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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00308)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

The Board of Directors (the "Board") of China Travel International Investment Hong Kong Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018 – unaudited

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
			(Note)
Continuing operations			
Revenue	*5*	**2,077,670**	2,352,109
Cost of sales		**(1,123,132)**	(1,402,693)
Gross profit		**954,538**	949,416
Other income and gains, net	*6*	**87,395**	115,978
Changes in fair value of investment properties		**17,214**	46,988
Selling and distribution costs		**(280,589)**	(262,817)
Administrative expenses		**(443,254)**	(435,559)
Operating profit	*7*	**335,304**	414,006
Finance income	*8*	**42,469**	26,482
Finance costs	*8*	**(7,655)**	(2,311)
Finance income, net	*8*	**34,814**	24,171
Share of profits less losses of			
– associates		**201,864**	59,062
– joint ventures		**–**	(607)
Profit before taxation		**571,982**	496,632
Taxation	*9*	**(123,723)**	(66,411)
Profit for the period from continuing operations		**448,259**	430,221
Discontinued operations			
Profit for the period from discontinued operations	*16*	**–**	20,538
Profit for the period		**448,259**	450,759

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
			(Note)
Attributable to:			
Equity owners of the Company		**379,173**	374,546
Non-controlling interests		**69,086**	76,213
Profit for the period		**448,259**	450,759
Earnings per share for profit attributable to equity owners of the Company (HK cents)	*11*		
Basic earnings per share			
From continuing operations		**6.96**	6.50
From discontinued operations		**–**	0.38
		6.96	6.88
Diluted earnings per share			
From continuing operations		**6.93**	6.49
From discontinued operations		**–**	0.38
		6.93	6.87

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
		(Note)
Profit for the period	**448,259**	450,759
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)	**(9,693)**	–
Gain on property valuation, net of tax	**26,936**	1,332
Items that may be reclassified subsequently to profit or loss:		
Share of hedging reserve of an associate, net of tax	**286**	(3,791)
Exchange differences on translation of foreign operations, net	**(101,494)**	311,581
Release of exchange difference upon disposal of a subsidiary	**–**	(11,566)
Other comprehensive income for the period, net of tax	**(83,965)**	297,556
Total comprehensive income for the period	**364,294**	748,315
Attributable to:		
Equity owners of the Company	**301,425**	643,975
Non-controlling interests	**62,869**	104,340
Total comprehensive income for the period	**364,294**	748,315

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 – unaudited

	Note	**30 June 2018 HK$'000**	31 December 2017 HK$'000 (Note)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,407,468**	7,398,349
Investment properties		**1,814,252**	1,754,106
Prepaid land lease payments		**2,320,061**	2,250,352
Goodwill		**1,323,828**	1,323,828
Other intangible assets		**208,271**	210,682
Interest in associates		**1,195,344**	1,076,902
Interest in a joint venture		**7,288**	7,084
Other financial assets		**56,381**	30,041
Prepayments and other receivables		**159,399**	37,310
Deferred tax assets		**137,467**	147,990
Total non-current assets		**14,629,759**	14,236,644
Current assets			
Inventories		**30,841**	21,339
Properties under development		**1,876,773**	1,883,541
Completed properties held for sale		**76,658**	92,092
Trade receivables	*12*	**151,662**	158,484
Deposits, prepayments and other receivables		**893,050**	748,103
Loan to a fellow subsidiary		**157,663**	156,831
Amounts due from holding companies		**20,319**	19,724
Amounts due from fellow subsidiaries		**43,033**	83,860
Tax recoverable		**10,336**	13,622
Financial assets at fair value through profit or loss		**1,348,392**	1,411,711
Pledged time deposits		**42,164**	37,720
Cash and bank balances		**3,519,397**	3,271,404
Total current assets		**8,170,288**	7,898,431
Total assets		**22,800,047**	22,135,075

