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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 2016

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 2016 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	<i>Note</i>	Unaudited 2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing Operations			
Revenue	5	1,820,093	2,090,922
Cost of sales		<u>(955,870)</u>	<u>(1,098,525)</u>
Gross profit		864,223	992,397
Other income and gains, net	6	74,788	98,526
Changes in fair value of investment properties		24,970	52,348
Selling and distribution costs		(252,999)	(265,136)
Administrative expenses		<u>(403,705)</u>	<u>(412,447)</u>

		Unaudited	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
Operating profit	7	307,277	465,688
Finance income	8	46,929	70,251
Finance costs	8	(6,157)	(13,847)
Finance income, net	8	40,772	56,404
Share of profits less losses of			
Associates		80,077	58,035
Joint ventures		1,698	2,365
Profit before taxation		429,824	582,492
Taxation	9	(90,619)	(99,126)
Profit for the period for continuing operations		<u>339,205</u>	<u>483,366</u>
Discontinued Operations			
Profit from discontinued operations	14	<u>–</u>	<u>531,661</u>
Profit for the period		<u>339,205</u>	<u>1,015,027</u>
Attributable to:			
Equity owners of the Company		270,043	937,487
Non-controlling interests		69,162	77,540
Profit for the period		<u>339,205</u>	<u>1,015,027</u>
Earnings per share for profit attributable to equity owners of the Company (HK cents)	11		
Basic earnings per share from:			
– Continuing operations		4.90	7.19
– Discontinued operations		<u>–</u>	<u>9.43</u>
		<u>4.90</u>	<u>16.62</u>
Diluted earnings per share from:			
– Continuing operations		4.90	7.18
– Discontinued operations		<u>–</u>	<u>9.40</u>
		<u>4.90</u>	<u>16.58</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	339,205	1,015,027
Other comprehensive income/(loss)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on property revaluation, net of tax	31,257	47,686
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of hedging reserve of an associate	13,481	5,818
Exchange differences on translation of foreign operations, net	(185,680)	(15,918)
Release of exchange difference upon disposal of a subsidiary	—	(149,321)
Other comprehensive loss for the period, net of tax	(140,942)	(111,735)
Total comprehensive income for the period	198,263	903,292
Total comprehensive income for the period attributable to:		
Equity owners of the Company	147,068	825,932
Non-controlling interests	51,195	77,360
	198,263	903,292

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Note</i>	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		7,994,367	7,919,792
Investment properties		1,501,433	1,439,590
Prepaid land lease payments		414,711	429,169
Goodwill		1,330,151	1,330,151
Other intangible assets		170,067	174,093
Interests in associates		1,073,897	998,879
Interests in joint ventures		49,319	47,977
Available-for-sale investments		26,844	27,068
Prepayments		83,591	85,658
Deferred tax assets		<u>56,579</u>	<u>56,293</u>
Total non-current assets		<u>12,700,959</u>	<u>12,508,670</u>
Current assets			
Inventories		27,703	36,012
Properties under development		2,065,357	2,026,394
Trade receivables	12	168,939	173,047
Deposits, prepayments and other receivables		882,320	877,565
Amount due from immediate holding company		21,699	186,497
Amounts due from fellow subsidiaries		24,164	25,392
Tax recoverable		395	3,910
Financial assets at fair value through profit or loss		1,794,845	1,640,050
Pledged time deposits		63,501	57,984
Cash and bank balances		<u>3,215,144</u>	<u>3,680,731</u>
Total current assets		<u>8,264,067</u>	<u>8,707,582</u>
Total assets		<u><u>20,965,026</u></u>	<u><u>21,216,252</u></u>

	<i>Note</i>	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		9,090,189	9,088,838
Reserves		<u>5,965,065</u>	<u>6,316,321</u>
		15,055,254	15,405,159
Non-controlling interests		<u>1,091,886</u>	<u>1,093,669</u>
Total equity		<u>16,147,140</u>	<u>16,498,828</u>
LIABILITIES			
Non-current liabilities			
Deferred income		1,106,215	1,132,980
Bank and other borrowings		98,744	805,659
Deferred tax liabilities		<u>426,250</u>	<u>417,296</u>
Total non-current liabilities		<u>1,631,209</u>	<u>2,355,935</u>
Current liabilities			
Trade payables	13	315,971	349,785
Other payables and accruals		1,829,270	1,778,338
Amount due to immediate holding company		9,713	8,215
Amounts due to fellow subsidiaries		8,913	9,438
Tax payable		184,437	193,045
Bank and other borrowings		<u>838,373</u>	<u>22,668</u>
Total current liabilities		<u>3,186,677</u>	<u>2,361,489</u>
Total liabilities		<u>4,817,886</u>	<u>4,717,424</u>
Total equity and liabilities		<u>20,965,026</u>	<u>21,216,252</u>
Net current assets		<u>5,077,390</u>	<u>6,346,093</u>
Total assets less current liabilities		<u>17,778,349</u>	<u>18,854,763</u>

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, travel document and related operations
- Hotel operations
- Passenger transportation operations
- Golf club operations
- Arts performance 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 17 August 2016.

This condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, 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 2015, 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 2016.

HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative
Annual improvements 2012-2014	Amendments to a number of HKFRSs issued in October 2014

- (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 2016 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 12 ⁽¹⁾	Income taxes
Amendments to HKAS 7 ⁽¹⁾	Statement of cash flows
HKFRS 9 ⁽²⁾	Financial Instruments
HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
HKFRS 16 ⁽³⁾	Leases
Amendments to HKFRS 10 and HKAS 28 ⁽⁴⁾	Sale or contribution of assets between an investor and its associate or joint venture

⁽¹⁾ Effective for financial periods beginning on or after 1 January 2017

⁽²⁾ Effective for financial periods beginning on or after 1 January 2018

⁽³⁾ Effective for financial periods beginning on or after 1 January 2019

⁽⁴⁾ Effective for annual periods on or after a date to be determined

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, hotspring resorts, other resorts and tourism property development located in Mainland China;
- (b) the travel agency, travel document and related operations segment engages in the provision of travel agency, travel document 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; and
- (f) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas.

The power generation operations engage in the generation of electricity in Mainland China. In March 2015, the Group entered into an agreement to dispose of its interest in the power generation operations to the immediate holding company and the transaction is completed in June 2015. Therefore, the power generation operations are disclosed as discontinued operations in operating segment information.

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 2016 (Unaudited)

Continuing operations

	Tourist attraction operations <i>HK\$'000</i>	Travel agency, travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Golf club operations <i>HK\$'000</i>	Arts performance operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:									
Sales to external customers	756,276	525,886	345,197	139,468	42,537	10,729	1,820,093	-	1,820,093
Intersegment revenue	6,123	2,595	2,058	998	-	-	11,774	7,160	18,934
	<u>762,399</u>	<u>528,481</u>	<u>347,255</u>	<u>140,466</u>	<u>42,537</u>	<u>10,729</u>	1,831,867	7,160	1,839,027
Elimination of intersegment revenue							(11,774)	(7,160)	(18,934)
Revenue							<u>1,820,093</u>	<u>-</u>	<u>1,820,093</u>
Segment results	<u>75,994</u>	<u>65,057</u>	<u>38,439</u>	<u>83,485</u>	<u>(7,150)</u>	<u>(4,721)</u>	<u>251,104</u>	<u>(25,510)</u>	225,594
Non-controlling interests									69,162
Segment results after non-controlling interests									294,756
Changes in fair value of investment properties, net of tax									21,730
Contingent consideration on subsidiary disposal									21,061
Others									1,658
Profit for the period									<u>339,205</u>

Six months ended 30 June 2015 (Unaudited)

	Continuing operations							Discontinued operations		Consolidated	
	Tourist attraction operations <i>HK\$'000</i>	Travel agency, document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Golf club operations <i>HK\$'000</i>	Arts performance operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>		Power generation operation <i>HK\$'000</i>
Segment revenue:											
Sales to external customers	830,485	669,391	367,737	149,551	61,570	12,188	2,090,922	-	2,090,922	-	2,090,922
Intersegment revenue	<u>7,517</u>	<u>2,953</u>	<u>1,770</u>	<u>472</u>	<u>-</u>	<u>-</u>	<u>12,712</u>	<u>10,360</u>	<u>23,072</u>	<u>-</u>	<u>23,072</u>
	<u>838,002</u>	<u>672,344</u>	<u>369,507</u>	<u>150,023</u>	<u>61,570</u>	<u>12,188</u>	2,103,634	10,360	2,113,994	-	2,113,994
Elimination of intersegment revenue							<u>(12,712)</u>	<u>(10,360)</u>	<u>(23,072)</u>	<u>-</u>	<u>(23,072)</u>
Revenue							<u>2,090,922</u>	<u>-</u>	<u>2,090,922</u>	<u>-</u>	<u>2,090,922</u>
Segment results	<u>61,219</u>	<u>103,721</u>	<u>50,674</u>	<u>84,004</u>	<u>5,685</u>	<u>(2,396)</u>	<u>302,907</u>	<u>53,621</u>	356,528	233,546	590,074
Non-controlling interests									<u>77,540</u>	<u>-</u>	<u>77,540</u>
Segment results after non-controlling interests									434,068	233,546	667,614
Changes in fair value of investment properties, net of tax									48,830	-	48,830
Gain on disposal of a subsidiary									-	298,115	298,115
Others									<u>468</u>	<u>-</u>	<u>468</u>
Profit for the period									<u>483,366</u>	<u>531,661</u>	<u>1,015,027</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 2016 and 31 December 2015, or on the Group's profits for the six months ended 30 June 2016 and 2015.

