



香港中旅國際投資有限公司  
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED  
(Stock Code : 308)



INTERIM REPORT 2016

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# Corporate Information

## Directors

Mr. Xu Muhan (*Chairman*)  
Mr. Lo Sui On (*Vice Chairman*)  
Mr. Zhang Fengchun  
Mr. Fu Zhuoyang  
Mr. Qu, Simon Tao  
(*Executive Deputy General Manager*)  
(*in charge of overall operation*)  
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  
Mr. Xu Muhan

## Nomination Committee

Mr. Xu Muhan (*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  
Mr. Chan Wing Kee

## Company Secretary

Mr. Lai Siu Chung

## Auditors

PricewaterhouseCoopers

## Legal Advisors

Jeffrey Mak Law Firm

## Principal Bankers

Bank of China (Hong Kong) Limited  
Bank of China Limited  
China Everbright Bank Hong Kong Branch  
Bank of Communications Co. Ltd,  
Hong Kong Branch  
Bank of Nova Scotia, Hong Kong Branch

# Financial Calendar and Information For Shareholders

## Financial Calendar

Announcement of 2016 interim results	17 August 2016
Closure of register of members	8 to 12 September 2016 (both dates inclusive)
Record date for 2016 interim dividend	12 September 2016
Payment of 2016 interim dividend	27 September 2016

## Registered Office

12th Floor, CTS House  
78-83 Connaught Road Central  
Hong Kong

## Share Registrar

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Company Website

[www.irasia.com/listco/hk/ctii](http://www.irasia.com/listco/hk/ctii)

## Stock Code

308

## Investor Relations Contact

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# 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 5 to 34, 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 2016 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.” 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 do not give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and its cash flows for the six month period then ended in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 17 August 2016

# Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	Note	Unaudited	
		2016 HK\$'000	2015 HK\$'000
<b>Continuing Operations</b>			
Revenue	7	1,820,093	2,090,922
Cost of sales		(955,870)	(1,098,525)
Gross profit		864,223	992,397
Other income and gains, net	8	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		(403,705)	(412,447)
<b>Operating profit</b>	9	307,277	465,688
Finance income	10	46,929	70,251
Finance costs	10	(6,157)	(13,847)
Finance income, net	10	40,772	56,404
Share of profits less losses of			
Associates		80,077	58,035
Joint ventures		1,698	2,365
<b>Profit before taxation</b>		429,824	582,492
Taxation	11	(90,619)	(99,126)
<b>Profit for the period for continuing operations</b>		339,205	483,366
<b>Discontinued Operations</b>			
<b>Profit from discontinued operations</b>	25	–	531,661
<b>Profit for the period</b>		339,205	1,015,027
<b>Attributable to:</b>			
Equity owners of the Company		270,043	937,487
Non-controlling interests		69,162	77,540
<b>Profit for the period</b>		339,205	1,015,027
<b>Earnings per share for profit attributable to equity owners of the Company (HK cents)</b>			
<b>Basic earnings per share from:</b>			
– Continuing operations		4.90	7.19
– Discontinued operations		–	9.43
		4.90	16.62
<b>Diluted earnings per share from:</b>			
– Continuing operations		4.90	7.18
– Discontinued operations		–	9.40
		4.90	16.58

The notes on pages 12 to 34 form an integral part of this interim consolidated financial information.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

