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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 308)**

## **ANNOUNCEMENT OF 2015 FINAL RESULTS**

### **CHAIRMAN'S STATEMENT**

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

### **BUSINESS REVIEW**

In 2015, the Chinese economy continued to develop steadily under the new normal amid relatively heavy downward pressure. The environment for the development of tourism industry was relatively favorable. In particular, the national leisure tourism consumption maintained strong growth momentum, highlighting the strong demand for leisure tourism.

In 2015, despite the relatively sluggish Hong Kong and Macau inbound tourism markets, thanks to the overall favorable environment for the development of tourism industry and the Company's dedication to its core tourism operations in recent years, its core tourism operations achieved steady development and the recurring profit continued to grow. The Company continued to improve the fundamental management of its business operations, focusing on profit and efficiency enhancement as well as strengthening the governance of loss-making operations. As a result, the fundamentals of the Company's business operations were further strengthened. The Company's consolidated revenue and profit attributable to shareholders were HK\$4,395 million and HK\$1,353 million respectively, representing a 2% and 22% decrease compared with last year. Excluding non-recurring items, attributable profit was HK\$859 million, a 4% decrease compared with last year and the attributable profit from core tourism operations was HK\$625 million, a 2% increase compared with last year. The performance from the newly acquired Shapotou Scenic Spot was strong and its profit increased substantially compared with 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 disposing of non-tourism operations. The Company made steady progress in the construction and development of two key strategic projects, namely Zhuhai OSR Phase 2 Project and Anji Project, and entered into the cooperation agreement with Evergrande Real Estate Group Co., Ltd. ("Evergrande Real Estate Group") to jointly develop the Zhuhai OSR Phase 2 Project and create the most distinctive leisure resort destination in Mainland China. The resort hotel and tourism real

estate of Anji Lingfeng Mountain Resort (“Anji Project”) were under construction and the presale of the first phase of the residential project was launched at year end. The Company actively negotiated for cooperative development projects of tourism resources in areas such as Jining in Shandong, Leshan and Mount Emei in Sichuan and signed a strategic framework agreement with Leshan government to jointly develop the tourism resources in Leshan, including Mount Emei. The cooperation project with Jining government to develop scenic spots adjacent to Qufu, Liangshan and Weishan Lake were under negotiation and the Company strived to complete the acquisition of new scenic spot projects as soon as possible. The joint venture CDD International Holdings Limited was established to carry out the business of creating, marketing and selling vacation packages, including vacation ownership, which will help to enhance the development of the Company’s travel destination operations and tourism real estate.

On disposal of non-tourism business, by completing the disposal of its power generation operations 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\$429 million. More importantly, the Company will strengthen its tourism investment going forward and acquire more tourism resources in China and overseas through cooperation, co-investment, mergers and acquisitions, etc. to create more value.

As its operating fundamentals and financial position improved further, the Company continued to buy back a total of 117,866,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2015. Since 2011, the Company has been buying back an appropriate amount of its shares every year, which fully manifested the Company’s confidence in its business development, and helped to increase shareholder value.

## **DIVIDENDS**

The Board declared a final dividend of HK4.5 cents (2014: HK5 cents) per share for the year ended 31 December 2015. The final dividend is expected to be paid to shareholders on 20 June 2016 upon approval at the annual general meeting. Together with the interim dividend of HK2.5 cents (2014: HK2.5 cents) per share and the special interim dividend of HK2.5 cents (2014: HK2.5 cents), the total dividend for the full year is HK9.5 cents per share, and the dividend payout ratio is 39%.

## **RESULTS OVERVIEW**

In 2015, the Company’s consolidated revenue and profit attributable to shareholders were HK\$4,395 million and HK\$1,353 million respectively, representing a 2% and 22% decrease compared with last year. Earnings per share was HK24.14 cents, a 22% decrease compared with last year. Excluding the changes of valuation of investment properties and non-recurring items such as the one-off disposal gain arising from the disposal of power generation operations (please refer to note 3 to the consolidated financial statements for details), attributable profit was HK\$859 million, a 4% decrease compared with last year. Out of which the attributable profit from core tourism operations was HK\$625 million, a 2% increase compared with last year, and the attributable profit from non-tourism power generation operations was HK\$234 million.