	Note	30 June 2018 HK$'000	31 December 2017 HK$'000 (Note)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,115,699**	9,102,708
Reserves		**7,149,595**	7,109,921
		16,265,294	16,212,629
Non-controlling interests		**1,097,899**	1,181,217
Total equity		**17,363,193**	17,393,846
LIABILITIES			
Non-current liabilities			
Deferred income		**729,190**	735,441
Bank and other borrowings		**902**	67,590
Deferred tax liabilities		**454,552**	453,069
Total non-current liabilities		**1,184,644**	1,256,100
Current liabilities			
Trade payables	*13*	**345,490**	397,206
Other payables and accruals		**2,557,259**	2,560,050
Loans from a holding company		**81,841**	82,545
Amounts due to holding companies		**118,219**	57,487
Amounts due to fellow subsidiaries		**6,681**	6,455
Tax payables		**339,219**	350,521
Bank and other borrowings		**803,501**	30,865
Total current liabilities		**4,252,210**	3,485,129
Total liabilities		**5,436,854**	4,741,229
Total equity and liabilities		**22,800,047**	22,135,075

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3.

NOTES TO THE 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 and related operations

– Travel agency, travel document and related operations

– Hotel operations

– Passenger transportation operations

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was authorised for issue on 16 August 2018.

The interim financial report of the Group is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended 31 December 2017 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA. The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted in the annual financial statements for the year ended 31 December 2017, except for the new HKFRSs and amendments to HKFRSs that are effective for the financial year ending 31 December 2018.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*

- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets. Other than this, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report.

HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on reserves and the related tax impact at 1 January 2018.

	HK$'000
Fair value reserve (non-recycling)	
Remeasurement effect of available-for-sale investments now measured at FVOCI and increase in fair value reserve (non-recycling)	33,141
Related tax	(3,712)
Net increase in fair value reserve (non-recycling) at 1 January 2018	29,429
Non-controlling interests	
Recognition of remeasurement effect of available-for-sale investments now measured at FVOCI and increase in non-controlling interests	4,028
Related tax	(842)
Net increase in non-controlling interests at 1 January 2018	3,186

The following table shows the original measurement categories for each impacted class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets measured at FVOCI (non-recycling)				
Equity securities *(note(a))*	–	30,041	37,169	67,210
Financial assets classified as available-for-sale under HKAS 39 *(note (a))*	30,041	(30,041)	–	–

(a) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at fair value through profit or loss ("FVPL") under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its available-for-sale investments at FVOCI (non-recycling), as the investment is held for strategic purposes.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

HKFRS 15, Revenue from contracts with customers

Under HKFRS 15, revenue from sale of goods and provision of services will be recognised when the customer obtains control of the promised good or service in the contract. Management has assessed the impact of the adoption of HKFRS 15 and the adoption of HKFRS 15 does not have a significant impact on the recognition of revenue of the Group.

4 OPERATING SEGMENT INFORMATION

Executive management is the Group's chief operating decision-maker and regularly reviews the segment results. For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. No operating segments have been aggregated to form the reportable segments. A summary of details of the operating segments is as follows:

(a) the tourist attraction and related operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities, hotspring resorts, other resorts, golf club (business closed at 6 November 2017), arts performance and tourism property development mainly located in Mainland China;

(b) the travel agency, travel document and related operations segment engages in the provision of travel agency, travel document and related services in Hong Kong, Mainland China, South East Asia, Oceania, the United States of America and countries in the European Union;

(c) the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China;

(d) the passenger transportation operations segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicle rental and charter operations in Hong Kong, Macau and Mainland China.

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

Management has determined the operating segments based on the information reviewed by the chief operating decision maker and monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) attributable to equity owners of the Company of each reportable operating segment excluding changes in fair value of investment properties, result from disposal of investments and property, plant and equipment and share option expenses.