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

The notes on pages 12 to 34 form an integral part of this interim consolidated financial information.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	7,994,367	7,919,792
Investment properties	15	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		56,579	56,293
Total non-current assets		12,700,959	12,508,670
<b>Current assets</b>			
Inventories		27,703	36,012
Properties under development		2,065,357	2,026,394
Trade receivables	16	168,939	173,047
Deposits, prepayments and other receivables	17	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	18	63,501	57,984
Cash and bank balances	18	3,215,144	3,680,731
Total current assets		8,264,067	8,707,582
<b>Total assets</b>		<b>20,965,026</b>	<b>21,216,252</b>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>9,090,189</b>	9,088,838
Reserves		<b>5,965,065</b>	6,316,321
		<b>15,055,254</b>	15,405,159
<b>Non-controlling interests</b>			
		<b>1,091,886</b>	1,093,669
<b>Total equity</b>		<b>16,147,140</b>	16,498,828
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		<b>1,106,215</b>	1,132,980
Bank and other borrowings	20	<b>98,744</b>	805,659
Deferred tax liabilities		<b>426,250</b>	417,296
Total non-current liabilities		<b>1,631,209</b>	2,355,935
<b>Current liabilities</b>			
Trade payables	19	<b>315,971</b>	349,785
Other payables and accruals		<b>1,829,270</b>	1,778,338
Amount due to immediate holding company		<b>9,713</b>	8,215
Amounts due to fellow subsidiaries		<b>8,913</b>	9,438
Tax payable		<b>184,437</b>	193,045
Bank and other borrowings	20	<b>838,373</b>	22,668
Total current liabilities		<b>3,186,677</b>	2,361,489
<b>Total liabilities</b>		<b>4,817,886</b>	4,717,424
<b>Total equity and liabilities</b>		<b>20,965,026</b>	21,216,252
<b>Net current assets</b>		<b>5,077,390</b>	6,346,093
<b>Total assets less current liabilities</b>		<b>17,778,349</b>	18,854,763

The notes on pages 12 to 34 form an integral part of this interim consolidated financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited						
	Attributable to equity owners of the Company						
	Share capital HK\$'000	Treasury shares HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2016</b>	9,088,838	-	319,542	5,996,779	15,405,159	1,093,669	16,498,828
<b>Comprehensive income</b>							
Profit for the period	-	-	-	270,043	270,043	69,162	339,205
Other comprehensive income/(loss) for the period:							
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Gain on property revaluation, net of tax	-	-	31,257	-	31,257	-	31,257
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Share of hedging reserve of an associate	-	-	13,481	-	13,481	-	13,481
Exchange differences on translation of foreign operations, net	-	-	(167,713)	-	(167,713)	(17,967)	(185,680)
Total other comprehensive loss for the period, net of tax	-	-	(122,975)	-	(122,975)	(17,967)	(140,942)
Total comprehensive (loss)/income for the period	-	-	(122,975)	270,043	147,068	51,195	198,263
<b>Transactions with owners</b>							
Exercise of share options	1,351	-	(368)	-	983	-	983
Repurchase of shares	-	(250,754)	-	-	(250,754)	-	(250,754)
Cancellation of shares repurchased	-	187,594	-	(188,388)	(794)	-	(794)
Dividend paid to non-controlling shareholders	-	-	-	-	-	(52,978)	(52,978)
2015 final dividend paid	-	-	-	(246,408)	(246,408)	-	(246,408)
Total transactions with owners for the period	1,351	(63,160)	(368)	(434,796)	(496,973)	(52,978)	(549,951)
<b>At 30 June 2016</b>	9,090,189	(63,160)	196,199	5,832,026	15,055,254	1,091,886	16,147,140

During the period ended 30 June 2016, the Company repurchased a total of 102,984,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$250,754,440 (excluding transaction costs). 74,108,000 of the repurchased shares were cancelled during the period ended 30 June 2016 and accordingly the issued shares capital of the Company was reduced by the nominal value of these shares. The remaining 28,876,000 shares that were repurchased during the period ended 30 June 2016 were cancelled by the Company on 14 July 2016.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited						
	Attributable to equity owners of the Company						
	Share capital HK\$'000	Treasury shares HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2015</b>	8,966,896	(31,552)	440,302	6,166,287	15,541,933	1,090,850	16,632,783
<b>Comprehensive income</b>							
Profit for the period	-	-	-	937,487	937,487	77,540	1,015,027
Other comprehensive income/(loss) for the period:							
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Gain on property revaluation, net of tax	-	-	47,686	-	47,686	-	47,686
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Share of hedging reserve of an associate	-	-	5,818	-	5,818	-	5,818
Exchange differences on translation of foreign operations, net	-	-	(15,738)	-	(15,738)	(180)	(15,918)
Release of exchange difference upon disposal of a subsidiary	-	-	(149,321)	-	(149,321)	-	(149,321)
Total other comprehensive loss for the period, net of tax	-	-	(111,555)	-	(111,555)	(180)	(111,735)
Total comprehensive (loss)/income for the period	-	-	(111,555)	937,487	825,932	77,360	903,292
<b>Transactions with owners</b>							
Relating to disposal of a subsidiary	-	-	481,991	(481,991)	-	-	-
Exercise of share options	98,611	-	(26,888)	-	71,723	-	71,723
Repurchase of shares	-	(36,789)	-	-	(36,789)	-	(36,789)
Cancellation of shares repurchased	-	54,563	-	(54,701)	(138)	-	(138)
Dividend paid to non-controlling shareholders	-	-	-	-	-	(350)	(350)
2014 final dividend paid	-	-	-	(395,197)	(395,197)	-	(395,197)
Total transactions with owners for the period	98,611	17,774	455,103	(931,889)	(360,401)	(350)	(360,751)
<b>At 30 June 2015</b>	9,065,507	(13,778)	783,850	6,171,885	16,007,464	1,167,860	17,175,324