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	
	2016	2015
	HK\$'000	HK\$'000
Tourist attraction operations	756,276	830,485
Travel agency, travel document and related operations	525,886	669,391
Hotel operations	345,197	367,737
Passenger transportation operations	139,468	149,551
Golf club operations	42,537	61,570
Arts performance operations	10,729	12,188
	<hr/>	<hr/>
Total	1,820,093	2,090,922
	<hr/> <hr/>	<hr/> <hr/>

6 OTHER INCOME AND GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Gross rental income	19,920	17,588
Foreign exchange differences, net	(25,334)	17,852
Government grants received	3,013	14,058
Income from financial assets at fair value through profit or loss	26,712	37,117
Contingent consideration on subsidiary disposal (<i>Note 14</i>)	21,061	–
Others	29,416	11,911
	<hr/>	<hr/>
	74,788	98,526
	<hr/> <hr/>	<hr/> <hr/>

7 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Staff costs	568,185	590,793
Depreciation	215,064	231,185
Amortisation of prepaid land lease payments	13,003	13,585
Amortisation of other intangible assets	1,556	1,656
Minimum lease payments under operating leases:		
Land and buildings	41,107	40,965
Plant and machinery and motor vehicles	4,947	7,307

8 FINANCE INCOME, NET

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest income:		
Bank deposits and entrustment loans	46,929	70,251
Finance income	46,929	70,251
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	(6,157)	(13,847)
Finance costs	(6,157)	(13,847)
Finance income, net	40,772	56,404

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% (2015: 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	
	2016	2015
	HK\$'000	HK\$'000
Current taxation		
Hong Kong	19,835	27,991
Mainland China and other territories	66,954	67,605
Deferred taxation	3,830	3,530
	90,619	99,126

10 DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend	108,962	140,282
Special interim dividend	–	140,282
	108,962	280,564

The Board recommends the payment of an interim dividend of HK2 cents per ordinary share (2015: HK2.5 cents) for the six months ended 30 June 2016 to shareholders on the register of members on 12 September 2016.

11 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	
	2016	2015
Profit from continuing operations attributable to equity owners of the Company (<i>HK\$'000</i>)	270,043	405,826
Profit from discontinued operations attributable to equity owners of the Company (<i>HK\$'000</i>) (<i>Note a</i>)	<u>–</u>	<u>531,661</u>
	<u>270,043</u>	<u>937,487</u>
Weighted average number of ordinary shares in issue	<u>5,509,058,360</u>	<u>5,642,071,691</u>
Basic earnings per share from continuing operations (<i>HK cents</i>)	4.90	7.19
Basic earnings per share from discontinued operations (<i>HK cents</i>)	<u>–</u>	<u>9.43</u>
	<u>4.90</u>	<u>16.62</u>

Note:

- (a) Profit from discontinuing operation in the prior period included the net gain on disposal and share of results of Shaanxi Weihe Power Co. Ltd. (“Shaanxi Weihe Power”) of approximately HK\$298 million and HK\$234 million respectively for the period (Note 14).

Diluted

Diluted earnings per share in period ended 2016 and 2015 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share option is the only category of dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the company's average market share price for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit from continuing operations attributable to equity owners of the Company (<i>HK\$'000</i>)	270,043	405,826
Profit from discontinued operations attributable to equity owners of the Company (<i>HK\$'000</i>)	—	531,661
	<u>270,043</u>	<u>937,487</u>
Weighted average number of ordinary shares in issue		
Adjustments for:	5,509,058,360	5,642,071,691
– Share options	<u>4,162,286</u>	<u>12,778,926</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>5,513,220,646</u>	<u>5,654,850,617</u>
Diluted earnings per share from continuing operations (<i>HK cents</i>)	4.90	7.18
Diluted earnings per share from discontinued operations (<i>HK cents</i>)	—	9.40
	<u>4.90</u>	<u>16.58</u>

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	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Within 3 months	149,479	157,070
3 to 6 months	11,068	7,382
6 to 12 months	5,413	2,903
1 to 2 years	2,942	5,692
Over 2 years	37	–
	<u>168,939</u>	<u>173,047</u>

13 TRADE PAYABLES

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Within 3 months	258,947	294,874
3 to 6 months	17,508	20,360
6 to 12 months	7,054	4,429
1 to 2 years	8,353	11,038
Over 2 years	24,109	19,084
	<u>315,971</u>	<u>349,785</u>

14 DISCONTINUED OPERATIONS

In March 2015, the Company entered into an agreement with its immediate holding company, China Travel Service (Holdings) Hong Kong Limited, to dispose of the entire interest of its wholly-owned subsidiary, Chadwick Developments Limited for a consideration of RMB510 million, subject to further adjustments. The disposal was approved by the shareholders in May 2015. Chadwick Developments Limited owns 51% equity interest in Shaanxi Weihe Power, which is principally engaged in the operation of power generation in Mainland China and was then an associate of the Group.

As power generation operation was identified as a separate operating business of the Group by management, the operations of Shaanxi Weihe Power is classified as discontinued operations in the condensed consolidated interim financial information. The disposal was completed in June 2015 and resulted in a net gain of approximately HK\$298 million, while the share of profit of the investment in Shaanxi Weihe Power for the period ended 30 June 2015 was approximately HK\$234 million.

The disposal of the Group's interest in Chadwick Developments Limited includes a contingent consideration. If the audited net profits after tax of Shaanxi Weihe Power ("Weihe Power profits"), for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 are larger from the base value of RMB452 million, RMB392 million and RMB112 million respectively for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 by 10%, the base value will be adjusted upwards by 10% and the purchaser will pay the Group the difference between the upward adjusted base value and the Weihe Power profits. If the Weihe Power profits are less than their respective base value of year or period by 10%, the base value will be adjusted downwards by 10% and the Group will pay the purchaser the difference between downward adjusted base value and Weihe Power profits.