Six months ended 30 June 2018 (unaudited)

	Continuing operations							Discontinued operations	
	Tourist attraction and related operations	Travel agency, travel document and related operations	Hotel operations	Passenger transportation operations	Total of reportable segments	Corporate and others	Total	Power generation operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:									
Sales to external customers	886,874	580,567	384,764	225,465	2,077,670	–	2,077,670	–	2,077,670
Inter-segment revenue	2,537	851	1,115	497	5,000	7,642	12,642	–	12,642
	889,411	581,418	385,879	225,962	2,082,670	7,642	2,090,312	–	2,090,312
Elimination of inter-segment revenue					(5,000)	(7,642)	(12,642)	–	(12,642)
Revenue					2,077,670	–	2,077,670	–	2,077,670
Segment results	149,176	89,056	72,495	74,607	385,334	(5,741)	379,593	–	379,593
Non-controlling interests							69,086	–	69,086
Segment operating results before non-controlling interests							448,679	–	448,679
Changes in fair value of investment properties, net of tax							15,517	–	15,517
Others							(3,597)	–	(3,597)
Share option expense							(12,340)	–	(12,340)
Profit for the period							448,259	–	448,259

Six months ended 30 June 2017 (unaudited)

	Continuing operations							Discontinued operations	
	Tourist attraction and related operations	Travel agency, travel document and related operations	Hotel operations	Passenger transportation operations	Total of reportable segments	Corporate and others	Total	Power generation operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:									
Sales to external customers	1,219,608	556,295	362,740	213,466	2,352,109	–	2,352,109	–	2,352,109
Inter-segment revenue	6,435	1,898	1,398	652	10,383	7,110	17,493	–	17,493
	1,226,043	558,193	364,138	214,118	2,362,492	7,110	2,369,602	–	2,369,602
Elimination of inter-segment revenue					(10,383)	(7,110)	(17,493)	–	(17,493)
Revenue					2,352,109	–	2,352,109	–	2,352,109
Segment results	71,221	65,753	60,788	72,484	270,246	40,339	310,585	–	310,585
Non-controlling interests							76,213	–	76,213
Segment operating results before non-controlling interests							386,798	–	386,798
Changes in fair value of investment properties, net of tax							37,266	–	37,266
Net gain on disposal of subsidiaries, net of tax							22,615	20,538	43,153
Others							(1,941)	–	(1,941)
Share option expense							(14,517)	–	(14,517)
Profit for the period							430,221	20,538	450,759

5 REVENUE

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

Disaggregation of revenue

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	**795,399**	770,791
– Tour, travel agency, travel document and related income	**580,567**	556,295
– Hotel income	**378,991**	331,174
– Passenger transportation income	**225,465**	213,466
– Property sales income	**17,387**	414,469
– Consultancy and service income	**48,680**	34,348
	2,046,489	2,320,543
Revenue from other sources		
– Rental income	**31,181**	31,566
	2,077,670	2,352,109

6 OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gross rental income	**22,285**	20,722
Foreign exchange differences, net	**6,605**	2,677
Government grants	**5,925**	5,849
Income from financial assets at fair value through profit or loss	**31,416**	28,423
Gain on disposal of subsidiaries	**–**	28,570
Loss on disposal of property, plant and equipment	**(3,597)**	(721)
Others	**24,761**	30,458
	87,395	115,978

7 OPERATING PROFIT

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Staff costs	**652,688**	604,518
Depreciation	**203,758**	210,215
Amortisation of prepaid land lease payments	**9,672**	15,490
Amortisation of other intangible assets	**1,601**	1,481
Minimum lease payments under operating leases:		
Land and buildings	**34,306**	40,270
Plant and machinery and motor vehicles	**8,023**	4,196

8 FINANCE INCOME, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income:		
Bank deposits and entrustment loans	**42,469**	26,482
Finance income	**42,469**	26,482
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	**(7,655)**	(2,311)
Finance costs	**(7,655)**	(2,311)
Finance income, net	**34,814**	24,171

9 TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 and under the Provisional Regulations on Land Appreciation Tax ("LAT"), all gains arising from the transfer of real estate property in Mainland China are subjected to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

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 consolidated income statement represents:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong	**30,889**	33,561
Mainland China and other territories	**88,994**	15,652
Deferred taxation	**3,840**	17,198
	123,723	66,411

10 DIVIDENDS

The Board recommends the payment of an interim dividend of HK3 cents per ordinary share (2017: HK3 cents) for the six months ended 30 June 2018 to shareholders on the register of members on 11 September 2018.