The Company's financial position remained stable and healthy, with strong investing and financing capabilities. As at 31 December 2015, total assets was HK\$21,216 million, a 1% increase compared with the end of last year; the equity attributable to shareholders was HK\$15,405 million, a 1% decrease compared with the end of last year; cash and bank balances and wealth management products, etc. amounted to HK\$5,659 million, of which cash and bank balances amounted to HK\$3,681 million and deducting bank loans and other borrowings of HK\$828 million, net cash was HK\$2,853 million, a 16% 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");

### **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 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 2015, revenue of travel destination operations was HK\$2,603 million, a 2% increase compared with last year; and attributable profit was HK\$306 million, a 2% decrease compared with the last year. Among which, attributable profit from theme parks and natural and cultural scenic spots increased, attributable loss from leisure resorts decreased, whereas attributable profit from city hotels decreased due to factors including hotel renovations and relatively sluggish Hong Kong and Macau inbound tourism markets.

In 2015, revenue of hotel operations was HK\$760 million, an 18% decrease compared with last year; and attributable profit was HK\$112 million, a 48% decrease compared with last year. The revenue and attributable profit of five hotels in Hong Kong and Macau decreased considerably due to factors including hotel renovations at Mongkok and Macau Metropark Hotels, a strong Hong Kong dollar and loosened visa restrictions drawing tourists to other destinations including Japan and South Korea. Overnight visitor arrivals to Hong Kong will likely to be under some pressure in the short term. In the long term, Hong Kong remains an attractive international tourist destination and new supply of hotel rooms in Hong Kong remains limited, thus creating 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 of the Company's hotels in Mainland China was basically flat and profit increased slightly. Revenue of Metropark Hotels Management Company decreased due to unfavorable market conditions whereas attributable profit increased due to effective cost control and the fact that there was a one-off trademark compensation expense last year.

### Key operation figures

	<b>2015</b>	2014
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	<b>80</b>	89
Average room rate (HK\$)	<b>811</b>	930
Two hotels in Mainland China		
Average occupancy rate (%)	<b>57</b>	56
Average room rate (RMB)	<b>443</b>	465

Revenue of theme parks was HK\$814 million, a 2% increase compared with last year; and attributable profit was HK\$139 million, a 10% increase compared with last year. The increase in revenue was mainly attributable to the increase in per capita spending brought by the launch of new projects by Window of the World and Splendid China and the ticket price increase 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. Profit of Window of the World reached a new high.

Revenue of natural and cultural scenic spots was HK\$630 million, a 61% increase compared with last year; and attributable profit was HK\$49 million, an approximate four times increase compared with last year. The significant growth in revenue and profit was mainly attributable to the contribution of Shapotou Scenic Spot. Revenue and profit of Songshan Scenic Spot also increased.

Revenue of leisure resorts was HK\$398 million, a 7% decrease compared with last year; and attributable loss was HK\$26 million (2014: loss of HK\$73 million). Revenue of Zhuhai OSR decreased due to policy effect and intensified market competition whereas attributable loss decreased due to the recognition of land appreciation net profit of HK\$96 million (actual land appreciation net profit was higher than what the Company had expected in the announcement dated 30 November 2015 because the expenses used in the calculation of land appreciation tax was higher than expected) arising from the formation of joint venture company with Evergrande Real Estate Group to develop Zhuhai OSR Phase 2 Project. Xianyang OSR adjusted its customer mix and signed a new contract with a big corporate client to spur visitors and revenue growth and further reduce losses.

Attributable profit of non-controlling scenic spot investments was HK\$32 million, a 2% decrease compared with last year. The operations of Huangshan Yuping Cable Car were suspended for upgrade work since October last year and resumed in June 2015.

In 2015, the number of visitors to the Company's theme parks, natural and cultural scenic spots and leisure resorts was approximately 12.13 million.

## **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 2015, revenue of the travel agency, travel document and related operations was HK\$1,357 million, a 7% decrease compared with last year mainly due to the completion of disposal of Mangocity.com last year; and attributable profit was HK\$188 million, a 3% increase compared with last year mainly due to the cessation of consolidation of losses from Mangocity.com.

The overall business volume of travel document business declined, resulting in decreased revenue, but due to proper cost control, the profit was similar to that of last year.

## **SUPPLEMENTARY PRODUCTS AND SERVICES**

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

### **1. Passenger Transportation Operations**

In 2015, revenue of passenger transportation operations was HK\$295 million, a 2% increase compared with last year; and attributable profit was HK\$152 million, a 44% increase compared with last year.

China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries served 5.19 million passengers, a 1% decrease compared with last year; revenue was HK\$295 million, a 2% increase compared with last year mainly due to an increase in bus fare in Guangzhou route; and attributable profit was HK\$55 million, a 44% increase compared with last year mainly due to higher revenue and lower fuel price.

