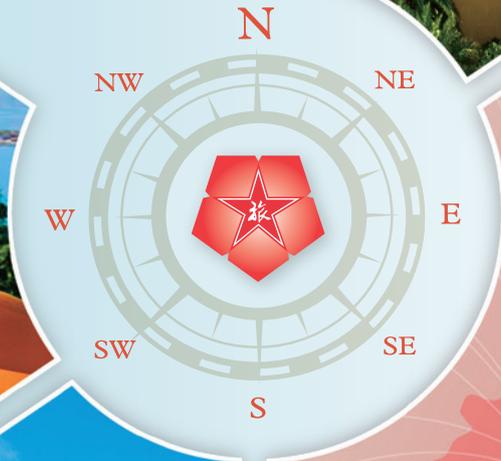
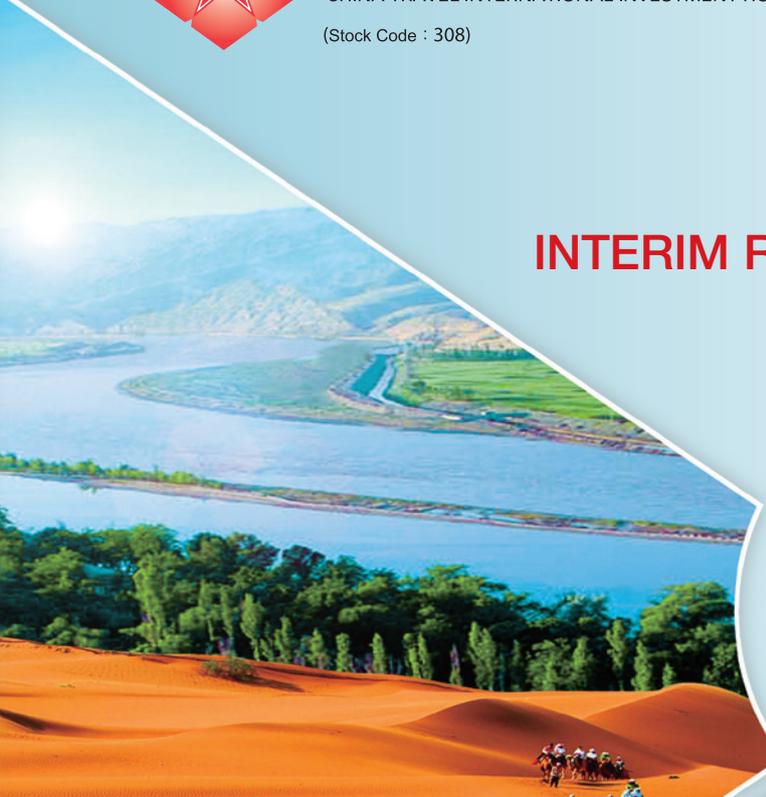




香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(Stock Code : 308)

INTERIM REPORT 2015



Contents



Corporate Information	2
Financial Calendar and Information for Shareholders	3
Chairman's Statement	4
Interim Results	
– Report on Review of Interim Financial Information	16
– Condensed Consolidated Income Statement	17
– Condensed Consolidated Statement of Comprehensive Income	18
– Condensed Consolidated Statement of Financial Position	19
– Condensed Consolidated Statement of Changes in Equity	21
– Condensed Consolidated Statement of Cash Flows	23
– Notes to Condensed Consolidated Interim Financial Information	24
Other Information	45

Corporate Information

Directors

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

* *Independent Non-Executive Director*

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Strategy and Development Committee

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

Company Secretary

Mr. Lai Siu Chung

Auditor

PricewaterhouseCoopers

Legal Advisor

DLA Piper Hong Kong

Principal Bankers

Agricultural Bank of China Limited,
Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Nova Scotia, Hong Kong Branch
Chong Hing Bank
Ping An Bank

Financial Calendar and Information For Shareholders



Financial Calendar

Announcement of 2015 interim results	19 August 2015
Closure of register of members	10 to 14 September 2015 (both dates inclusive)
Record date for 2015 interim dividend and special interim dividend	14 September 2015
Payment of 2015 interim dividend and special interim dividend	29 September 2015

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

Stock Code

308

Investor Relations Contact

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Chairman's Statement

We are pleased to present our report to the shareholders of the Company:

Business Review

In the first half of 2015, the Chinese economy maintained a steady growth under the “new normal” and the environment for the development of Chinese tourism industry was relatively favourable. Particularly, leisure travel consumption grew at a robust pace, exemplifying the earnest demand for leisure travel.

Thanks to the favourable environment for the development of Chinese tourism industry in the first half of 2015 and the Company's dedication to its core tourism operations in recent years, its key operations achieved steady development and the recurring profit continued to grow. The Company continued to improve the fundamental management of its businesses, focusing on profit and efficiency enhancement as well as strengthening the governance of loss-making businesses. As a result, the fundamentals of the Company's business operations were further strengthened. The consolidated revenue of the Company reached HK\$2,091 million, which is on par with the same period last year with a slight increase. Profit attributable to shareholders reached HK\$937 million, a 1% increase compared with the same period last year. Excluding non-recurring items, attributable profit was HK\$590 million, a 27% increase compared with the same period last year, and the attributable profit from core tourism operations was HK\$357 million, a 14% increase compared with the same period last year.

Meanwhile, the Company continued to push forward its development strategy vigorously and made certain progress in developing integrated travel destination projects, venturing into famed natural and cultural scenic spots and withdrawing from non-tourism related business. Key strategic projects such as Zhuhai OSR Phase 2 and Anji Lingfeng Mountain Resort progressed steadily, and the construction works of tourism real estate in the initial development of the Anji project had already been launched. The Company will strive to launch presale of tourism real estate in Anji in the second half of 2015. In an effort to complete the acquisition of new natural and cultural scenic spot projects and expand the number of potential projects in the pipeline, the Company continued to push forward the exploration and negotiation of new natural and cultural scenic spot projects. The joint venture CDD International Holdings Limited was established to carry on the business of creating, marketing and selling vacation packages, including vacation ownership, which will help enhance the development of the Company's travel destinations and sales of its tourism real estate.

On withdrawing from non-tourism related business, by completing the disposal of its power generation operation on 30 June 2015, the Company was transformed into a pure tourism company and recognized a one-off net gain on disposal of approximately HK\$298 million.

As our operating fundamentals and financial position showed further improvement, the Company continued to buy back a total of 12,918,000 shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in the first half of 2015. Since 2011, the Company has been buying back an appropriate amount of its shares every year, and 2015 marks the fifth year of such practice, fully manifesting the Company's confidence in its business development and commitment to increase value for shareholders.