The interim dividend has not been recognised as a liability in the interim financial report. It will be recognised in shareholder's equity in the year ending 31 December 2018.

11 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Basic

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.

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Profit from continuing operations attributable to equity owners of the Company *(HK$'000)*	**379,173**	354,008
Profit from discontinued operations attributable to equity owners of the Company *(HK$'000)*	**–**	20,538
Profit attributable to equity owners of the Company *(HK$'000)*	**379,173**	374,546
Weighted average number of ordinary shares in issue	**5,451,572,464**	5,446,329,591
Basic earnings per share from continuing operations *(HK cents)*	**6.96**	6.50
Basic earnings per share from discontinued operations *(HK cents)*	**–**	0.38
	6.96	6.88

Diluted

Diluted earnings per share for the six months ended 30 June 2018 and 2017 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 Group. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options together with the position of the fair value of the share options measured at the grant date, which is attributable to future periods. 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.

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Profit from continuing operations attributable to equity owners of the Company *(HK$'000)*	**379,173**	354,008
Profit from discontinued operations attributable to equity owners of the Company *(HK$'000)*	**–**	20,538
Profit attributable to equity owners of the Company *(HK$'000)*	**379,173**	374,546
Weighted average number of ordinary shares in issue	**5,451,572,464**	5,446,329,591
Adjustments for:		
– Share options	**22,398,952**	2,760,958
Weighted average number of ordinary shares for diluted earnings per share	**5,473,971,416**	5,449,090,549
Diluted earnings per share from continuing operations *(HK cents)*	**6.93**	6.49
Diluted earnings per share from discontinued operations *(HK cents)*	**–**	0.38
	6.93	6.87

12 TRADE RECEIVABLES

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**131,951**	141,790
Over 3 months to 6 months	**9,300**	9,486
Over 6 months to 12 months	**4,927**	3,448
Over 1 year to 2 years	**3,698**	3,435
Over 2 years	**1,786**	325
	151,662	158,484

13 TRADE PAYABLES

At 30 June 2018, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**206,440**	343,884
Over 3 months to 6 months	**93,144**	16,100
Over 6 months to 12 months	**15,374**	4,617
Over 1 year to 2 years	**5,648**	5,532
Over 2 years	**24,884**	27,073
	345,490	397,206

14 BUSINESS COMBINATIONS

(a) A joint venture company transferred to a subsidiary

On 1 January 2017, Macao CTS Passenger Road Transport Company LTD. became a subsidiary of the Group pursuant to the revised articles that confer the Group the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities.

The joint venture company had a carrying value of HK$73,424,000 before the change of control. No goodwill or bargain purchase was recognised from this transaction.

As at 31 December 2017, the Group has finalised the fair value assessments for net assets acquired from the business combination activities. The relevant fair value adjustments were recognised in the consolidated financial statements for the year ended 31 December 2017.

(b) Acquisition of a subsidiary

On 30 March 2017, the Group acquired 100% of the issued shares in Associated Motor Service and Repair Limited, a company focus on passenger transportation, for consideration of HK$55,340,000.

As at 31 December 2017, the Group has finalised the fair value assessments for net assets acquired from the business combination activities. The relevant fair value adjustments were recognised in the consolidated financial statements for the year ended 31 December 2017.