Attributable profit of 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 2015, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK\$109 million, a 19% decrease compared with last year mainly due to the request for the golf course to exit the water protection zone; and attributable loss was HK\$3.34 million (2014: profit of HK\$0.85 million).

### **3. Arts Performance Operations**

In 2015, revenue of China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation") was HK\$31 million, an 8% decrease compared with last year; and attributable loss was HK\$1.58 million (2014: profit HK\$3.43 million).

## **POWER GENERATION OPERATIONS**

In 2015, attributable profit of the Company's associated company Shaanxi Weihe Power Co., Ltd. was HK\$234 million.

To focus on its core tourism operations, the Company announced on 24 March 2015 to dispose of the power generation operations to CTS (Holdings) at a consideration of RMB510 million. The Company completed the disposal of the power generation operations on 30 June 2015 and recognized a one-off net gain on disposal of approximately HK\$429 million (The actual gain on disposal, calculated in accordance with the Post-Completion Consideration Adjustment Mechanism, 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 operations as at 31 January 2015. As the power generation operations continued to be profitable from 31 January 2015 to 30 June 2015, the net asset value of the power generation operations as at the completion of the disposal was larger than net asset value of the power generation operations 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 of the power generation operations by ways of organic growth of its core travel operations, development of integrated leisure resorts, acquisitions of travel destination projects and other travel projects, and disposals of loss making operations, etc.

## **PROGRESS ON KEY INITIATIVES**

In 2015, the Company focused on four aspects “enhancing the operation of existing businesses”, “facilitating the development of new business”, “promoting external development and exploration” and “strengthening headquarters’ capability”, in carrying out key initiatives including governance of loss making businesses, increasing revenue and reducing costs, investment and development, 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 its existing business operations and strengthened the governance of its loss-making businesses such as the two OSRs and as a result, the recurring profits of its core tourism operations continued to grow. During the year, the disposal of the non-tourism power generation operations was completed while initiatives to exit from businesses with low or negative return were underway and they will help to improve asset return. The Company had also taken steps to reduce costs and enhance efficiency, including undertaking energy management projects at the two OSRs to pursue further reduction in energy cost. Centralized 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. After exit from businesses with low or negative return, the Company was in a stronger financial position and made an effort to enhance the return on its surplus funds and recorded growth in financial income and wealth management income during the year.

## **2. Facilitating the development of new businesses**

The Company made steady progress in the construction and development two key strategic projects, namely Zhuhai OSR Phase 2 Project and Anji Project. The Zhuhai OSR Phase 2 Project has a land area of approximately 2.77 million sq.m., of which approximately 1.82 million sq.m. are for tourism use and 0.95 million sq.m. are for residential and commercial use. On 30 November 2015, the Company entered into the cooperation agreement with Evergrande Real Estate Group to jointly develop the Zhuhai OSR Phase 2 Project and create the most distinctive leisure resort destination in Mainland China. It is expected that such collaborative efforts will expedite the pace of development and bring in benefits quickly.

The Anji Project has a land area of approximately 0.92 million sq.m. The gross floor area of its five-star leisure resort hotel and supplementary tourism and commercial facilities was approximately 70,000 sq.m. while the gross floor area of its tourism real estate was approximately 270,000 sq.m. The leisure resort hotel of the Anji Project, which is in collaboration with Club Med, started construction in August and is scheduled to open in the second half of 2017. The presale of the first phase of the residential project was launched at year end.

Following the completion of the joint venture of Shapotou Scenic Spot in the second half of last year, Shapotou Scenic Spot 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, the development of which are expected to enhance the service level and capacity of the scenic spot. Currently the construction of the main structure of the Tourist Service Centre and the transportation centre has been completed and they are expected to commence operation in the second half of 2016.

At the same time, the Company actively negotiated for cooperative development projects of tourism resources in areas such as Jining in Shandong, Leshan and Mount Emei in Sichuan and signed a strategic framework agreement with Leshan government to jointly develop the tourism resources in Leshan, including Mount Emei. The cooperation project with Jining government to develop scenic spots adjacent to Qufu, Liangshan and Weishan Lake were under negotiation and the Company strived to complete the acquisition of new scenic spot projects as soon as possible.