Dividends

The Board declared an interim dividend of HK2.5 cents (2014: HK2.5 cents) per share and a special interim dividend of HK2.5 cents (2014: HK2.5 cents) per share for the six months ended 30 June 2015. The interim dividend and the special interim dividend are expected to be paid to our shareholders on 29 September 2015. The dividend payout ratio is 30.1%.

Results Overview

In the first half of 2015, the Company's consolidated revenue reached HK\$2,091 million, which is on par with the same period last year with a slight increase. Profit attributable to shareholders reached HK\$937 million, a 1% increase compared with the same period last year. Earnings per share increased by 1% to HK16.62 cents. Excluding the changes of valuation of investment properties and non-recurring items such as disposal of the power generation operation (please refer to note 6 to condensed consolidated interim financial information for details), attributable profit was HK\$590 million, a 27% increase compared to the same period last year. The attributable profit from core tourism operations was HK\$357 million, a 14% increase compared with the same period last year, while the attributable profit from the non-core power generation operation was HK\$234 million.

The Company remained in a robust financial position, and its investment and financing capacities continued to strengthen. As at 30 June 2015, total assets reached HK\$22,199 million, a 6% increase compared with the end of last year; the equity attributable to shareholders amounted to HK\$16,007 million, a 3% increase compared with the end of last year; cash and bank balances and wealth management products, etc. totaled HK\$6,938 million, of which cash and bank balances amounted to HK\$4,665 million. After deducting bank loans and other borrowings of HK\$1,457 million, net cash reached HK\$3,208 million, a 30% increase compared with the end of last year.

Travel Destination Operations

The Company's travel destination operations comprise:

1. City travel destinations, categorized into:
 - 1.1 City hotels
 - Five hotels in Hong Kong and Macau;
 - Two hotels in mainland China;
 - CTS H.K. Metropark Hotels Management Company Limited ("Metropark Hotels Management Company");
 - 1.2 Theme parks
 - Shenzhen The World Miniature Co., Ltd. ("Window of the World");
 - Shenzhen Splendid China Development Co., Ltd. ("Splendid China");

Chairman's Statement

2. 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.;
3. 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 Lingfeng Mountain Resort");
Chengdu Huashuiwan Sakura Hotel Company Limited;
4. Non-controlling scenic spot investments
Huangshan Yuping Cable Car Company Ltd.;
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 2015, revenue of travel destination operations reached HK\$1,198 million, a 3% increase compared with the same period last year; and attributable profit reached HK\$118 million, a 34% decrease compared with the same period last year. During the period under review, attributable profit from theme parks and natural and cultural scenic spots recorded growth and attributable loss from leisure resorts showed improvement. However, since city hotels were affected by hotel renovations and the slowdown in Hong Kong and Macau tourism markets, the overall attributable profit declined.

The first half of 2015, revenue of hotel operations reached HK\$368 million, a 20% decrease compared with the same period last year; and attributable profit reached HK\$51 million, a 56% decrease compared with the same period last year. The revenue and attributable profit of five hotels in Hong Kong and Macau decreased considerably due to factors including renovations at Mongkok and Kowloon Metropark Hotels, a strong Hong Kong dollar and loosened visa restrictions drawing more tourists to other destinations including Japan and South Korea. Overnight visitor arrivals to Hong Kong will likely be under some pressure in the short term. In the long term, as new supply of hotel rooms in Hong Kong remains limited, it will create favorable conditions for the long term sustainable development of the Hong Kong hotel market.

Revenue and attributable profit of the Company's hotels in mainland China declined due to the disposal of Metropark Shanghai Service Apartment at the end of last year. Excluding the effects of the disposal, revenue and attributable profit of the Company's hotels in mainland China increased slightly. Affected by the decrease of hotel management revenue from Hong Kong and Macau hotels and the rise in expenses, Metropark Hotels Management Company registered decreased revenue and profit.

Key operation figures

	1H2015	1H2014
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	78	91
Average room rate (HK\$)	807	913
Two hotels in mainland China		
Average occupancy rate (%)	51	53
Average room rate (RMB)	467	477

Revenue of theme parks reached HK\$384 million, a 7% increase compared with the same period last year; and attributable profit reached HK\$73 million, a 13% increase compared with the same period last year. The increase in revenue was mainly attributable to the rise in per capita expenditure after the launch of new projects by Window of the World and Splendid China, coupled with ticket price adjustments in July last year. Both theme parks continued to enrich the content of their entertainment attractions, and through enhanced marketing efforts and well-executed festival events, remained as vibrant as ever.

Revenue of natural and cultural scenic spots reached HK\$227 million, a 66% increase compared with the same period last year; and attributable profit reached HK\$7.57 million, a 241% increase compared with the same period last year. The growth in revenue and profit was mainly attributable to the increased number of visitors at Songshan Scenic Spot and the incremental contribution from Shapotou Scenic Spot, whose joint venture was completed in the second half of last year. It was low season for Shapotou Scenic Spot in the first half of the year and it is expected that attributable profit of Shapotou Scenic Spot will increase noticeably in the second half of the year.

Revenue of leisure resorts reached HK\$220 million, a 3% increase compared with the same period last year; and attributable loss reached HK\$21 million, a small decrease compared with the same period last year. Revenue of Zhuhai OSR was comparable with the same period last year. During the period under review, Zhuhai OSR took dedicated efforts to push forward transformation and tap into the markets of leisure, business and individual travelers, supported by tightened cost control measures to curb recurring losses. Xianyang OSR adjusted its customer mix to drive visitor and revenue growth and reduce losses further.

Attributable profit from non-controlling scenic spot investments was HK\$7.34 million, a 58% decrease compared with the same period last year mainly due to the suspension of operation of Huangshan Yuping Cable Car for upgrading work since October last year. The upgrade had been completed in May this year and operation resumed in June.

In the first half of 2015, the number of visitors to the Company's theme parks, natural and cultural scenic spots and leisure resorts reached approximately 5.55 million in total.

Travel Agency, Travel Document and Related Operations

The Company's travel agency, travel document and related operations comprise:

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

In the first half of 2015, revenue of the travel agency, travel document and related operations reached HK\$669 million, a 4% decrease compared with the same period last year mainly due to the completion of disposal of Mangocity.com last year; and attributable profit reached HK\$104 million, a 14% increase compared with the same period last year mainly due to the growth of higher margin tour business and the cessation of consolidation of losses from Mangocity.com.

The business volume of travel document business declined with revenue and profit both decreased slightly compared with the same period last year.

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, etc..

1. Passenger Transportation Operations

In the first half of 2015, revenue of passenger transportation operations reached HK\$150 million, a 4% increase compared with the same period last year; attributable profit reached HK\$84 million, a significant increase of 82% compared with the same period last year.