During the period ended 30 June 2015, the Company repurchased a total of 12,918,000 of its own ordinary shares through the Stock Exchange at an aggregate consideration of HK\$36,789,220 (excluding transaction costs). 21,300,000 repurchased shares, of which 8,770,000 shares repurchased during the period ended 30 June 2015, were cancelled during the period ended 30 June 2015 and accordingly the issued shares capital of the Company was reduced by the nominal value of these shares. The remaining 4,148,000 shares that were repurchased during the period ended 30 June 2015, together with 34,556,000 shares repurchased by the Company in July 2015 were cancelled by the Company on 27 July 2015.

The notes on pages 12 to 34 form an integral part of this interim consolidated financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Unaudited	
	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	451,231	823,096
Income tax paid	(94,667)	(103,715)
<b>Net cash flows from operating activities</b>	<b>356,564</b>	719,381
<b>Cash flows from investing activities</b>		
Proceeds and contingent consideration from disposal of a subsidiary, net (note 25)	170,740	640,448
Finance income received	46,929	70,251
Dividends received from associates and joint ventures	7,982	6,592
Purchases of property, plant and equipment	(437,452)	(272,487)
Decrease in entrustment loan receivables	–	442,884
Additions to financial assets at fair value through profit or loss	(163,523)	(482,955)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired	960,852	(1,312,727)
Others	5,358	1,438
<b>Net cash flows from/(used in) investing activities</b>	<b>590,886</b>	(906,556)
<b>Cash flows from financing activities</b>		
Share option exercised	983	71,723
Finance cost paid	(6,157)	(13,847)
Dividends paid	(299,386)	(395,547)
New bank loans, net	109,440	588,876
Repurchase of shares	(251,548)	(36,927)
<b>Net cash flows (used in)/from financing activities</b>	<b>(446,668)</b>	214,278
<b>Net increase in cash and cash equivalents</b>	<b>500,782</b>	27,103
Cash and cash equivalents at 1 January	1,717,421	2,441,315
Cash and cash equivalents at 30 June	2,218,203	2,468,418
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	3,215,144	4,665,330
Deposits of non-cash and cash equivalents	(996,941)	(2,196,912)
<b>Cash and cash equivalents</b>	<b>2,218,203</b>	2,468,418

The notes on pages 12 to 34 form an integral part of this interim consolidated financial information.

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

<sup>(1)</sup> Effective for financial periods beginning on or after 1 January 2017

<sup>(2)</sup> Effective for financial periods beginning on or after 1 January 2018

<sup>(3)</sup> Effective for financial periods beginning on or after 1 January 2019

<sup>(4)</sup> Effective for annual periods on or after a date to be determined

## 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 2015, 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 2015.

