |
| Pledged for bank guarantees given in lieu of utility and rental deposits | 2,014 | 2,014 |
| | 38,038 | 54,683 |
| Buildings | | |
| Pledged for bank guarantees given to suppliers in connection with credit facility granted | 9,138 | 9,013 |

22 Contingent liabilities

| | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|--|--|--|
| Performance bond given to a customer for due performance of a sales contract | 300 | 300 |

23 Commitments

At 30 June 2014, the Group had the following significant capital commitments:

| | Unaudited 30 June 2014 HK\$'000 | Audited 31 December 2013 HK\$'000 |
|---|--|--|
| Property, plant and equipment and land: | | |
| – Contracted, but not provided for | 976,867 | 979,635 |
| – Authorised, but not contracted for | 605,147 | 255,331 |
| | 1,582,014 | 1,234,966 |

24 Related party transactions

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

| | Unaudited | |
|-------------------------------------|---------------------------------|----------|
| | Six months ended 30 June | |
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Travel-related income from (a) | | |
| – immediate holding company (b) | 153,312 | 145,639 |
| – fellow subsidiaries | 13,838 | 15,106 |
| – associates | 25,751 | 24,656 |
| – other related parties | 3,512 | 3,076 |
| Hotel-related income from (a) | | |
| – immediate holding company | 1,023 | 1,394 |
| – fellow subsidiaries | 936 | 972 |
| Management income from (c) | | |
| – fellow subsidiaries | 8,790 | 9,512 |
| – associates and joint ventures | 5,777 | 4,614 |
| Rental income from (d) | | |
| – associates | 19,584 | 19,589 |
| Travel-related expenses paid to (a) | | |
| – fellow subsidiaries | (17,951) | (25,450) |
| – associates | (1,458) | (1,746) |
| – other related parties | (1,409) | (2,438) |
| Management expenses paid to (c) | | |
| – fellow subsidiaries | (4,927) | (5,013) |
| Rental expenses paid to (d) | | |
| – immediate holding company | (6,697) | (6,985) |
| – associates | (2,478) | (2,988) |

24 Related party transactions (Continued)

Notes:

- (a) Travel-related and hotel-related income and expenses are entered into in the normal course of business based on terms mutually agreed by the parties.
- (b) The travel permit administration income was determined in accordance with the terms of an agency agreement entered into between the parties and was charged at 45% of the gross fee revenue from travel permit applications.
- (c) Management income and expense are charged at rates in accordance with relevant contracts.
- (d) Rental income and expenses are charged in accordance with respective tenancy agreements.

(b) Other transactions with related parties

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

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

- (ii) On 6 September 2013, a 1 year (auto roll for another 2 years) entrustment loan arrangement of RMB 300 million was entered into between Window of the World and Splendid China, 51% owned subsidiaries of the Company, Shenzhen Overseas Chinese Town Co., Ltd., a state-owned enterprise, and a bank. The interest rate is 10% below 1 year loan interest rate set by the People’s Bank of China. As at the end of the current reporting period, the arrangement remained effective with RMB220 million withdrawn. The balance is included in deposits, prepayments and other receivables.
- (iii) On 13 April 2011 and 29 December 2011, entrustment loan arrangements were entered into between Shaanxi Weihe Power Co., Shaanxi Qinlong Electric Power Co., Ltd., which was a substantial shareholder of Shaanxi Weihe Power Co., and a bank. Total borrowing amounted to approximately RMB150 million as at the end of the current reporting period.

25 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.

Analysis of the assets and liabilities of the subsidiary at the disposal date was as follows:

| | | HK\$'000 |
|--|---------|----------------|
| Assets | | |
| Property, plant and equipment | Note 14 | 286,233 |
| Prepaid land lease payments | | 38,239 |
| Investments in associates | | 6,454 |
| Inventories | | 2,625 |
| Trade receivables | | 65,772 |
| Deposits, prepayments and other receivables | | 22,146 |
| Amount due from immediate holding company | | 2,467 |
| Amounts due from fellow subsidiaries | | 4,603 |
| Amount due from an associate | | 4,827 |
| Cash and bank balances | | 94,089 |
| Liabilities | | |
| Deferred income | | (65,317) |
| Trade payables | | (39,234) |
| Other payables and accruals | | (105,299) |
| Amounts due to fellow subsidiaries | | (811) |
| Tax payable | | (823) |
| Net assets | | <u>315,971</u> |
| Exchange reserve | | (11,436) |
| Direct cost of disposal | | 1,510 |
| Gain on disposal of a subsidiary | Note 8 | 419,500 |
| Total consideration | | <u>725,545</u> |
| Satisfied by cash | | <u>725,545</u> |
| Net cash flows arising from the disposal* | | |
| Cash consideration received | | 725,545 |
| Cash and cash equivalents disposed of | | (94,089) |
| Direct cost of disposal | | (1,510) |
| | | <u>629,946</u> |

* Net cash flows arising from the disposal is included in the cash flows from investing activities in the condensed consolidated statement of cash flows.

Other Information

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).