China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries served 2.52 million passengers, a 3% decrease compared with the same period last year; revenue reached HK\$150 million, a 4% increase compared with the same period last year due to an increase in long-haul bus passengers with higher fares; and attributable profit was HK\$33 million, an 82% increase compared with the same period last year due to higher revenue and lower fuel prices.

Attributable profit from our associate company Shun Tak-China Travel Shipping Investments Limited grew as higher average fare and lower average fuel price offset a small drop in the number of passengers.

2. Golf Club Operations

In the first half of 2015, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") reached HK\$62 million, a 7% decrease compared with the same period last year mainly due to the decrease in per capita expenditure. Due to the Golf Club's intensive cost-reduction efforts on staff cost, maintenance and energy expenses, however, attributable profit increased 93% to HK\$5.68 million compared with the same period last year.

The Golf Club is operating as usual. In respect of the exit of the golf course from the drinking water protection zone, the Company is engaging in communication and negotiation with the relevant government authority.

3. Arts Performance Operations

In the first half of 2015, revenue of China Heaven Creation International Performing Arts Co., Ltd. reached HK\$12 million, a 50% increase compared with the same period last year, and attributable loss was HK\$2.40 million (1H2014: loss of HK\$6.51 million).

Power Generation Operation

In the first half of 2015, attributable profit from the Company's associated company Shaanxi Weihe Power Co., Ltd. (a Sino-foreign co-operative joint venture) reached HK\$234 million and the profit increase was mainly due to lower average coal cost compared with the same period last year.

To focus on its core tourism operations, the Company decided to withdraw from the power generation operation and announced on 24 March 2015 to sell the power generation operation to China Travel Service (Holdings) Hong Kong Limited at a consideration of RMB510 million. The Company completed the disposal of the power generation operation on 30 June 2015 and recognized a one-off net gain on disposal of approximately HK\$298 million (The actual gain on disposal was smaller than what the Company had expected in the announcement dated 24 March 2015 because the expected gain on disposal was calculated based on the net asset value of the power generation operation as at 31 January 2015. As the power generation operation continued to be profitable from 31 January 2015 to 30 June 2015, the net asset value of the power generation operation as at the completion of the disposal was larger than net asset value of the power generation operation as at 31 January 2015. Therefore the actual gain on disposal was smaller).

The Company will strive to fill the earnings gap following the disposal by ways of organic growth of travel operations, development of integrated leisure resorts, acquisitions of new natural and cultural scenic spots and travel projects, and disposals of loss making operations, etc..

Share Buyback

As its operating fundamentals and financial position showed further improvement, the Company continued to buy back a total of 12,918,000 shares on the Stock Exchange in the first half of 2015 at a total consideration of approximately HK\$36,789,000, with an average purchase price of approximately HK\$2.85 per share. In July this year, as the stock markets in mainland China and Hong Kong became quite volatile, the Company seized the opportunity to further buy back a total of 34,556,000 shares on the Stock Exchange at a total consideration of approximately HK\$88,322,000, with an average purchase price of approximately HK\$2.56 per share. Since 2011, the Company has been buying back an appropriate amount of its shares every year and 2015 marks the fifth year of such practice, fully manifesting the Company's confidence in its business development and commitment to increase value for shareholders.

Progress on Key Initiatives

In the first half of 2015, the Company focused on four aspects: "enhancing the operation of existing businesses", "facilitating the development of incremental business", "promoting external development and exploration" and "strengthening headquarters' capability", in carrying out key initiatives including turning around of loss making businesses, improving business fundamentals, driving investments, enhancing asset return, improving management and control, and facilitating operational collaboration, etc..

1. Enhancing the operation of existing businesses

The Company enhanced the operational management of existing business operations and strengthened its governance of loss-making businesses such as two OSR projects. Except for city hotels, all business operations achieved positive growth or demonstrated improvement. During the period under review, the disposal of the non-tourism related power generation operations had been completed, while progress had been made in withdrawing from businesses with low or negative return to improve return on assets. The Company had also taken steps to reduce costs and enhance efficiency, including the energy management projects of the two OSR projects to pursue further reduction in energy cost. Central procurement had been adopted for existing business operations, coupled with open tender and procurement for engineering projects, which resulted in effective reduction of procurement costs. The Company was in a stronger financial position after withdrawing from businesses with low or negative return. It focused on enhancing the return on its surplus funds and recorded growth in financial income and wealth management income.

2. Facilitating the development of incremental businesses

The Company made steady progress in developing two key strategic projects, the Zhuhai OSR Phase 2 project and Anji Lingfeng Mountain Resort ("Anji Project"). The total land area for the tourism and real estate projects of Zhuhai OSR Phase 2 is approximately 3.04 million square metres, of which approximately 950,000 square metres will be used for real estate development, and all the legal formalities for land use have been completed. Currently, treatment works for soft foundation and the preparation for the initial development are under steady progress, and negotiation with leading companies in the industry is being carried out for joint venture and cooperation arrangements. The construction of tourism real estate is expected to commence in the second half of 2015.

The Anji Lingfeng Mountain Resort covers a site area of approximately 920,000 square metres and comprises tourism products and tourism real estate. The tourism facilities have a total gross floor area of approximately 70,000 square metres, comprising a five-star resort hotel, and supplementary tourism and commercial facilities. The tourism real estate has a total gross floor area of approximately 270,000 square metres. The Anji Project has acquired about 90,000 square metres of land for real estate development. The preparation for the initial development (planned site area of approximately 30,000 square metres and gross floor area of tourism real estate development of approximately 30,000 square metres) was in steady progress, and construction of the tourism real estate and club house was in full swing. The club house has completed structural top-out and the Company will strive to launch presale of the tourism real estate in the second half of the year. The Company is in collaboration with Club Med on the tourism facilities of the Anji Project and earthwork for the hotel has begun.

Following the completion of the joint venture of Shapotou Scenic Spot, Shapotou Scenic Spot have started the development of an extension project – the Tourist Service Centre. The total investment of the project is approximately RMB200 million and the project comprises a ticketing office, a transportation centre, commercial facilities and a themed hotel of approximately 100 guest rooms, which are expected to enhance the service level and capacity of the scenic spot. Construction has already begun, with foundation works completed and structural construction of the first floor now in progress.

The Company also strived to develop new natural and cultural scenic spot projects in provinces such as Yunnan, Sichuan, Guizhou and Shandong, in an effort to complete the acquisition of new natural and cultural scenic spot projects and expand the number of potential projects in the pipeline.