### **3. Promoting external development and exploration**

In February 2015, the Company, together with US listed Diamond Resorts International, Inc. and Dorsett Hospitality International Limited in Hong Kong, established a joint venture CDD International Holdings Limited to carry out the business of creating, marketing and selling vacation packages, including vacation ownership, which will help to enhance the development of the Company's travel destination operations and tourism real estate. The management team of CDD International Holdings Limited has come on board and has been actively conducting pre-opening work to integrate internal and external tourism resources, and explore the implementation of the exchangeable tourism real estate business model and the establishment of the exchangeable tourism real estate platform.

The Company also pushed forward diversified shareholding by facilitating the introduction of strategic investors at both the company and subsidiary levels, adding vibrancy and momentum to the enterprise's development through shareholding reform. In 2015, CTS (Holdings) and GUOXIN International Investment Corporation Limited ("GUOXIN") established a joint venture company and CTS (Holdings) injected 20.10% shares of the Company and other assets into the joint venture company in return for 60% shares in the joint venture company, whereas GUOXIN injected cash into the joint venture company in return for 40% shares in the joint venture company. This transaction made our shareholder base more diversified. In addition, the Company has successfully entered into the cooperation agreement with Evergrande Real Estate Group to jointly develop the Zhuhai OSR Phase 2 Project. In the meantime, the Company coordinated internal sales collaboration and launched "The Grand Treasure Hunt" promotional campaign in its tourist attractions 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 to enhance management and control and operational collaboration and promote internal sharing of sales and marketing experiences.

### **5. Enhancing investor relations and strength market capitalisation management**

The Company made great efforts to enhance investor relations and established close connection with the capital market through various activities such as post-results press conference and investor/analyst briefings, non-deal road shows in Hong Kong, Mainland China and Singapore, investor conferences and one-on-one meetings. As a result, investors and analysts developed a better understanding of the strategy and development of the Company and their confidence in the Company was strengthened. Currently, a number of leading securities companies have issued research reports on the Company.

As its operating fundamentals and financial position improved further, the Company continued to buy back a total of 117,866,000 shares of the Company on the Stock Exchange in 2015 at a total consideration of approximately HK\$313.21 million, with an average purchase price of approximately HK\$2.66 per share. Since the beginning of 2016, the Company continued to buy back a total of 49,654,000 shares of the Company on the Stock Exchange at a total consideration of approximately HK\$132.84 million, with an average purchase price of approximately HK\$2.68 per share.

Since 2011, the Company has been buying back an appropriate amount of its shares every year, which fully manifested the Company's confidence in its business development, and helped to increase shareholder value.

## **THE COMPANY'S DEVELOPMENT STRATEGY**

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

### **1. 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 extend 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.

The Company will explore the successful model of transformation from sight-seeing scenic spot to leisure scenic spot, aggressively acquire national scenic spot destinations and complete the establishment of a national network of scenic spot destinations.

## **2. City travel destinations**

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

## **3. Leisure resort destinations**

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

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

## **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 extend the staying time of customers, so as to develop a modern travel destination life circle.

The Company will focus on natural and cultural scenic spot destinations, city travel destinations, leisure resort destinations, and new types of travel destinations and make strategic investment in supplementary businesses with strong synergy through capital operations.

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

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

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

The Company will actively push forward reform of systems and mechanisms of enterprise and activate the development vigor of enterprise. At the Company level, the introduction of strategic investor will improve the Company's 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.

## **KEY INITIATIVES IN 2016**

In 2016, the Company will continue to focus on structural enhancement, transformation and process reengineering in its work. After the disposal of its power generation operations, the Company will strengthen its tourism investment and carry out the following key initiatives to ensure its healthy and rapid development:

### **1. Enhancing the operation of existing businesses to enhance results**

The Company will focus on the governance of the Zhuhai OSR Phase 1 Project and improve its operation through various means such as optimising business model, creating innovative products, renovating facilities and enhancing service quality, with an ultimate aim to turnaround its business and make it a core product of the Company's leisure resort products. Faced with the challenges of market slowdown, the Hong Kong and Macau hotels will strengthen their sales and marketing efforts, control costs to improve profitability and continue to implement asset enhancement program in an orderly manner. The Company will continue to adjust its asset structure, actively pursue the opportunities of exit from businesses with low or negative return including some hotel, travel destination and travel service projects, and aim for achieving a breakthrough within this year. In addition, the Company will continue its efforts in cost control, efficiency enhancement and centralised procurement.