During the period ended 30 June 2016, the Group estimated that there should be deviation between Weihe Power profits and their respective base values of subsequent year end and period end. Accordingly, the Group recorded HK\$21 million contingent consideration for the period (30 June 2015: HK\$nil). The amount is included in other income and gains, net in note 6.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the first half of 2016, the Company's tourism-related businesses were facing significant challenges amid the rapid transformation in growth of macro-economy and the influence of persistent abnormal weather in Mainland China. Nevertheless, the Company continued to improve the operational effectiveness of its subsidiaries by keeping abreast of changes in consumer preferences, constantly enriching product offerings and adopting innovative marketing skills. Meanwhile, the Company focused on the enhancement of quality and efficiency and strengthened its efforts to turnaround its business, while continuing to optimize its business structure and enhance its operational management ability constantly.

RESULTS OVERVIEW

In the first half of the year, the Company's consolidated revenue was HK\$1,820 million, a 13% decrease compared with the same period last year. Profit attributable to shareholders was HK\$270 million, a 71% decrease compared with the same period last year, which was mainly attributable to the fact that there was a share of profit from power generation operations and a one-off net gain from disposal of power generation operation at an aggregate amount of approximately HK\$532 million during the same period last year. The attributable profit from core tourism operations was HK\$226 million, a 37% decrease compared with the same period last year. Such decreases were mainly due to the exchange loss resulting from the continuing depreciation of the Renminbi against the Hong Kong dollar, and the decline in relevant revenue as a result of a decrease in the number of visitors from Mainland China to Hong Kong and Macau and related policy adjustments to visa and related aspects. However, profit attributable to shareholders from tourist attraction operations, including theme parks, natural and cultural scenic spots, leisure resort destinations and non-controlling scenic spot investments, reached HK\$76 million, a 24% increase compared with the same period last year, evidencing a favorable development momentum in the Company's core tourist attraction operations.

The Company's financial position remained stable and healthy, with strong investing and financing capabilities. As of 30 June 2016, total assets were HK\$20,965 million, a 1% decrease compared with the end of last year; the equity attributable to shareholders was HK\$15,055 million, a 2% decrease compared with the end of last year; cash and bank balances and other wealth management products amounted to HK\$5,334 million, of which cash and bank balances amounted to HK\$3,215 million and deducting bank loans and other borrowings of HK\$937 million, net cash was HK\$2,278 million, a 20% decrease compared with the end of last year.

DIVIDEND

The Board declared an interim dividend of HK2 cents (2015 interim dividend: HK2.5 cents) per share for the six months ended 30 June 2016. The interim dividend is to be paid to our shareholders on 27 September 2016. The dividend payout ratio is 41%.

CORE PRINCIPAL OPERATIONS AND OPERATION FIGURES

(I) Travel Destination Operations

1. Business overview

Business categories	Company name
City hotels	Five hotels in Hong Kong and Macau Two hotels in Mainland China CTS H.K. Metropark Hotels Management Company Limited
Theme parks	Shenzhen The World Miniature Co., Ltd. ("Window of the World") Shenzhen Splendid China Development Co., Ltd. ("Splendid China")
Natural and cultural scenic spot destinations	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("Songshan Scenic Spot") CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd. ("Shapotou Scenic Spot") CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd. ("Jigongshan Scenic Spot") Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd.
Leisure resort destinations	China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("Zhuhai OSR") Xianyang Ocean Spring Resort Co., Ltd. ("Xianyang OSR") CTS (Anji) Tourism Development Company Limited ("Anji Company") Chengdu Huashuiwan Sakura Hotel Company Limited
Non-controlling scenic spot investments	Huangshan Yuping Cable Car Company Ltd. ("Huangshan Yuping Cable Car") Huangshan Taiping Cable Car Co., Ltd. Changsha Colorful World Company Limited Nanyue Cable Car Co. Ltd. Changchun Jingyuetan Youle Co. Ltd.

In the first half of 2016, revenue of travel destination operations was HK\$1,101 million, an 8% decrease compared with the same period last year; and attributable profit was HK\$114 million, a 2% increase compared with the same period last year. During the period under review, attributable profit of the tourist attraction operations, which account for the largest portion of the travel destination operations, increased by 24% year on year, thus maintaining strong growth momentum. However, both the revenue and profit of the city hotels, in particular the hotels in Hong Kong and Macau, decreased due to the overall economic environment, hotel renovations and a drop in the number of Hong Kong and Macau inbound tourists, resulting in a decline in the overall performance of travel destination operations.

2. *Key operation figures*

In the first half of the year, revenue of hotel operations was HK\$345 million, a 6% decrease compared with the same period last year; and attributable profit was HK\$38 million, a 24% decrease compared with the same period last year.

	1H2016	1H2015
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	81	78
Average room rate (HK\$)	713	807
Two hotels in mainland China		
Average occupancy rate (%)	62	51
Average room rate (RMB)	446	467

In the first half of 2016, the Company's theme parks, natural and cultural scenic spots and leisure resort served an aggregate of approximately 5.219 million tourists, a decrease of approximately 6% compared with the same period last year.