3. Promoting external development and exploration

In February 2015, the Company, together with US listed Diamond Resorts International, Inc. (NYSE: DRII) and Hong Kong listed Dorsett Hospitality International Limited (stock code: 2266), established a joint venture CDD International Holdings Limited to carry on the business of creating, marketing and selling vacation packages (including vacation ownership) and provision of associated services to customers in Asia. The joint venture will help enhance the development of the Company's travel destinations and sales of its tourism real estate. The management team of CDD International Holdings Limited has come on board gradually and has been actively conducting pre-opening work. The Zhuhai OSR Phase 2 Project and the Anji Project served as pilot projects to explore innovative business models, examining the possibility of implementing a business model for exchangeable tourism real estate and the establishment of a designated platform. The Company also pushed forward diversified shareholding by facilitating the introduction of strategic investors at both company and subsidiary levels, adding vibrancy and momentum to the enterprise's development through shareholding reform. In addition, the Company consolidated internal resources to collaborate sales and marketing efforts, in preparation for the promotional campaign of "The Grand Treasure Hunt" to be held in scenic spots in the second half of the year.

4. Strengthening headquarters' capability

The Company continued to improve its corporate structure and recruit professional talents of top quality. Efforts had also been made to enhance operational collaboration and promote internal sharing of experience on sales and marketing projects.

The Company's Development Strategy

The Company is positioned as a tourism and cultural businesses platform which focuses on tourist attractions, with a mission to offer new travel destination lifestyle to its customers. The Company will consolidate its position in city travel destinations, aggressively acquire scarce natural and cultural scenic spots, develop leisure resorts in an orderly manner, and develop supplementary products and businesses in a selective manner.

The Company's new travel destinations and supplementary products and services have the following characteristics:

1. City travel destinations

City travel destinations use city hotels and theme parks as core products to build an urban business and leisure lifestyle. While consolidating and developing its theme park steadily, the Company will adopt both asset-light and asset-heavy approaches in its hotel operations with a focus on asset-light approach for future development. To complement the development of hotel management services, the Company will strengthen its city flagship hotels and invest in hotels in the high four-star and low five-star range in first tier cities in mainland China and overseas cities which attract outbound travelers from China, to ensure profitability and lay down solid foundation in building cities travel destinations.

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 conditions or famous ancient ruins and historic buildings. The Company will strengthen its mergers and acquisitions efforts, consolidate resources and create synergies, enhance scenic spot management and extend the industry chain to prolong the staying time of customers, so as to develop an integrated travel destination leisure lifestyle. Based on its investment experience over the years, the Company has set out 6 selection criteria for scenic spot resources which include uniqueness and scarcity of resources, local economic conditions, ease of access, market awareness, favourable government policy and return on investment.

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 travel services and lifetime value-added travel services and offers a leisure and vacation lifestyle.

4. Supplementary products and services

The Company will consolidate resources and create synergies, use 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 prolong 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, seeking to build the most unique travel destination lifestyle in China.

In respect of existing businesses, 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 increase competitiveness. Also, the Company will strengthen cost control and adopt centralized procurement and quality control to drive down costs and improve efficiency.

The Company will continue to focus on value creation and gradually withdraw from businesses which are incompatible with its strategy, lacking synergy, and have been loss making for a long time with no prospects of turning around, so as to maintain the Company's high asset quality to ensure favourable operation.

The Company will actively push forward reform of systems and mechanisms of enterprise and activate the development vigor of enterprise. Firstly, the Company will actively push forward diversified shareholding. At the Company level, the introduction of strategic investor will improve the Company's shareholder base and enhance the decision making process 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 enhance project return. Secondly, under the composite resort business model of "tourism + real estate + leisure and entertainment facilities", the Company will invest in developed enterprises through acquisition or joint venture. The Company will also invest in high-end projects with well-received market acceptance, growth potential and good management team, so as to establish high end, high value added and high profit margin businesses and products.

Key Initiatives in the Second Half of the Year

In the second half of 2015, the Company will continue to focus on structural enhancement, transformation and process reengineering in carrying out its key initiatives set out below to ensure its healthy and rapid development:

1. Enhancing the operation of existing businesses

The Company will strengthen sales collaboration by launching "The Grand Treasure Hunt" promotional campaign in scenic spots in the second half of the year to stimulate revenue growth. Faced with market slowdown, hotels in Hong Kong and Macau will adjust their operation strategies to adapt to market changes. Loss making businesses including the two OSR projects will continue to step up efforts in operation and management, product innovation and sales and marketing to achieve loss reduction target. The Company will also actively push forward the withdrawal from businesses with low or negative return, including some hotel, travel destination and travel service projects not meeting return requirement, and strive for delivering results in the second half of the year. In addition, the Company will continue its control cost and central procurement efforts.

2. Facilitating the development of incremental businesses

The Company will actively push forward the development of the two key strategic projects, Zhuhai OSR Phase 2 and the Anji Project, and strive to launch presale of tourism real estate in Anji in the second half of 2015. To improve the quality of the existing attractions, the Company will actively push forward the planning, design and development of the Songshan Travel Town Project and the construction of the Shapotou Tourist Service Centre Project. The Company also aims to achieve a breakthrough in acquiring scenic spot projects in provinces such as Yunnan, Sichuan, Guizhou and Shandong.

3. Promoting external development and exploration

The Company will strengthen its capital operations and mergers and acquisitions efforts and target quality hotel groups or hotels in first tier cities, established travel conglomerates or listed companies with good earnings model, or other quality travel assets. In addition, the Company will enhance its investor relations efforts and buy back its shares at the appropriate time in order to increase shareholder value. Besides, the Company will push forward the development and operation of CDD International Holdings Limited and use Anji Project as a pilot project to establish the system of exchangeable tourism real estate and implement it gradually. Furthermore, the Company will continue the negotiation of bringing in strategic investors at the company level and subsidiary level.

4. Strengthening headquarters' capability

The Company will continue to enhance its corporate structure and control mechanism, and recruit professional talents.

Business Prospects

At present, the world economy continues to recover moderately but the growth prospects are not balanced. On the other hand, the Chinese economy, which is in a “new normal” stage of slower but steadier growth, is showing signs of improvement, thus creating favourable conditions for the healthy and sustainable development of the tourism industry. Although the Company achieved comparatively favourable results in the first half of the year, certain businesses are still faced with great challenges, the Company has to fill the earnings gap following the disposal of power generation operations and the pace of development of new businesses has to accelerate.

In the second half of the year, although there are still uncertainties in terms of external circumstances and market environment, 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. The Company is fully confident in the prospects of future development guided under its proven strategy. In accordance with the above-mentioned strategy and the requirements of management enhancement and key priorities, the Company will strengthen strategy execution, push forward strategic projects, innovate on business models and enhance profitability, striving its best to execute the initiatives and create shareholder value.

I would like to take this opportunity to express my deepest gratitude to fellow Board members, the management and the entire staff for their hard work, contribution and achievements, and my sincere appreciation to all shareholders for their trust and support.