15 DISPOSAL OF A SUBSIDIARY

In 2016, a wholly-owned subsidiary of the Company, Wisepak Enterprises Limited, entered into an agreement with a third party to dispose of the entire 60% interest of its indirect non-wholly owned subsidiary, Yangzhou Grand Metropole Hotel ("Yangzhou Hotel"), at a consideration of approximately RMB52,650,000. The Yangzhou Hotel operates hotel in Mainland China. The gain on disposal of HK$28,570,000 was recognised during the period ended 30 June 2017 and included in other income and gains, net of the consolidated income statement.

16 DISCONTINUED OPERATIONS

In March 2015, the Company entered into an agreement with its immediate holding company, China Travel Services (Holdings) Hong Kong Limited, to dispose of the entire interest of its wholly-owned subsidiary, Chadwick Developments Limited ("Chadwick") for a consideration of RMB510 million (equivalent to approximately HK$643 million and subject to future adjustments).

Chadwick owns 51% equity interest in Shaanxi Weihe Power Co. Ltd. ("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 one of separate operating business of the Group by management, the operations of Weihe Power was classified as discontinued operations in the interim financial report. The disposal was completed in June 2015. During the period ended 30 June 2017, a net gain of approximately HK$21 million on contingent consideration was recognised. The results from discontinued operations are attributable entirely to equity owners of the Company. During the year ended 31 December 2017, the contingent consideration was finalised.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In the first half of 2018, the Group's consolidated revenue was HK$2,078 million, representing a 12% decrease compared with the same period last year, mainly attributable to the fact that a majority of property units of the real estate projects of Zhuhai OSR and Anji Company has been sold in last year and only the sales of the remaining few units were recognised as revenue during the period. Profit before taxation was HK$572 million, representing a 15% increase compared with the same period last year. Profit attributable to shareholders was HK$379 million, representing a 1% increase compared with the same period last year. Profit attributable to the operations was HK$380 million, representing a 22% increase compared with the same period last year. Each of the principal operations had favorable prospects for development, in particular, attributable profit of tourist attraction and related operations increased by 109%, attributable profit of travel agency, travel document and related operations increased by 35%, attributable profit of hotel operations increased by 19% and attributable profit of passenger transportation operations increased by 3% compared with the same period last year.

The Group's financial position remained stable and healthy, with strong investing and financing capabilities. As of 30 June 2018, total assets were HK$22,800 million, a 3% increase compared with the end of last year; the equity attributable to shareholders was HK$16,265 million, similar to that of the end of last year; cash and bank balances, wealth management products and certain loan receivables amounted to HK$5,340 million, an increase of HK$187 million compared with the end of last year, of which cash and bank balances amounted to HK$3,519 million and deducting loans from a holding company, bank loans and other borrowings of HK$886 million, net cash was HK$2,633 million, a 15% decrease compared with the end of last year. The decrease in net cash was mainly due to the capital expenditure used in the development of Anji Company and Shapotou Scenic Spot, and the payment of land premium for Hip Kee Godown (No. 3), Hung Hom, with an aim of laying a solid foundation for future profit development.

DIVIDEND

The Board declared an interim dividend of HK3 cents per share (2017: HK3 cents) for the six months ended 30 June 2018. The interim dividend is to be paid to our shareholders on 27 September 2018. The dividend payout ratio is approximately 43%.

CORE PRINCIPAL OPERATIONS AND OPERATION FIGURES

(I) Travel Destination Operations of the Group mainly include:

City hotels	Five hotels in Hong Kong and Macau Beijing Guang'anmen Grand Metropark Hotel ("Beijing Metropark Hotel") CTS H.K. Metropark Hotels Management Company Limited