Revenue of theme parks was HK\$359 million, a 6% decrease compared with the same period last year; and attributable profit was HK\$65 million, an 11% decrease compared with the same period last year. There was an overall decline in the results of theme parks year on year. The reasons were due to a drop in the number of visitors to theme parks compared with the same period last year resulting from the fact that tourists were less willing to go travelling because of more raining days in the first half of the year in Mainland China and the abnormally cold January. Nevertheless, great progress was made in the business transformation and operational enhancement of theme parks, with Splendid China's management consultancy revenue increasing by 25% year on year and Window of the World setting various precedents and obtaining remarkable achievement in its three-dimensional operations and diversification of products.

Revenue of natural and cultural scenic spots was HK\$223 million, a 2% decrease compared with the same period last year; and attributable profit was HK\$7.77 million, a 3% increase compared with the same period last year. Songshan Scenic Spot enhanced marketing efforts and strengthened ticket management, while actively exploring new comprehensive management models and developing effective reception management model during holiday and, as a result, the number of visitors to Songshan Scenic Spot increased by 7% year on year, leading to a year-on-year increase in revenue and profit. Revenue and profit of Shapotou Scenic Spot recorded a year-on-year decline under the influence of bad weather, though it tried to enrich tourism elements by the launch of progressive arts performance programmes. As it was low season for natural and cultural scenic spots in the first half of the year, it is expected that revenue and attributable profit of natural and cultural scenic spots will increase noticeably in the second half of the year.

Revenue of leisure resort destinations was HK\$174 million, a 21% decrease compared with the same period last year; and attributable loss was HK\$18 million, a 33% loss reduction compared with the same period last year. Such loss reduction was mainly attributable to the decrease in depreciation, labor cost and other operating cost in Zhuhai OSR. The loss of Xianyang OSR was slightly improved year on year.

Attributable profit of non-controlling scenic spot investments was HK\$21 million, a 185% increase compared with the same period last year. Such significant increase in attributable profit was due to the resumption of operations of Huangshan Yuping Cable Car after the completion of its upgrade work in June last year, which generated an attributable profit of HK\$10 million in the first half of the year.

(II) Travel Agency, Travel Document and Related Operations

The Company's travel agency, travel document and related operations comprise travel agency business (China Travel Service (Hong Kong) Limited and overseas travel agencies) and travel document business.

In the first half of 2016, revenue of the Company's travel agency, travel document and related operations was HK\$526 million, a 21% decrease compared with the same period last year; and attributable profit was HK\$65 million, a 37% decrease compared with the same period last year mainly due to a decline in relevant revenue as a result of a decrease in the number of visitors from Mainland China to Hong Kong and Macau and related policy adjustments to visa and related aspects.

(III) Supplementary Products and Services

The Company's travel destination strategy includes development of supplementary products and services which comprise mainly passenger transportation operations, art performance operations and golf club operations.

1. *Passenger Transportation Operations*

In the first half of 2016, revenue of passenger transportation operations was HK\$139 million, a 7% decrease compared with the same period last year; and attributable profit was HK\$83 million, a 1% decrease compared with the same period last year.

China Travel Tours Transportation Services Hong Kong Limited ("CTS Tours") and its subsidiaries served 2.48 million passengers, a 2% decrease compared with the same period last year due to the slowdown in Hong Kong tourism market in recent years and a drop in the number of inbound tourists; revenue was HK\$139 million, a 7% decrease compared with the same period last year, which, in combination with a rise in depreciation expense and office rentals, led to a year-on-year decrease of 28% in attributable profit.

Attributable profit of our associate company Shun Tak-China Travel Shipping Investments Limited grew as significant decrease in fuel price and maintenance cost year on year offset a drop in the number of served passengers compared with the same period last year.

2. *Golf Club Operations*

In the first half of 2016, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK\$43 million, a 31% decrease compared with the same period last year. The number of players decreased by 31% year on year due to the reorganization of the golf course, which had also cast an influence on revenue and profit, with attributable loss of HK\$7.15 million (profit of HK\$5.68 million in the same period last year) recorded. The Golf Club is now operating as usual. The Company is negotiating with the relevant government authorities in respect of the possible reorganization of the golf course.

3. *Arts Performance Operations*

In the first half of 2016, revenue of China Heaven Creation International Performing Arts Co., Ltd. was HK\$11 million, a 12% decrease compared with the same period last year; and attributable loss was HK\$4.72 million, an increase in loss of HK\$2.32 million compared with the same period last year. Such greater loss was mainly due to a decrease in tickets income and revenue from repertoires, as well as a year-on-year decrease in government grants during the period.

SHARE BUYBACK

As its financial position showed further improvement, the Company continued to buy back a total of 102,984,000 shares of the Company on The Stock Exchange of Hong Kong Limited in the first half of 2016, with an average purchase price of approximately HK\$2.43 per share. Since 2011, the Company has been buying back an appropriate amount of its shares every year and 2016 marks the sixth year of such practice, fully manifesting the Company's confidence in its business development and commitment to increase shareholder value.

PROGRESS ON KEY INITIATIVES

In the first half of 2016, the Company pushed forward the expansion of businesses, enhancement of quality and efficiency, optimization of management and structure, marketing of brands, capital operation, informatisation construction and reform of systems and mechanisms.