Jiang Yan

Chairman of the Board

Hong Kong, 19 August 2015

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 17 to 44, 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 2015 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 2015, 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, 19 August 2015

Condensed Consolidated Income Statement

For the six months ended 30 June 2015

	Note	Unaudited	
		2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing Operations			
Revenue	7	2,090,922	2,085,779
Cost of sales		(1,098,525)	(1,060,651)
Gross profit		992,397	1,025,128
Other income and gains, net	8	98,526	510,255
Changes in fair value of investment properties		52,348	49,122
Selling and distribution costs		(265,136)	(242,386)
Administrative expenses		(412,447)	(490,518)
Operating profit	9	465,688	851,601
Finance income	10	70,251	62,582
Finance costs	10	(13,847)	(13,821)
Finance income, net	10	56,404	48,761
Share of profits less losses of			
Associates		58,035	44,052
Joint ventures		2,365	3,971
Profit before taxation		582,492	948,385
Taxation	11	(99,126)	(106,878)
Profit for the period for continuing operations	13	483,366	841,507
Discontinued Operation			
Profit from discontinued operation	25	531,661	151,497
Profit for the period		1,015,027	993,004
Attributable to:			
Equity owners of the Company		937,487	929,502
Non-controlling interests		77,540	63,502
Profit for the period		1,015,027	993,004
Earnings per share for profit attributable to equity owners of the Company (HK cents)	13		
Basic earnings per share from:			
– Continuing operations		7.19	13.82
– Discontinued operation		9.43	2.69
		16.62	16.51
Diluted earnings per share from:			
– Continuing operations		7.18	13.82
– Discontinued operation		9.40	2.69
		16.58	16.51
Dividends	12		
Interim dividend		140,282	140,278
Special interim dividend		140,282	140,278
		280,564	280,556

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Unaudited	
		2015 HK\$'000	2014 HK\$'000 (Restated)
Profit for the period		1,015,027	993,004
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Gain on property revaluation, net of tax		47,686	1,746
Share of hedging reserve of an associate		5,818	(2,542)
Exchange differences on translation of foreign operations, net		(15,918)	(100,931)
Release of exchange difference upon disposal of an associate/subsidiaries		(149,321)	(11,436)
Other comprehensive loss for the period, net of tax		(111,735)	(113,163)
Total comprehensive income for the period		903,292	879,841
Total comprehensive income attributable to owners of the company arises from:			
Continued operations		371,631	728,344
Discontinued operation	25	531,661	151,497
		903,292	879,841
Attributable to:			
Equity owners of the Company		825,932	822,037
Non-controlling interests		77,360	57,804
		903,292	879,841

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	9,961,386	9,947,765
Investment properties	15	1,391,691	1,285,274
Prepaid land lease payments		479,121	464,583
Goodwill		1,330,151	1,330,151
Other intangible assets		183,489	185,101
Interests in associates		616,176	1,020,460
Interests in joint ventures		42,571	40,204
Available-for-sale investments		27,775	27,771
Prepayments		90,532	91,951
Deferred tax assets		20,773	19,632
Total non-current assets		14,143,665	14,412,892
Current assets			
Inventories		147,659	138,283
Trade receivables	16	197,258	188,336
Deposits, prepayments and other receivables	17	1,012,527	1,366,176
Amount due from immediate holding company		30,567	26,939
Amounts due from fellow subsidiaries		21,287	32,379
Tax recoverable		661	1,744
Financial assets at fair value through profit or loss		1,941,391	1,419,753
Pledged time deposits	18	38,842	37,317
Cash and bank balances	18	4,665,330	3,327,025
Total current assets		8,055,522	6,537,952
Total assets		22,199,187	20,950,844

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Capital		9,065,507	8,966,896
Reserves		6,941,957	6,575,037
		16,007,464	15,541,933
Non-controlling interests		1,167,860	1,090,850
Total equity		17,175,324	16,632,783
LIABILITIES			
Non-current liabilities			
Deferred income		1,142,344	1,039,220
Bank and other borrowings	20	805,783	806,142
Deferred tax liabilities		403,163	401,663
Total non-current liabilities		2,351,290	2,247,025
Current liabilities			
Trade payables	19	263,202	300,705
Other payables and accruals		1,534,661	1,533,198
Amount due to immediate holding company		4,081	4,131
Amounts due to fellow subsidiaries		30,056	26,415
Tax payable		189,307	144,510
Bank and other borrowings	20	651,266	62,077
Total current liabilities		2,672,573	2,071,036
Total liabilities		5,023,863	4,318,061
Total equity and liabilities		22,199,187	20,950,844
Net current assets		5,382,949	4,466,916
Total assets less current liabilities		19,526,614	18,879,808

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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
At 1 January 2015	8,966,896	(31,552)	440,302	6,166,287	15,541,933	1,090,850	16,632,783
Comprehensive income							
Profit for the period	-	-	-	937,487	937,487	77,540	1,015,027
Other comprehensive income/(loss) for the period:							
Gain on property revaluation, net of tax	-	-	47,686	-	47,686	-	47,686
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 an associate	-	-	(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
Transactions with owners							
Relating to disposal of an associate	-	-	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)
At 30 June 2015	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 of Hong Kong Limited (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.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Unaudited	
	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Cash generated from operations	823,096	746,159
Income tax paid	(103,715)	(89,485)
Net cash flows from operating activities	719,381	656,674
Cash flows from investing activities		
Proceeds from disposal of associate/subsidiaries, net (Notes 25 and 26)	640,448	629,946
Finance income received	70,251	62,582
Dividends received from associates and joint ventures	6,592	193
Purchases of property, plant and equipment	(272,487)	(789,929)
Decrease/(increase) in entrustment loan receivables	442,884	(63,200)
Additions to financial assets at fair value through profit or loss	(482,955)	(48,821)
Increase in time deposits with original maturity of more than three months when acquired	(1,312,727)	(606,759)
Others	1,438	86,611
Net cash flows used in investing activities	(906,556)	(729,377)
Cash flows from financing activities		
Share option exercised	71,723	–
Finance cost paid	(13,847)	(13,821)
Dividends paid	(395,547)	(265,875)
New bank loans, net	588,876	1,491,983
Repurchase of shares	(36,927)	(36,807)
Net cash flows from financing activities	214,278	1,175,480
Net increase in cash and cash equivalents	27,103	1,102,777
Cash and cash equivalents at 1 January	2,441,315	1,837,062
Cash and cash equivalents at 30 June	2,468,418	2,939,839
Analysis of balances of cash and cash equivalents		
Cash and bank balances	4,665,330	3,676,308
Deposits of non-cash and cash equivalents	(2,196,912)	(736,469)
Cash and cash equivalents	2,468,418	2,939,839

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
- Power generation operation

The Company is a limited liability company incorporated in Hong Kong and is listed on the Stock Exchange. The address of its registered office is 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 19 August 2015.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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 2014, 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 2015.