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

5.2.1 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

	Unaudited As at 30 June 2016		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Financial assets at fair value through profit or loss	–	1,794,845	–

#### Assets

	Audited As at 31 December 2015		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Financial assets at fair value through profit or loss	–	1,640,050	–

## 5 Financial risk management (Continued)

### 5.2 Fair value estimation (Continued)

5.2.2 The disposal of the Group's interest in Chadwick Developments Limited, which holds an equity interest in Shaanxi Weihe Power Co., Ltd ("Shaanxi Weihe Power"), included 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 than 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.

The Group used discounted cash flow analysis to estimate the contingent consideration. 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 8.

The main Level 3 inputs used by the Group in estimating the contingent consideration, which is based on operating profit, are sales, gross margin and the level of distribution and administration costs. The Group prepares detailed forecasts on the disposed business and updates the forecast each six months. These forecasts use external market forecasts, management's evaluation of the costs and expected margins, based on past experience, and are subject to detailed review at entity and Group level.

## 5 Financial risk management (Continued)

### 5.2 Fair value estimation (Continued)

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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Recurring fair value measurements		
<b>Hong Kong:</b>		
– Commercial properties	<b>788,500</b>	778,300
<b>Outside Hong Kong:</b>		
– Commercial properties	<b>712,933</b>	661,290
	<b>1,501,433</b>	1,439,590

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 2016 by RHL Appraisal Ltd., an independent professionally qualified valuer, at HK\$1,501,433,000 (2015: HK\$1,439,590,000). 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;
- Assesses 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)

5.2.4 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	
	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Bank and other borrowings	5,726	5,659	5,456	5,389

## 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:

- the tourist attraction operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities, hot spring resorts, other resorts and tourism property development located in Mainland China;
- 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;
- the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China;

## 6 Operating segment information (Continued)

- (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.

## 6 Operating segment information (Continued)

## Six months ended 30 June 2016 (Unaudited)

	Continuing operations								
	Tourist attraction operations HK\$'000	Travel agency, travel	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
		document and related operations HK\$'000							
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
	<b>762,399</b>	<b>528,481</b>	<b>347,255</b>	<b>140,466</b>	<b>42,537</b>	<b>10,729</b>	<b>1,831,867</b>	<b>7,160</b>	<b>1,839,027</b>
Elimination of intersegment revenue							(11,774)	(7,160)	(18,934)
Revenue							<b>1,820,093</b>	<b>-</b>	<b>1,820,093</b>
Segment results	<b>75,994</b>	<b>65,057</b>	<b>38,439</b>	<b>83,485</b>	<b>(7,150)</b>	<b>(4,721)</b>	<b>251,104</b>	<b>(25,510)</b>	<b>225,594</b>
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									<b>339,205</b>

## 6 Operating segment information (Continued)

Six months ended 30 June 2015 (Unaudited)

	Continuing operations								Discontinued operations		
	Tourist attraction operations	Travel agency, document and related operations	Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Total of reportable segments	Corporate and others	Total	Power generation operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	7,517	2,953	1,770	472	-	-	12,712	10,360	23,072	-	23,072
	838,002	672,344	369,507	150,023	61,570	12,188	2,103,634	10,360	2,113,994	-	2,113,994
Elimination of intersegment revenue							(12,712)	(10,360)	(23,072)	-	(23,072)
Revenue							2,090,922	-	2,090,922	-	2,090,922
Segment results	61,219	103,721	50,674	84,004	5,685	(2,396)	302,907	53,621	356,528	233,546	590,074
Non-controlling interests									77,540	-	77,540
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									468	-	468
Profit for the period									483,366	531,661	1,015,027

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.

## 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	
	2016 HK\$'000	2015 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
<b>Total</b>	<b>1,820,093</b>	<b>2,090,922</b>

## 8 Other income and gains, net

	Unaudited Six months ended 30 June	
	2016 HK\$'000	2015 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 (Note 5.2.2)	21,061	–
Others	29,416	11,911
<b>Total</b>	<b>74,788</b>	<b>98,526</b>

## 9 Operating profit

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

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

## 10 Finance income, net

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

## 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% (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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Current taxation		
Hong Kong	<b>19,835</b>	27,991
Mainland China and other territories	<b>66,954</b>	67,605
Deferred taxation	<b>3,830</b>	3,530
	<b>90,619</b>	99,126

## 12 Dividends

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Interim dividend	<b>108,962</b>	140,282
Special interim dividend	–	140,282
	<b>108,962</b>	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.