1. Enhancing the operational efficiency of existing businesses

In the first half of 2016, the Company made great efforts in various aspects including the enhancement of quality and efficiency and marketing and management of brands in the existing businesses, and strengthened the governance of its loss-making businesses and as a result, there were significant improvements in the results of its core tourist attraction operations. During the period, the Company enhanced marketing management and continued to push forward "The Grand Treasure Hunt" promotional campaign in Xianyang OSR, Zhuhai OSR and Songshan Scenic Spot. Through promotional campaigns, the Company promoted a new recognition of the "CTS Scenic Spots" brand towards metropolitans so that tourists could recognize "building a new travel destination lifestyle" in CTS scenic spots that delivered a good performance. To reduce costs and improve efficiency constantly, Zhuhai OSR and CTS Tours effectively controlled the costs through various measures including strict control of labor costs, the implementation of centralized procurement, repair of the old and utilization of the scraps, saving of raw materials, the implementation of energy-saving and consumption reduction measures, and reducing energy costs. The Company strived to push forward the transformation of the existing businesses and innovation of operational mode. Heaven Creation had made significant progress in business transformation, innovation of operational mode and strengthening of cultural export base, and received recognition in the national cultural export key enterprise and programme for ten successive sessions in the past five years; CTS Tours proactively expanded its cultural transportation and media business, continuing to build its strength in differentiated competitiveness and diversified operations.

2. Facilitating the development of new businesses vigorously

While constantly enhancing operational efficiency of the existing businesses, the Company continued to implement its development strategy vigorously. The Company focused on developing leisure resort destination projects, expanding natural and cultural scenic spots business proactively, speeding up the withdrawal from non-tourism related businesses to further strengthen and optimize its core tourism operations, and achieved satisfactory results. The Company actively developed cooperative tourism resources projects in areas such as Dali in Yunnan and Leshan in Sichuan, and signed a strategic framework agreement with Dali Bai Autonomous Prefecture People's Government of Yunnan Province and Yunnan Tourism Investment Company Limited to jointly develop the tourism resources in Dali; the development of Leshan Project in Sichuan is underway. Besides, the Company investigated a number of new potential investment targets such as projects of Pingyao, Mount Wutai, Datong in Shanxi, Guangyuan in Sichuan and Zhangye in Gansu, which are in the process of cooperative negotiation. The Company strived to complete the acquisition of new scenic spot projects as soon as possible.

The company focuses not only on pushing forward these premium projects mentioned above but also on the leisure resort hotel. The Company approached potential investment targets that meet the Company's strategical direction through various market channels and resources and actively investigated and explored cooperative opportunities such as major leisure resort hotel brands in Europe and U.S.A. etc.. For theme parks, the Company closely paid attention to the international market trends and identified appropriate investment opportunities.

3. Promoting the development of key projects steadily

The Company made steady progress in the construction and development of its key projects including Anji Project and Zhuhai Evergrande OSR Project, and push forward Shapotou expansion works, among which the main construction works of the leisure resort hotel jointly developed between Anji Company and Club Med have nearly completed, and various preparation works in relation to the operation of the hotel were being pushed forward actively, and the sales of the first phase of the residential project has been launched. The construction of the first phase of 240,000 square metres of Zhuhai Evergrande OSR Project has been conducted in accordance with scheduled plan; the expansion plan of Shapotou project has been approved by the government. Apart from facilitating the detailed planning of key projects, the Company pushed forward the construction of projects such as the tourist center, Rose Hotel, and the camping site rapidly as well as the integrated acquisition of resources such as Jiulongwan in Ningxia. Currently, the main construction of the new tourism town has been completed while the installation of facilities and refined decoration are under progress. The operational preparation of the tourist center of the new tourism town has been carried out urgently.

4. Optimizing the business structure continuously

The Company pushed forward rapidly the adjustment of business structure with the objective of “highlighting the core tourism operations”, and gradually disposed of certain enterprises that have been loss making for a long time with no prospects of turning around and whose operations are under restrictions. The Company is in the process of disposing of the shareholdings of Yangzhou Grand Metropark Hotel in order to optimize its hotel portfolio and improve the asset liquidity.

5. Strengthening headquarters’ capability constantly

The Company further optimized its management mode to strengthen the capability of management and control; continued to enhance capital operations to strengthen the capability of investment and financing; enhanced its informatization construction to improve the management ability. The Company continued to promote the reform of systems and mechanisms to strengthen its capability of reform and innovation. In addition, the Company continued to strengthen the establishment of systems and mechanisms including the optimization of talent components and organizational structure, comprehensive incentive scheme for remuneration evaluation, and regulation of corporate governance structure. The Company has been strengthening the headquarters’ capability to ensure a smooth business development.

THE COMPANY’S DEVELOPMENT STRATEGY

With a mission to offer new lifestyle of travel destination to its customers and adopting the strategic positioning as China’s leading investor, developer and operator of travel destinations, the Company will focus on the development of natural and cultural scenic spot destinations, expedite on the network development of city travel destinations, develop leisure resort destinations in an orderly manner, seize opportunities to develop new styles of travel destinations, and make strategic investments in businesses having strong synergies with our core business once opportunities arise.