Theme parks	Shenzhen The World Miniature Co., Ltd. ("Window of the World") Shenzhen Splendid China Development Co., Ltd. ("Splendid China")
Natural and cultural scenic spot destinations	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("Songshan Scenic Spot") CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd ("Shapotou Scenic Spot") Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd
Leisure resort destinations	China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd ("Zhuhai OSR") Xianyang Ocean Spring Resort Co., Ltd ("Xianyang OSR") Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("Evergrande OSR") CTS (Anji) Tourism Development Company Limited ("Anji Company")
Non-controlling scenic spot investments	Huangshan Yuping Cable Car Company Limited Huangshan Taiping Cable Car Co., Ltd. Changsha Colorful World Company Limited Changchun Jingyuetan Youle Co., Ltd.
Supplementary tourist attraction operations	China Heaven Creation International Performing Arts Co., Ltd. China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. ("China Travel Zhiye") CTS Scenery (Beijing) Tourism Management Limited ("Management Company")

In the first half of 2018, total revenue of the Group's travel destination operations was HK$1,272 million, a 20% decrease compared with the same period last year; and attributable profit was HK$222 million, a 68% increase compared with the same period last year.

In the first half of the year, revenue of the Group's hotel operations was HK$385 million, a 6% increase compared with the same period last year; and attributable profit was HK$72 million, a 19% increase compared with the same period last year. The average room rate of the five hotels in Hong Kong and Macau and Beijing Metropark Hotel increased compared with the same period last year and the entire hotel business achieved satisfying performance.

Revenue of theme parks was HK$410 million, a 13% increase compared with the same period last year; and attributable profit was HK$71 million, an increase of 5% compared with the same period last year. Attributable profit of Window of the World slightly increased compared with the same period last year. Driven by the increase in number of visitors and revenue of management and consultation, revenue and profit of Splendid China grew significantly compared with the same period last year.

Revenue of natural and cultural scenic spots was HK$221 million, a 4% increase compared with the same period last year; and attributable profit was HK$3 million, a decrease from the same period last year. Songshan Scenic Spot implemented an interactive marketing model comprising online branding, offline theme activities and direct sales channels, resulting in an increase in the number of visitors, driving a 13% increase in revenue and a 10% increase in attributable profit compared with the same period last year. Shapotou Scenic Spot introduced discount tickets, driving an increase in the number of visitors but a decrease in average per capita consumption, which resulted in a decrease in revenue compared with the same period last year. In addition, the tourist distribution center was opened in mid last year, which increased cost for the first half of the year, turning the profit into loss of Shapotou Scenic Spot during the low season in the first half of 2018.

Revenue of leisure resort destinations was HK$210 million, a 63% decrease compared with the same period last year; and attributable profit was HK$52 million, turning loss into profit during the period. The decrease in revenue was mainly due to the fact that a majority of property units of the real estate projects of Zhuhai OSR and Anji Company has been sold in last year and only the sales of the remaining few units were recognised as revenue during the period. The leisure resort destinations turned loss into profit during the period, which was mainly due to the increased profit from the sales revenue recognised from real estate project of the associate, Evergrande OSR. Xianyang OSR proactively coped with difficulties and enhanced its marketing and cost-control measures, achieving a decrease in losses compared with same period last year.

Attributable profit from non-controlling scenic spot investments was HK$21 million, a 21% increase compared with the same period last year.

China Travel Zhiye and Management Company were officially opened to provide tourism planning, management services and other related businesses, which became another new profit engine of the Company.

(II) Travel Agency, Travel Document and Related Operations

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

In the first half of 2018, revenue of the Group's travel agency, travel document and related operations was HK$581 million, a 4% increase compared with the same period last year; and attributable profit was HK$89 million, a 35% increase compared with the same period last year. The increase in revenue and profit was largely due to an increase in the business volume under the travel document operations.

(III) Passenger Transportation Operations

In the first half of 2018, revenue of the Group's passenger transportation operations was HK$225 million, a 6% increase compared with the same period last year; and attributable profit was HK$75 million, a 3% increase compared with the same period last year.

Revenue and profit of China Travel Tours Transportation Services Hong Kong Limited increased by 6% and 11%, respectively, compared with the same period last year, mainly attributable to the increase in number of passengers and the rise in ticket prices for major routes such as Airport Express and Urban Lines.