HKAS 19 (Amendment) Annual Improvement 2010-2012 Cycle	Defined Benefit Plans Amendments to a number of HKFRSs issued in January 2014
Annual Improvement 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014

3 Accounting policies (Continued)

- (b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2015 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.

HKAS 1 (Amendment) ⁽¹⁾	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment) ⁽¹⁾	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments) ⁽¹⁾	Property, Plant and Equipment and Agriculture
HKAS 27 (Amendment) ⁽¹⁾	Separate Financial Statements
HKFRS 10 and HKAS 28 (amendment) ⁽¹⁾	Consolidated Financial Statements and Investments in Associates
HKFRS 10, HKFRS 12 and HKAS 28 ⁽¹⁾	Investment entities: applying the consolidation exception
HKFRS 9 ⁽³⁾	Financial Instruments
HKFRS 11 (Amendment) ⁽¹⁾	Joint Arrangements
HKFRS 14 ⁽¹⁾	Regulatory Deferred Accounts
HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
Annual Improvement 2012 – 2014 Cycle ⁽¹⁾	Amendments to a number of HKFRSs issued in October 2014

(1) Effective for financial periods beginning on or after 1 January 2016

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

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

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 2014, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management

5.1 Financial risk factors

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

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

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

5.2 Fair value estimation

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

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

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

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

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

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

Assets

	As at 30 June 2015		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Financial assets at fair value through profit or loss	–	1,941,391	–

Assets

	As at 31 December 2014		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Financial assets at fair value through profit or loss	–	1,419,753	–

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

The Group has considered that there should not be significant deviation between Weihe Power's profits and their respective base values on completion date and 30 June 2015. Accordingly, the contingent payment has not been accounted for in the interim period.

The main Level 3 inputs used by the Group in estimating the contingent consideration payment, 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)

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

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	713,200	629,500
Outside Hong Kong:		
– Commercial properties	678,491	655,774
	1,391,691	1,285,274

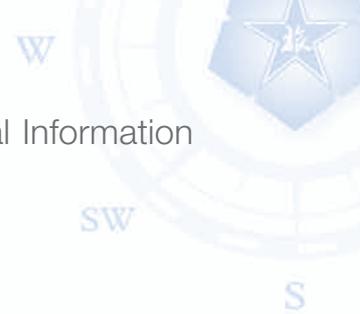
The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Group measures its investment properties at fair value. The investment properties were revalued on 30 June 2015 by RHL Appraisal Ltd., an independent professionally qualified valuer, at HK\$1,391,691,000 (2014: HK\$1,285,274,000). For all investment properties, their current use equates to the highest and best use.

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

At each financial period/year end the team:

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



5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

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.

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

	Carrying amounts		Fair values	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Bank and other borrowings	5,783	6,142	5,499	5,792

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 and resort hotels which comprise hot spring centers, hotels and leisure and entertainment facilities 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 operation 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 operation to the immediate holding company and the transaction is completed in June 2015. Therefore, the power generation operation is disclosed as discontinued operation 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 2015 (Unaudited)

	Continuing operations								Discontinued operation		Consolidated HK\$'000
	Tourist attraction operations HK\$'000	Travel agency, document and related operations HK\$'000	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	Total HK\$'000	Power generation operation 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	67,514	103,721	50,674	84,004	5,685	(2,396)	309,202	47,326	356,528	233,546	590,074
Changes in fair value of investment properties, net of tax									48,830	-	48,830
Gain on disposal of an associate									-	298,115	298,115
Non-controlling interests									77,540	-	77,540
Others									468	-	468
Profit for the period									483,366	531,661	1,015,027

6 Operating segment information (Continued)

Six months ended 30 June 2014 (Unaudited)

	Continuing operations								Discontinued operation		
	Tourist attraction operations	Travel agency, travel 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 operation	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	707,503	698,874	460,908	144,086	66,286	8,122	2,085,779	-	2,085,779	-	2,085,779
Intersegment revenue	7,952	3,873	3,041	475	130	27	15,498	10,700	26,198	-	26,198
	715,455	702,747	463,949	144,561	66,416	8,149	2,101,277	10,700	2,111,977	-	2,111,977
Elimination of intersegment revenue							(15,498)	(10,700)	(26,198)	-	(26,198)
Revenue							2,085,779	-	2,085,779	-	2,085,779
Segment results	63,125	90,748	116,474	46,227	2,946	(6,504)	313,016	430	313,446	151,497	464,943
Changes in fair value of investment properties, net of tax									46,941	-	46,941
Gain on disposal of subsidiaries									419,500	-	419,500
Non-controlling interests									63,502	-	63,502
Others									(1,882)	-	(1,882)
Profit for the period									841,507	151,497	993,004

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 2015 and 31 December 2014, or on the Group's profits for the six months ended 30 June 2015 and 2014.

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	
	2015	2014
	HK\$'000	HK\$'000
Tourist attraction operations	830,485	707,503
Travel agency, travel document and related operations	669,391	698,874
Hotel operations	367,737	460,908
Passenger transportation operations	149,551	144,086
Golf club operations	61,570	66,286
Arts performance operations	12,188	8,122
Total	2,090,922	2,085,779

8 Other income and gains, net

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Gross rental income	17,588	14,589
Foreign exchange differences, net	17,852	10,399
Government grants received	14,058	22,951
Income from financial assets at fair value through profit or loss	37,117	16,907
Gain on disposal of subsidiaries (a)	–	419,500
Others	11,911	25,909
	98,526	510,255

Notes:

- (a) Gain on disposal of subsidiaries for the prior period was the disposal of the indirect wholly-owned subsidiary, Mangocity.com (Investment) Limited ("Mangocity.com") to a fellow subsidiary (Note 26).

9 Operating profit

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Staff costs	590,793	618,482
Depreciation	231,185	231,131
Amortisation of prepaid land lease payments	13,585	12,250
Amortisation of other intangible assets	1,656	1,654
Minimum lease payments under operating leases:		
Land and buildings	40,965	42,095
Plant and machinery and motor vehicles	7,307	10,263

10 Finance income, net

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Interest income:		
Bank deposits and entrustment loans	70,251	62,582
Finance income	70,251	62,582
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	(13,847)	(13,821)
Finance costs	(13,847)	(13,821)
Finance income, net	56,404	48,761

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% (2014: 16.5%) on the estimated assessable profits for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax at applicable tax rate. In addition, withholding income tax is imposed on dividends relating to any profits earned.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the territories in which the Group operates.

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current taxation		
Hong Kong	27,991	37,506
Mainland China and other territories	67,605	66,596
Deferred taxation	3,530	2,776
	99,126	106,878

12 Dividends

The Board recommends the payment of an interim dividend of HK2.5 cents per ordinary share (2014: HK2.5 cents) and a special interim dividend of HK2.5 cents per ordinary share (2014: HK2.5 cents) for the six months ended 30 June 2015 to shareholders on the register of members on 14 September 2015.