### 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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	<b>270,043</b>	405,826
Profit from discontinued operations attributable to equity owners of the Company (HK\$'000) (Note a)	–	531,661
	<b>270,043</b>	937,487
Weighted average number of ordinary shares in issue	<b>5,509,058,360</b>	5,642,071,691
Basic earnings per share from continuing operations (HK cents)	<b>4.90</b>	7.19
Basic earnings per share from discontinued operations (HK cents)	–	9.43
	<b>4.90</b>	16.62

Note:

- (a) Profit from discontinuing operation in the prior period included the net gain on disposal and share of results of Shaanxi Weihe Power of approximately HK\$298 million and HK\$234 million respectively for the period (Note 25).

## 13 Earnings per share for profit attributable to equity owners of the Company (Continued)

### Diluted

Diluted earnings per share in for the six months 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.

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

## 14 Property, plant and equipment

During the period ended 30 June 2016, additions of items of property, plant and equipment amounted to HK\$435,867,000 (2015: HK\$258,376,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK\$3,844,000 (2015: HK\$3,887,000).

## 15 Investment properties

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
At fair value		
At the beginning of the period/year	<b>1,439,590</b>	1,285,274
Net gain from fair value adjustments	<b>24,970</b>	73,353
Transfer from property, plant and equipment	<b>49,655</b>	123,724
Disposal	–	(1,940)
Exchange adjustments	<b>(12,782)</b>	(40,821)
At the end of the period/year	<b>1,501,433</b>	1,439,590

## 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:

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

## 17 Deposits, prepayments and other receivables

At 30 June 2016, the balances included:

- (a) Entrustment loans as provided to the non-controlling shareholders of Shenzhen Splendid China Development Co., Ltd. (“Splendid China”) and Shenzhen The World Miniature Co., Ltd. (“Window of the World”) respectively, which are the Group’s 51%-owned subsidiaries. These entrustment loans of RMB220 million (31 December 2015: RMB220 million) 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 Benchmark Lending Rate.
- (b) Amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., a 51%-owned subsidiary of the Group, of RMB97 million (31 December 2015: RMB95 million), which is unsecured and bears interest at 5.52% per annum. Management has monitored the balance and concluded that no risk on recoverability.

## 18 Cash and bank balances

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Cash and bank balances	<b>1,019,014</b>	1,346,449
Time deposits	<b>2,259,631</b>	2,392,266
	<b>3,278,645</b>	3,738,715
Less: Pledged time deposits		
– Pledged for a bank loan, credit facilities and bank guarantees	<b>(63,501)</b>	(57,984)
	<b>3,215,144</b>	3,680,731

## 19 Trade payables

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

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

## 20 Bank and other borrowings

Movements in borrowings is analysed as follows:

	<b>Unaudited 2016 HK\$'000</b>	2015 HK\$'000
As at 1 January	<b>828,327</b>	868,219
Borrowings	<b>610,018</b>	620,883
Repayments	<b>(501,163)</b>	(32,007)
Exchange adjustment	<b>(65)</b>	(46)
As at 30 June	<b>937,117</b>	1,457,049
Less: Non-current portion	<b>(98,744)</b>	(805,783)
Current portion	<b>838,373</b>	651,266

The interest charged on the bank and other borrowings ranged from 1.01% – 4.75% per annum as at 30 June 2016 (31 December 2015: 1.57% – 4.35% per annum).