Attributable profit of our associate, Shun Tak-China Travel Shipping Investments Limited, decreased compared with the same period last year due to the decrease in number of passengers and the increase in fuel price.

DEVELOPMENT STRATEGY

With its mission to "creating a new travel destination and leading a new lifestyle for mass tourism" and the strategic position of becoming "an investor, developer and operator of top-tier travel destinations", the Group will focus on the development of natural and cultural scenic spots and leisure resort destinations, exploring new travel destinations, and capturing investment opportunities in businesses offering strong synergies with its core operations.

The Group will push forward the development of new businesses by acquiring strategic quality scenic spot resources to create new growth engines. It will focus on regions which are rich in tourism resources and tourists, and quality scenic spots with potential for expansion and appreciation. The Group will acquire scenic spot resources through various forms of flexible cooperation including joint ventures, provision of management services and entrusted operations, and will foster new profit growth through large-scale expansion. The Group will strive to push forward projects development and has recently achieved breakthroughs in several projects in southwestern regions and the Guangdong-Hong Kong-Macao Bay Area. In the meantime, the Group will undertake in-depth studies on major travel destinations associated with the "Belt and Road", with an aim of seeking out business partners and exploring overseas markets.

Leveraging its rich experience in the operation and management of scenic spots and its brand and industrial chain advantages, the Group will enhance the development of light-asset businesses such as China Travel Zhiye and Management Company in order to expand market share, increase brand awareness and improve profitability.

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations. Also, it will focus on procuring the planning and development of the land reserve of the Zhuhai OSR Phase 2 Project while vigorously developing the Songshan Shaolin Town Project and the subsequent Anji land development. The Group will also well carry out environmental assessment, planning and preparation work for the new projects of Shapotou Scenic Spot to accelerate the construction of scenic spot projects.

The Group will vigorously participate in the real estate, duty-free shop, hotel and travel agency and related businesses of the parent company to promote strategic cooperation and synergy among these businesses. To this end, it will strive to achieve mutual and complementary advantages and win-win outcomes. In keeping with the operational principles of marketisation, we will encourage resource-sharing and synergies with other business segments to add value to our brand.

The Group will continue its establishment of informatisation, promotion of digitalised transformation, and will carry out in-depth studies on the impact of the internet, artificial intelligence and other technologies. It will explore digitalised business models and push forward the intelligent operation and management of scenic spots, with a view to building a management platform of smart scenic spots.

The Group will strengthen the functional capacities of its headquarters, recruit high caliber talent, intensify its control and business synergies, give full play to the supervisory duties of the functional departments at headquarters, reinforce its resistance to risk, implement a production safety system, and ensure compliance with all relevant laws and regulations.

BUSINESS PROSPECTS

In the first half of the year, amid an escalating Sino-US trade dispute, the global economy faces various challenges and grows slower with increasing downside risks pressure. However, China's current economy continues to develop rapidly, supported by a solid domestic economy and the normalisation of tourism consumption. The Group's overall business fundamentals remain steady and healthy. In addition, the Group has a healthy cash position and possesses the capabilities to invest and develop. The Group is fully confident in the prospects of future development guided under its proven strategy.

The land parcel on which Hip Kee Godown (No. 3) is located, owned by the Group's subsidiary, CTSHK, has been granted government approval to be modified as hotel use by way of land premium payments. This significantly increases the land value and its development potential. The Group will continue to finalise the project's reconstruction plan while exploring the vitalisation and optimisation of all its existing assets and properties in Hong Kong, with the aim of unleashing market value and enhancing operational efficiency. In future, the Group will have more new growth areas in its existing scenic spots businesses, facilitating a rapid growth in operating profits. Our associate, Evergrande OSR, is expected to contribute profit by recognising revenue in property sales during the year. The value of the majority of land reserves of Zhuhai OSR is expected to be enhanced and post-development profitability is promising. Additionally, the official opening of the Mediterranean Club Hotel of the Anji project will significantly increase the development value of the subsequent land reserve, while the development of the Songshan Shaolin Town and the upgrading of facilities and products of Shapotou Scenic Spot will enrich the tourist experience, boosting average consumption per visitor and greatly stimulating passenger flow.