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

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

Basic

	Unaudited	
	Six months ended 30 June	
	2015	2014 (Restated)
Profit from continuing operations attributable to equity owners of the Company (HK\$'000) (a)	405,826	778,005
Profit from discontinued operation attributable to equity owners of the Company (HK\$'000) (b)	531,661	151,497
	937,487	929,502
Weighted average number of ordinary shares in issue	5,642,071,691	5,628,530,343
Basic earnings per share from continuing operations (HK cents)	7.19	13.82
Basic earnings per share from discontinued operation (HK cents)	9.43	2.69
	16.62	16.51

Notes:

- (a) Profit from continuing operations in the prior period included the gain of approximately HK\$419.5 million in respect of the disposal of Mangocity.com (Note 26).
- (b) Profit from discontinuing operation 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 year 2015 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share option is the only category of dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the company's average market share price for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited 30 June 2015
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	405,826
Profit from discontinued operation attributable to equity owners of the Company (HK\$'000)	531,661
	937,487
Weighted average number of ordinary shares in issue	5,642,071,691
Adjustments for:	
– Share options	12,778,926
Weighted average number of ordinary shares for diluted earnings per share	5,654,850,617
Diluted earnings per share from continuing operations (HK cents)	7.18
Diluted earnings per share from discontinued operation (HK cents)	9.40
	16.58

Diluted earnings per share was equal to the basic earnings per share for the period ended 30 June 2014 as the exercise price of the outstanding share options granted by the Company was higher than the average market price of the shares of the Company and they thus were anti-dilutive.

14 Property, plant and equipment

During the period ended 30 June 2015, additions of items of property, plant and equipment amounted to HK\$258,376,000 (2014: HK\$703,953,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK\$3,887,000 (2014: HK\$293,497,000), of which HK\$Nil (2014: HK\$286,233,000) related to the disposal of subsidiaries (Note 26).

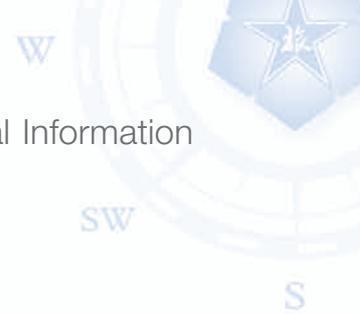
15 Investment properties

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
At fair value		
At the beginning of the period/year	1,285,274	1,859,778
Net gain from fair value adjustments	52,348	70,049
Transfer from property, plant and equipment	55,800	3,402
Disposal	(1,940)	(646,121)
Exchange adjustments	209	(1,834)
At the end of the period/year	1,391,691	1,285,274

16 Trade receivables

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

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within 3 months	171,210	163,426
3 to 6 months	10,298	13,673
6 to 12 months	11,797	4,995
1 to 2 years	3,681	6,008
Over 2 years	272	234
	197,258	188,336



17 Deposits, prepayments and other receivables

At 30 June 2015, the balances included:

- (a) Entrustment loans as provided to the non-controlling shareholders of Shenzhen The 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 HK\$278,972,000 (31 December 2014: HK\$278,880,000) are unsecured, are repayable by the non-controlling shareholders upon one month notice from the Group, and bear interest at the 1-year People’s Bank of China (“PBOC”) Base Lending Rate less 10% per annum.
- (b) Amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., a 51%-owned subsidiary of the Group, of HK\$107,947,000 (31 December 2014: HK\$105,114,000), which is unsecured and bears interest at 5.52% per annum.

18 Cash and bank balances

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Cash and bank balances	944,411	1,130,964
Time deposits	3,759,761	2,233,378
	4,704,172	3,364,342
Less: Pledged time deposits		
– Current portion, pledged for a bank loan, credit facilities and bank guarantees	(38,842)	(37,317)
	4,665,330	3,327,025

19 Trade payables

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

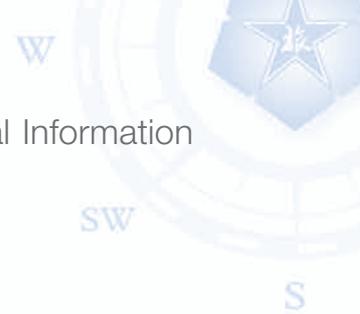
	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within 3 months	213,149	256,067
3 to 6 months	16,821	15,420
6 to 12 months	8,759	5,126
1 to 2 years	10,185	10,964
Over 2 years	14,288	13,128
	263,202	300,705

20 Bank and other borrowings

Movements in borrowings is analysed as follows:

	Unaudited 2015 HK\$'000	2014 HK\$'000
As at 1 January	868,219	532,370
Borrowings	620,883	2,797,027
Repayments	(32,007)	(1,304,612)
Exchange adjustment	(46)	(432)
As at 30 June	1,457,049	2,024,353
Less: Non-current portion	(805,783)	(813,706)
Current portion	651,266	1,210,647

The interest charged on the bank and other borrowings ranged from 1.54% – 5.25% per annum as at 30 June 2015 (31 December 2014: 1.5818% to 7.315% per annum).



21 Pledge of assets

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Bank deposits		
Pledged for credit facilities granted by suppliers to certain Group's subsidiaries	36,827	35,302
Pledged for bank guarantees given in lieu of utility and rental deposits	2,015	2,015
	38,842	37,317

22 Contingent liabilities

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Performance bond given to a customer for due performance of a sales contract	300	300

23 Commitments

At 30 June 2015, the Group had the following significant capital commitments:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Property, plant and equipment and land: – Contracted, but not provided for	1,882,284	1,375,778

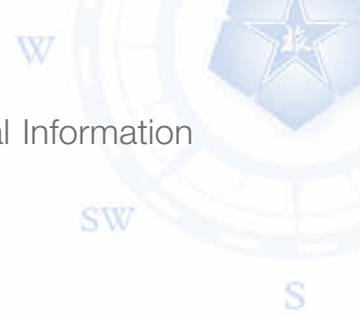
24 Related party transactions

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Travel-related income from (a)		
– immediate holding company (b)	147,724	153,312
– fellow subsidiaries	13,993	13,838
– associates	26,710	25,751
– other related parties	3,616	3,512
Hotel-related income from (a)		
– immediate holding company	1,155	1,023
– fellow subsidiaries	1,137	936
Management income from (c)		
– fellow subsidiaries	9,806	8,790
– associates and joint ventures	4,754	5,777
Rental income from (d)		
– associates	19,241	19,584
Travel-related expenses paid to (a)		
– fellow subsidiaries	(25,349)	(17,951)
– associates	(944)	(1,458)
– other related party	(799)	(1,409)
Management expenses paid to (c)		
– fellow subsidiaries	(4,010)	(4,927)
Rental expenses paid to (d)		
– immediate holding company	(7,815)	(6,697)
– associates	(2,708)	(2,478)

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.