Directors' and Chief Executive's Interests

As at 30 June 2014, the interests and short positions of the Directors and the Company's chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

| Name of Director | Interests in shares | | Interests in underlying shares pursuant to share options | Aggregate interests | % of the issued share capital as at 30 June 2014 |
|--------------------|---------------------|-----------------|--|---------------------|--|
| | Corporate interest | Family interest | | | |
| Ms. Jiang Yan | — | — | 1,770,000 | 1,770,000 | 0.03% |
| Mr. Lo Sui On | — | — | 1,770,000 | 1,770,000 | 0.03% |
| Mr. Zhang Fengchun | — | — | 1,770,000 | 1,770,000 | 0.03% |
| Mr. Xu Muhan | — | 2,000 | 1,850,000 | 1,852,000 | 0.03% |
| | | (Note 1) | | | |
| Mr. Fu Zhuoyang | — | — | 1,770,000 | 1,770,000 | 0.03% |
| Dr. Fong Yun Wah | 50,000 | — | — | 50,000 | 0.00% |
| | (Note 2) | | | | |

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

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

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Share Option Scheme

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

The 2002 Share Option Scheme

Details of the movement in the share options granted under the 2002 Share Option Scheme during the six months ended 30 June 2014 are set out below:

| Name or category of participant | Number of share options | | | | Balance as at 30 June 2014 | Date of grant | Exercise period (Note 1) | Exercise price (HK\$) |
|-------------------------------------|------------------------------|---------------------------|-----------------------------|---------------------------------------|----------------------------|---------------|------------------------------|-----------------------|
| | Balance as at 1 January 2014 | Granted during the period | Exercised during the period | Cancelled or lapsed during the period | | | | |
| Directors | | | | | | | | |
| Jiang Yan | 1,770,000 | — | — | — | 1,770,000 | 18 June 2010 | 18 June 2012 to 17 June 2020 | 1.70 |
| Lo Sui On | 1,770,000 | — | — | — | 1,770,000 | 18 June 2010 | 18 June 2012 to 17 June 2020 | 1.70 |
| Zhang Fengchun | 1,770,000 | — | — | — | 1,770,000 | 18 June 2010 | 18 June 2012 to 17 June 2020 | 1.70 |
| Xu Muhan | 1,850,000 | — | — | — | 1,850,000 | 18 June 2010 | 18 June 2012 to 17 June 2020 | 1.70 |
| Fu Zhuoyang | 1,770,000 | — | — | — | 1,770,000 | 18 June 2010 | 18 June 2012 to 17 June 2020 | 1.70 |
| Sub-Total | 8,930,000 | — | — | — | 8,930,000 | | | |
| Other employees in aggregate | | | | | | | | |
| | 93,380,000 | — | — | (1,960,000) | 91,420,000 | 18 June 2010 | 18 June 2012 to 17 June 2020 | 1.70 |
| Grand Total | 102,310,000 | — | — | (1,960,000) | 100,350,000 | | | |

Note 1: The vesting period of the share options is from the date of grant until the commencement of the exercise period. The options are exercisable in the following manner subject to the achievement of certain performance targets:

The proportion of options exercisable

First 30% of the share options
 Second 30% of the share options
 Remaining 40% of the share options

Exercise period

18 June 2012 to 17 June 2020
 18 June 2013 to 17 June 2020
 18 June 2014 to 17 June 2020

The 2012 Share Option Scheme

No share options were granted under the 2012 Share Option Scheme during the six months ended 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the Directors or the Company's chief executive, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at 30 June 2014, the following shareholders (other than Directors or chief executive of the Company) had interests, directly or indirectly, and short positions in the shares and underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO:

Long position in the ordinary shares of the Company

| Name of shareholders | Capacity | Number of shares held | % of the issued share capital as at 30 June 2014 |
|---|---|------------------------------|---|
| China National Travel Service (HK) Group Corporation ("China CTS (HK)") | Interest of controlled corporation (Note) | 3,231,822,728 | 57.6% |
| China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") | Interest of controlled corporation and beneficial owner | 3,231,822,728 | 57.6% |

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

Save as aforesaid, as at 30 June 2014, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares or debentures of the Company recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2014, the Company repurchased a total of 23,456,000 ordinary shares of the Company on the Stock Exchange, 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 |
|------------|---------------------------------------|-------------------------------|----------------|------------------------------|
| | | 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.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

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

On 20 July 2011, China Travel Service (Hong Kong) Limited, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for an uncommitted facility of HK\$300,000,000. The term of the credit facility has been extended to 30 June 2015.

On 16 June 2014, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for a committed revolving loan of HK\$500,000,000. The final maturity date of the credit facility is one year from the date of acceptance of the facility agreement.

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

On 25 June 2013, the Company, as borrower, entered into a facility agreement with a bank (the “Bank”) for an uncommitted revolving credit facility to the extent of HK\$100,000,000. On 27 January 2014, the Company (as borrower) entered into a facility agreement with the Bank for a committed revolving credit facility to the extent of HK\$250,000,000. The final maturity date of the aforesaid committed revolving credit facility is one year from the date of acceptance of the facility agreement. On 22 April 2014, the Company, as borrower, entered into a facility agreement with the Bank for a committed term loan to the extent of HK\$800,000,000. The final maturity date of the credit facility is three years from the date of drawdown of the relevant facilities.

Pursuant to the aforesaid facility agreements, the Company undertakes with the Bank that CTS (Holdings) shall hold, directly or indirectly, not less than 50% of the issued share capital of the Company.

Changes in Directors’ Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors’ information since the date of the 2013 Annual Report are set out below:

| Name of Director | Changes |
|-------------------------|--|
| Jiang Yan | <ul style="list-style-type: none">– Appointed as the Chairman of the Board and the Nomination Committee of the Company with effect from 8 August 2014.– Director’s fee for year 2014 increased to HK\$330,000 with effect from 8 August 2014, payable on a time pro-rata basis. |
| Lo Sui On | <ul style="list-style-type: none">– Resigned as a director of CTS (Holdings) and China CTS (HK), the controlling shareholders of the Company, with effect from 19 June 2014. |
| Zhang Fengchun | <ul style="list-style-type: none">– Appointed as the Chairman of China Travel Financial Holdings Co., Limited, a subsidiary of CTS (Holdings), with effect from 29 July 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 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 on 8 August 2014.
- 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. 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.

By order of the Board

Jiang Yan

Chairman

Hong Kong, 20 August 2014