1. City travel destinations

With core products of city hotels and theme parks, the city travel destinations aim to offer a lifestyle of leisure and urban business. Window of the World and Splendid China will maintain their appeal and profitability, further develop tourist attraction management service and establish an asset-light mode of expansion. The Company will take advantage of the cooperation opportunities arising from international brands’ venturing into the Chinese market to gain more room for development. In addition, the Company will explore opportunities for business restructuring and integration to utilize the value of its existing businesses. The hotel operations will actively seek expansion opportunities through restructuring and integration.

2. Natural and cultural scenic spot destinations

Natural and cultural scenic spot destinations are tourist attractions with scarce natural and cultural tourism resources such as places of renown with beautiful natural scenery and favourable natural ecological environment or famous ancient ruins and historic buildings. The Company will put more efforts into its mergers and acquisitions, consolidate resources and create synergies, enhance scenic spot management and extend the industry chain to extend the staying time of customers, so as to develop an integrated leisure lifestyle of travel destination. Basing on its investment experience over the years, the Company has set out 5 selection criteria for scenic spot resources which include uniqueness and scarcity of resources, ease of access, market awareness, favourable government policy and return on investment.

The Company will explore the successful model of transformation from sight-seeing scenic spot to leisure scenic spot by reference to successful examples like Shapotou Scenic Spot and Songshan Scenic Spot, aggressively acquire national scenic spot destinations and complete the establishment of a national network of scenic spot destinations.

3. Leisure resort destinations

Leisure resort destinations are tourist attractions adjacent to city boundary with good scenery and easy access, built with quality tourism real estate with time share and exchange arrangement. Tapping on the tourism resources and network of China Travel, these resorts provide tourists and residents with extended and lifetime value-added travel services and a leisure and vacation lifestyle.

The Company will explore new business model, improve the operation of the Zhuhai OSR Phase 1 Project and develop core products; focus on development of leisure resorts with core products; engage in overseas mergers and acquisitions targeting leisure resort chains; adopt a prudent approach to develop new tourism real estate projects.

4. Supplementary products and services

The Company will consolidate resources and create synergies, using supplementary products and services such as art performance, passenger transportation, hotels and golf courses, etc. to create a high-end, high value-added and high-margin businesses and products to extend the industry chain of tourist attractions and extend the staying time of customers, so as to develop a modern travel destination life circle.

The Company is committed to contributing to the transformation and upgrade of China's tourism industry and catering for the increasing tourist needs, and striving to create the most unique lifestyle of travel destination in China.

In respect of existing business operations, the Company will adopt targeted measures such as management enhancement, innovation and upgrade of product and business to raise profitability. In addition, the Company will implement industry-leading plans and benchmarking management to overcome weaknesses in its development. Also, the Company will strengthen cost control and adopt centralised procurement and quality control to reduce costs and improve efficiency.

The Company will continue to focus on the value creation and gradually dispose of existing assets and 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 ensure the Company operates well with high-quality assets.

The Company will actively enhance reform of systems and mechanisms of enterprise and activate the development vigor of enterprise. At the Company level, the introduction of strategic investor will improve the Company's ownership structure and the decision making mechanism of the Board. At the subsidiary level, the introduction of outstanding private enterprises, foreign enterprises and state-owned enterprises to the Company's suitable business units through joint venture, strategic investment and mergers and acquisitions, will help the business units to acquire funding and resources, enhance capabilities, diversify investment risks and increase project return.

KEY INITIATIVES IN THE SECOND HALF OF THE YEAR

In the second half of 2016, the Company seeks to identify problem and risks existing in its management and operation. Concentrating on its annual performance target, the Company will carry out the following key initiatives to ensure its healthy and rapid development:

1. Promoting the expansion of new businesses

The Company will make every effort in pushing forward the development of its key projects such as Dali project and Leshan Project in Sichuan, seeking to make a breakthrough during the year. The Company will expand and follow up new projects aggressively to increase the project reserve, actively explore the cooperation model and study the completion plan of various projects like Mount Wutai, Pingyao Ancient City and Datong in Shanxi, Guangyuan in Sichuan and Zhangye in Gansu and Wangmangling. In addition, the Company will selectively review projects in other scenic spots and seek overseas investment opportunities to identify any potential investment.

2. Facilitating the development and construction of key projects

The Company will proactively facilitate the development and construction of its key projects including Anji Project and Zhuhai Evergrande OSR Project, and push forward Shapotou expansion works. For Anji Company, various measures have been adopted to strengthen the sales of residential project and the reclaim of capital, and to ensure that all hotel construction works including renovation and supplementary landscape construction are in progress according to its targeted schedule and costs. Currently, preparation works for the operation of hotel is proceeding as planned. The Company will push forward the completion of the tourist distribution centre for Songshan Project, as well as the preparation and review of a five-year overall development plan of Songshan Scenic Spot. Zhuhai Evergrande OSR proactively takes various steps to ensure its construction project progressing in a timely manner and aims to launch it for sale during the year. Overall cooperation of Zhuhai OSR Phase 2 will be further enhanced. Elsewhere, the Company will speed up the construction of Shapotou tourist center, and prepare the specific operational plan to ensure it can be commenced for operation during the year, while construction work for the expansion of Shapotou will be enhanced so as to ensure the construction of Rose Hotel project will be commenced on schedule.