24 Related party transactions (Continued)

(b) Other transactions with related parties

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

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

- (ii) On 6 September 2013, a 1 year (auto roll for another 2 years) entrustment loan arrangement of RMB 300 million was entered into between Splendid China and Window of the World, 51% owned subsidiaries of the Group, Shenzhen Overseas Chinese Town Co., Ltd., a state-owned enterprise, and a bank. The interest rate is 10% below 1 year loan interest rate set by the People’s Bank of China. As at the end of the current reporting period, the arrangement remained effective with RMB220 million withdrawn. The balance is included in deposits, prepayments and other receivables.

25 Discontinued operation

On 24 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 future adjustments). 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 an associate of the Group. As power generation operation was identified as a separate operating business of the Group by management, the operation of Shaanxi Weihe Power is classified as discontinued operation 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 was approximately HK\$234 million.

26 Disposal of subsidiaries

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

Analysis of the assets and liabilities of the subsidiaries at the disposal date was as follow:

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

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

Other Information



Number and Remuneration of Employee

As at 30 June 2015, the Company and its subsidiaries had 10,042 employees. The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Company and its subsidiaries' 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 Company and its subsidiaries were strong. The Company and its subsidiaries generally finance its operations with internally generated cash flows and loan facilities from banks. As at 30 June 2015, the cash and bank balances of the Company and its subsidiaries amounted to HK\$4,665 million whereas the bank and other borrowings amounted to HK\$1,457 million. The debt-to-capital ratio was 20.55% 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 Company and its subsidiaries' have certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus expose a certain level of foreign currency risk. The Company and its subsidiaries have not engaged in any particular hedging vehicles to hedge against foreign exchange risk. However, the Company and its subsidiaries will closely monitor and manage foreign currency exposure and to make use of appropriate measures when required.

Charge on Assets

As at 30 June 2015, the Company and its subsidiaries' bank deposits of HK\$39 million (31 December 2014: HK\$37 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Company's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

Contingent Liabilities

As at 30 June 2015, the Company and its subsidiaries' performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2014: HK\$0.3 million).

Directors' and Chief Executive's Interests

As at 30 June 2015, 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 2015
	Corporate interest	Personal interest	Family interest			
Ms. Jiang Yan	–	–	–	1,770,000	1,770,000	0.03%
Mr. Lo Sui On	–	1,000,000	–	770,000	1,770,000	0.03%
Mr. Zhang Fengchun	–	880,000	–	890,000	1,770,000	0.03%
Mr. Xu Muhan	–	–	2,000 (Note 1)	1,850,000	1,852,000	0.03%
Mr. Fu Zhuoyang	–	–	–	1,770,000	1,770,000	0.03%
Dr. Fong Yun Wah	50,000 (Note 2)	–	–	–	50,000	0.00%

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

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

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2015 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 2015 are set out below:

Name or category of participant	Number of share options				Balance as at 30 June 2015	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)
	Balance as at 1 January 2015	Granted during the period	Exercised during the period	Cancelled or lapsed during the period				
Directors								
Jiang Yan	1,770,000	-	-	-	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	1,770,000	-	(1,000,000)	-	770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	1,770,000	-	(880,000)	-	890,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Xu Muhan	1,850,000	-	-	-	1,850,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fu Zhuoyang	1,770,000	-	-	-	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	8,930,000	-	(1,880,000)	-	7,050,000			
Other employees in aggregate	70,890,000	-	(40,070,000)	-	30,820,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	79,820,000	-	(41,950,000)	-	37,870,000			

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 2015 was 37,870,000 shares, representing 0.67% 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 2015.

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 2015, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.12% 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 2015, none of the Directors or the Company's chief executive, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at 30 June 2015, the following shareholders (other than Directors or chief executive of the Company) had interests, directly or indirectly, and short positions in the shares and underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO:

Long position in the ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at 30 June 2015
China National Travel Service (HK) Group Corporation ("China CTS (HK)")	Interest of controlled corporation (Note)	3,231,822,728	57.21%
China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)")	Interest of controlled corporation and beneficial owner	3,231,822,728	57.21%

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

Save as aforesaid, as at 30 June 2015, 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 2015, the Company repurchased a total of 12,918,000 ordinary shares of the Company on the Stock Exchange, of which 8,770,000 shares were cancelled during the six months ended 30 June 2015 and 4,148,000 shares were cancelled on 27 July 2015. The number of issued shares of the Company as of 30 June 2015 was 5,648,877,525 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 2015	6,328,000	2.74	2.54	16,944,140
February 2015	1,076,000	2.45	2.42	2,626,980
March 2015	1,214,000	2.52	2.52	3,059,280
April 2015	152,000	2.50	2.50	380,000
June 2015	4,148,000	3.38	3.27	13,778,820

Other Information

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 2015.

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 to 30 June 2016.

On 1 June 2015, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for a committed revolving loan of HK\$500,000,000. The final maturity date of the credit facility is one year from the date of acceptance of the facility agreement.

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

On 25 June 2013, the Company, as borrower, entered into a facility agreement with a bank (the "Bank") for an uncommitted revolving credit facility to the extent of HK\$100,000,000. On 30 December 2014, the Company (as borrower) entered into a facility agreement with the Bank for a committed revolving credit facility to the extent of HK\$250,000,000. The final maturity date of the aforesaid committed revolving credit facility is one year from 27 January 2015, 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. 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

There are no changes in the Directors' information pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2014 Annual Report.

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 2015, 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.
- Code Provision E.1.2 specifies that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board of the Company has not attended the Company's annual general meeting held on 20 May 2015 because of other business commitment.

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 2015.

Dividends

The Board has declared an interim dividend of HK2.5 cents per share (2014: HK2.5 cents) and a special interim dividend of HK2.5 cents per share (2014: HK2.5 cents) for the six months ended 30 June 2015. The interim dividend and the special 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, 14 September 2015. The interim dividend and the special interim dividend will be paid on Tuesday, 29 September 2015.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 10 September 2015 to Monday, 14 September 2015 (both dates inclusive), for the purposes of determining entitlements to the interim dividend and special interim dividend. In order to qualify for the interim dividend and special 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, 9 September 2015.

Review of Interim Financial Information

The unaudited condensed interim financial information of the Group for the six months ended 30 June 2015 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial information for the six months ended 30 June 2015 has not been audited but has been reviewed by the Company's external auditors, PricewaterhouseCoopers.

By order of the Board
Jiang Yan
Chairman

Hong Kong, 19 August 2015