At present, as positioned by parent company China National Travel Service Group Corporation Limited as its core business and strongly supported by it, the Group will actively cope with challenges, enhance the efficiency of its existing businesses and explore new project investments, in addition to promoting innovation in the areas of product, management and business model. The ultimate aim is to launch benchmark products, achieve a sustainable and high quality corporate development, and bring more favourable returns to shareholders.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2018, the Group had 6,278 employees. The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from the retirement benefit and in-house training programs, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 30 June 2018, the cash and bank balances of the Group amounted to HK$3,519 million whereas the bank and other borrowings and loans from a holding company amounted to HK$886 million. The debt-to-capital ratio was 24% and the debt includes bank and other borrowings, trade and other payables, loans from a holding company, amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

The Group has certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus is exposed to a certain level of foreign currency risk. The Group has not engaged in any particular hedge against foreign exchange risk. The Group will closely monitor and manage foreign currency exposure and to make use of appropriate measures when required.

CHARGE ON ASSETS

As at 30 June 2018, the Group's bank deposits of approximately HK$42 million (31 December 2017: HK$38 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As at 30 June 2018, certain of the Group's buildings with net carrying amounts of HK$1,472,000 (31 December 2017: HK$1,295,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures for the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. The Group will only consider any potential investments which are in the interests of the Company and the shareholders as a whole. No agreement for material investment has been conducted as at the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2017: HK$0.3 million).

SIGNIFICANT INVESTMENTS HELD

To utilise the Group's idle funds more efficiently without affecting operating cash while ensuring fund safety, the Group used some of the idle funds to subscribe for RMB denominated wealth management products. As at 30 June 2018, the wealth management products held by the Group amounted to a total of RMB1,137 million (equivalent to HK$1,348 million). During the period, the income from financial assets at fair value through profit or loss was approximately HK$31.42 million.

During the period, in respect of each subscription above, the relevant applicable percentage ratios (as define under Rule 14.07 of the Listing Rules) calculated by the Group were all less than 5% which did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The above outstanding wealth management products at the end of the period with agreed maturity date will be gradually recovered before the end of this year; whereas the outstanding wealth management products without agreed maturity date will be redeemed where appropriate according to the funds position of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

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 2018, the Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

- Code Provision A.4.1 specifies that Non-Executive Directors should be appointed for a specific term, subject to re-election. Although the Company's Non-Executive Directors do not have a specific term of appointment, pursuant to the Company's articles of association (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that such requirements are sufficient to meet the underlying objective and spirit of the relevant Code Provisions.

- Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

DIVIDEND

The Board has declared an interim dividend of HK3 cents per share (2017: HK3 cents) for the six months ended 30 June 2018. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 11 September 2018. The interim dividend will be paid on Thursday, 27 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 7 September 2018 to Tuesday, 11 September 2018 (both dates inclusive), for the purposes of determining entitlements to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 6 September 2018.

REVIEW OF INTERIM FINANCIAL REPORT

The unaudited condensed consolidated interim financial report of the Group for the six months ended 30 June 2018 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial report for the six months ended 30 June 2018 has not been audited but has been reviewed by the Company's external auditors, KPMG.

PUBLICATION OF 2018 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website at www.hkexnews.hk and the Company website at www.irasia.com/listco/hk/ctii/. The 2018 Interim Report will be available on the HKExnews and the Company websites, and despatched to the shareholders of the Company in due course.

By order of the Board
Fu Zhuoyang
Chairman

Hong Kong, 16 August 2018

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Zhang Xing, Mr. Liu Fengbo and Mr. Chen Xianjun; and four independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.