3. Improving the operation and management of existing businesses

The Company will further define the boundaries of management, power and responsibility, operation standards and assessment mechanism between the headquarter and operating subsidiaries, progressively build a strong and effective management platform to strengthen its resource integration and momentum, and constantly improve the ability in rendering services and support to subsidiaries.

Through operation management, new business expansion and asset-light management services respectively, the Company will strengthen its top-level planning and identify a product system that possesses the characteristic and competitive edge of the Company upon assessment of the current product system and conditions of each enterprise.

The Company will develop cost management policies and system standardization work and strengthen centralized procurement in order to further enhance the cost control ability. The Company will continue to turnaround its key loss-making enterprises. A systematic solution has been raised for Zhuhai OSR to manage the existing assets effectively. The Company will continue to optimize its business structure, and gradually dispose of certain enterprises that have been loss making for a long time with no prospects of turning around and whose operations are under restrictions.

4. Reforming system and mechanism continuously

In the second half of the year, the Company will intensify its reformation and innovation efforts, actively promote standardized operation both at Company and subsidiaries level, and further improve the establishment and operation of the board of directors and governance structure of the subsidiaries.

BUSINESS PROSPECTS

At present, the Chinese economy continues its downward trend under the overlapping effect caused by slowdown in economic growth, difficult structural adjustments, and the effects of previous economic stimulus policies being absorbed, but remains at a relatively higher growth rate. Though affected by some adverse factors in the first half of the year, the overall trend of the tourism markets remains positive. Domestic tourism markets achieved steady development with good development prospects. Although the Company's overall results recorded a year-on-year decline in the first half of the year, the operating results of core tourism operations sustains its strong growth momentum and the business structure is further optimized. The development of core tourism operations is strengthened, while certain businesses are still faced with notable challenges and the pace of development of new businesses needs to be quickened.

In the second half of the year, the economic situation at home and abroad is hardly optimistic. The international environment remains sophisticated and stringent. Global economy is complicated and less-than-expected, with continued sluggish in trading activities. Domestically, the whole Chinese economy is facing difficulties since the Chinese economy is still at its key stage of structural adjustment and economic transformation and upgrading, with suffering arising from structural adjustment continued. Nevertheless, the fundamentals of the Company's overall businesses remain steady and healthy. In addition, the Company has a healthy cash position and possesses the capabilities to invest and develop.

In July 2016, the State-owned Asset Supervision and Administration Commission of the State Council has approved the reorganization between China National Travel Service (HK) Group Corporation ("China CTS (HK)") and China International Travel Service Group Corporation, whereby China International Travel Service Group Corporation will be entirely consolidated into China CTS (HK) and become a wholly-owned subsidiary of China CTS (HK). In early August, China CTS (HK) has been renamed as China National Travel Service Group Corporation. The resources consolidation and business synergies brought about by the process of the strategic reorganization will benefit the Company's future development.

The Company is fully confident in the prospects of future development guided under its proven strategy. Adhering to its overall development strategy, the Company will strengthen the execution of strategy, enhance the operation and management of existing businesses, actively explore new projects, innovate on business models, systemize its product offerings and strive to create value, thus striving its best to serve better for the shareholders as a whole.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2016, the Group had 9,844 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 2016, the cash and bank balances of the Group amounted to HK\$3,215 million whereas the bank and other borrowings amounted to HK\$937 million. The debt-to-capital ratio was 20.60% 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 is exposed to a certain level of foreign currency risk. The Group has entered into foreign exchange swap to partially hedge against RMB exchange rate risk and volatility. 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 2016, the Group's bank deposits of approximately HK\$64 million (31 December 2015: HK\$58 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 2016, certain of the Group's buildings with net carrying amounts of HK\$1,537,000 (31 December 2015: HK\$1,862,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group' performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2015: HK\$0.3 million).

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

During the six months ended 30 June 2016, the Company repurchased a total of 102,984,000 ordinary shares of the Company on the Stock Exchange, all which 74,108,000 shares were cancelled during the six months ended 30 June 2016 and 28,876,000 shares were cancelled on 14 July 2016. The number of issued shares of the Company as of 30 June 2016 was 5,476,233,525 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\$	
January 2016	40,350,000	2.85	2.53	108,563,140
February 2016	9,304,000	2.69	2.52	24,279,680
April 2016	9,050,000	2.37	2.27	21,011,540
May 2016	15,404,000	2.22	2.16	33,739,340
June 2016	28,876,000	2.20	2.15	63,160,740

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 2016.

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 2016, 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 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 2016.

DIVIDEND

The Board has declared an interim dividend of HK2 cents per share (2015: HK2.5 cents) for the six months ended 30 June 2016. 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, 12 September 2016. The interim dividend will be paid on Tuesday, 27 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 8 September 2016 to Monday, 12 September 2016 (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, 7 September 2016.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2016 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial information for the six months ended 30 June 2016 has not been audited but has been reviewed by the Company's external auditors, PricewaterhouseCoopers.

PUBLICATION OF 2016 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 2016 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

Xu Muhan

Chairman

Hong Kong, 17 August 2016

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Xu Muhan, Mr. Lo Sui On, Mr. Zhang Fengchun, Mr. Fu Zhuoyang and Mr. Qu, Simon Tao 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.