## 21 Pledge of assets

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
<b>Bank deposits</b>		
Pledged for credit facilities granted by suppliers to certain Group's subsidiaries	<b>61,486</b>	55,969
Pledged for bank guarantees given in lieu of utility and rental deposits	<b>2,015</b>	2,015
<b>Buildings</b>		
Pledged for credit facilities granted by suppliers to certain Group's subsidiaries	<b>1,537</b>	1,862

## 22 Contingent liabilities

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Performance bond given to a customer for due performance of a sales contract	<b>300</b>	300

## 23 Commitments

At 30 June 2016, the Group had the following significant capital commitments:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Property project, property, plant and equipment and land	<b>1,375,649</b>	1,378,905

## 24 Related party transactions

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Travel-related income from		
– immediate holding company (b)	<b>102,539</b>	147,724
– fellow subsidiaries (a)	<b>14,820</b>	13,993
– associates (a)	<b>24,030</b>	26,710
– other related parties (a)	<b>1,508</b>	3,616
Hotel-related income from (a)		
– immediate holding company	<b>1,136</b>	1,155
– fellow subsidiaries	<b>707</b>	1,137
Management income from (c)		
– fellow subsidiaries	<b>7,986</b>	9,806
– associates and joint venture	<b>4,069</b>	4,754
Rental income from (d)		
– associate	<b>19,173</b>	19,241
Travel-related expenses paid to (a)		
– fellow subsidiaries	<b>(24,528)</b>	(25,349)
– associate	<b>(1,078)</b>	(944)
– other related party	<b>(1,685)</b>	(799)
Management expenses paid to (c)		
– fellow subsidiaries	<b>(5,134)</b>	(4,010)
Rental expenses paid to (d)		
– immediate holding company	<b>(9,180)</b>	(7,815)
– fellow subsidiaries	<b>(1,204)</b>	(546)
– associate	<b>(1,902)</b>	(2,708)

## 24 Related party transactions (Continued)

### (a)

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 6 September 2013, a 1 year (auto roll for another 2 years) entrustment loan arrangement of RMB300 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 1-year benchmark Lending 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.
- (ii) On 14 January 2016, a financial services framework agreement was entered in respect of the provision of deposit services, comprehensive credit line services, entrustment loan services and the cross-border RMB cash pooling services between the Company and China National Travel Service (HK) Finance Company Limited ("CTS Finance"). As at the end of the current reporting period, the principal due from CTS Finance was RMB54 million. The balance is included in cash and bank balances.

## 25 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 (note 5.2.2). 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.

# 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 visas. 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 strong growth momentum for the 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

<b>Business categories</b>	<b>Company name</b>
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 attaining 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, resulting in the number of visitors increased by 7% year-on-year and 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 visas.

### (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 made certain progress in developing leisure resort destination projects, proactively expanding natural and cultural scenic spots business and speeding up the withdrawal from non-tourism related businesses to further strengthen and optimize its core tourism operations. 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, among which projects in Pingyao, Mount Wutai, Datong in Shanxi, Guangyuan in Sichuan and Zhangye in Gansu 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 have been moving ahead, 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 progressing as planned; 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 business operations are under restrictions. The Company is endeavoring to dispose of its equity interests in Yangzhou Grand Metropark Hotel in a bid 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 as 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 the whole of China International Travel Service Group Corporation will be merged into China CTS (HK) as one of its wholly-owned subsidiaries. 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 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.

# Other Information

## 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's 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).

## Directors' and Chief Executive's Interests

As at 30 June 2016, 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 2016
	Corporate interest	Personal interest	Family interest			
Mr. Xu Muhan	–	–	–	1,850,000	1,850,000	0.03%
Mr. Lo Sui On	–	600,000	–	770,000	1,370,000	0.02%
Mr. Zhang Fengchun	–	880,000	–	890,000	1,770,000	0.03%
Mr. Fu Zhuoyang	–	–	–	1,770,000	1,770,000	0.03%
Dr. Fong Yun Wah	50,000 (Note 1)	–	–	–	50,000	0.00%

Note 1: 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 2016 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 2016 are set out below:

Name or category of participant	Number of share options					Balance as at 30 June 2016	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)
	Balance as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Reclassified during the period				
<b>Directors</b>									
Xu Muhan	1,850,000	-	-	-	-	1,850,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Jiang Yan	1,770,000	-	-	-	(1,770,000)	-	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	770,000	-	-	-	-	770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	890,000	-	-	-	-	890,000	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	7,050,000	-	-	-	(1,770,000)	5,280,000			
<b>Other employees in aggregate</b>	19,598,000	-	(578,000)	-	1,770,000	20,790,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
<b>Grand Total</b>	26,648,000	-	(578,000)	-	-	26,070,000			

## Other Information

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:

<u>The proportion of options exercisable</u>	<u>Exercise period</u>
First 30% of the share options	18 June 2012 to 17 June 2020
Second 30% of the share options	18 June 2013 to 17 June 2020
Remaining 40% of the share options	18 June 2014 to 17 June 2020

Note 2: No further share options can be granted under the 2002 Share Option Scheme since its termination on 4 May 2012. The total number of shares of the Company which may be issued upon exercise of all share options granted and yet to be exercised under the 2002 Share Option Scheme as at 30 June 2016 was 26,070,000 shares, representing 0.48% of the total number of issued shares of the Company as at the date of this interim report.

### The 2012 Share Option Scheme

No share options were granted under the 2012 Share Option Scheme during the six months ended 30 June 2016.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of the 2012 Share Option Scheme. As at 30 June 2016, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.42% of the total number of issued shares of the Company as at the date of this interim report.

Save as disclosed above, as at 30 June 2016, none of the Directors or the Company's Chief Executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, 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 any interests which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Interests of Substantial Shareholders

As at 30 June 2016, 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

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>% of the issued share capital as at 30 June 2016</b>
China National Travel Service (HK) Group Corporation ("China CTS (HK)")	Interest of controlled corporation (Note 1)	3,274,704,728	59.80%
China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)")	Interest of controlled corporation and beneficial owner (Note 1 and 2)	3,274,704,728	59.80%
Alliance Power Resources Ltd.	Beneficial owner (Note 2)	1,115,340,456	20.37%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,115,340,456	20.37%
GUOXIN International Investment Corporation Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.37%
Ryden Holdings Company Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.37%
中國華馨投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.37%
博遠投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.37%

## Other Information

Note 1: 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).

Note 2: Of these 3,274,704,728 shares, 2,138,664,272 shares are held directly by CTS (Holdings). 20,700,000 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,115,340,456 shares are held directly by Alliance Power Resources Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Alliance Power Resources Ltd. is interested pursuant to Part XV of the SFO.

Note 3: 1,115,340,456 shares are held directly by Alliance Power Resources Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. Ryden Holdings Company Limited is 100% directly owned by GUOXIN International Investment Corporation Limited, which is 90% directly owned by 博遠投資有限公司, a 100%-owned subsidiary of 中國華馨投資有限公司. Ryden Holdings Company Limited, GUOXIN International Investment Corporation Limited, 博遠投資有限公司 and 中國華馨投資有限公司 are deemed to be interested in the shares in which Alliance Power Resources Ltd. is interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 30 June 2016, 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 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.

## 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, CTSHK, 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 from 30 June 2016 to such other date at the bank's absolute discretion and is subject to the bank's periodic review.

On 15 June 2016, 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\$300,000,000. 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 18 May 2016, 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 18 May 2016, the starting date at which the credit facility is made available to the Company for drawdown. 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. As at 30 June 2016 and up to the date of this report, the said committed term loan due by the Company to the Bank was HK\$300,000,000. 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 13.51(B)(1) of the Listing Rules, the changes in Directors' information since the date of the 2015 Annual Report are set out below:

<b>Name of Director</b>	<b>Changes</b>
Xu Muhan	<ul style="list-style-type: none"><li>– Resigned as a director of Allied Well Holdings Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, with effect from 26 July 2016;</li><li>– Resigned as a director of Wisepak Enterprises Limited, a company incorporated in Western Samoa and a wholly-owned subsidiary of the Company, with effect from 26 July 2016.</li></ul>
Qu, Simon Tao	<ul style="list-style-type: none"><li>– Appointed as a director of Allied Well Holdings Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, with effect from 26 July 2016;</li><li>– Appointed as a director of Wisepak Enterprises Limited, a company incorporated in Western Samoa and a wholly-owned subsidiary of the Company, with effect from 26 July 2016.</li></ul>

## 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 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. 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.

By order of the Board  
**Xu Muhan**  
*Chairman*

Hong Kong, 17 August 2016