## **2. Facilitating the development of new projects and businesses to enhance results**

The Company will actively push forward the development of the Zhuhai OSR Phase 2 Project and aim to launch presale of its tourism real estate and bring in cash flow in the second half of 2016. It will also strengthen the sales effort of tourism real estate of the Anji Project, enrich its product portfolio and actively seek partners to acquire funding, enhance capabilities, diversify investment risks and enhance project return. The Tourist Service Centre of Shapotou Scenic Spot, which is expected to commence operation in the second half of 2016, will have to deliver results to promote the continuous rapid growth of Shapotou Scenic Spot. The Company will actively push forward the planning, design and construction of the Songshan Tourism Town Project and the planning for expansion of the Shapotou Scenic Spot in order to establish the Company's scenic spot brand and facilitate the quality enhancement and upgrade of existing scenic spots. The Company also aims to achieve a breakthrough in acquiring scenic spot projects in areas such as Jining in Shandong, Leshan and Mount Eme in Sichuan.

## **3. Strengthening capital operations and promoting external development to enhance results**

The Company will strengthen its capital operations to promote profit growth. It will actively seek hotel expansion opportunities through restructuring and integration; seek opportunities for tapping into leisure resorts with core products at home and overseas through various approaches such as mergers and acquisitions and broaden the existing development model of leisure resort destinations; focus on travel destinations and make strategic investment in supplementary businesses with strong synergy. In addition, the Company will push forward the development and operation of CDD International Holdings Limited to integrate internal and external tourism resources, and establish a system of exchangeable tourism real estate and implement it gradually. The Company will also continue to negotiate for the introduction of strategic investors at both the company and subsidiary levels.

## **4. Strengthening headquarters' capability and overall innovative capability**

The Company will continue to enhance its corporate structure and control mechanism, recruit professional talents and focus on strengthening its strategy execution capability to promote the rapid development of the Company. It will strengthen innovations in product, management and business model to enhance results.

## **5. Enhancing investor relations and market capitalisation management**

The Company will enhance its investor relations efforts further to help the capital market better understand its development strategy and operation, reinforce capital market confidence in the Company and unlock the intrinsic value of the Company. Meanwhile, the Company will buy back its shares at the appropriate time to increase shareholder value.

## **NUMBER AND REMUNERATION OF EMPLOYEE**

As at 31 December 2015, the Group had 10,059 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 31 December 2015, the cash and bank balances of the Group amounted to HK\$3,681 million whereas the bank and other borrowings amounted to HK\$828 million. The debt-to-capital ratio was 18.98% and the debt includes bank and other borrowings, trade and other payables, amounts due to the immediate holding company and fellow subsidiaries.

## **FOREIGN EXCHANGE RISK**

The Group has certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus exposes a certain level of foreign currency risk. The Group has entered into foreign exchange swap to partially hedge against RMB 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 31 December 2015, the Group's bank deposits of approximately HK\$58 million (31 December 2014: HK\$37 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.

## **CONTINGENT LIABILITIES**

As at 31 December 2015, the Group's 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).

## **BUSINESS PROSPECTS**

In 2016, although the global economy faces various challenges and grows slower with significant downside risks pressure, thanks to the healthy fundamentals of the domestic economy and the normalisation of tourism consumption, development of the current tourism economy is still on the fast lane. Although the Company achieved overall satisfactory results in 2015, certain business units are still faced with notable challenges, earnings gap following the disposal of power generation operations needs to be filled and the pace of development of new businesses needs to be quickened.

In 2016, although the external circumstances and market environment are full of challenges, 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 cope with challenges actively and enhance results through enhancing the operation of existing businesses, facilitating the development of new projects and businesses, and strengthening innovations in product, management and business model, so as to reinforce market confidence and create shareholder value.

Ms. Jiang Yan has resigned from the position of the Chairman of the Company on 19 February 2016 to devote more time for her commitments at CTS (Holdings) and China CTS (HK), the controlling shareholders of the Company. The Company has achieved rapid development and growth in its business under the leadership of Ms. Jiang. The Board would like to take this opportunity to express its sincere gratitude to Ms. Jiang for her valuable contributions towards the Company during her tenure of service. I would also like to take this opportunity to express my deepest gratitude to shareholders for their trust and support and to fellow Board members, the management and the staff for their hard work, contribution and achievements.

**Xu Muhan**  
*Chairman of the Board*

Hong Kong, 30 March 2016

The Board of Directors (the “Board”) of China Travel International Investment Hong Kong Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 together with the comparative figures.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>4,395,389</b>	4,475,142
Cost of sales		<u>(2,391,052)</u>	<u>(2,417,299)</u>
Gross profit		<b>2,004,337</b>	2,057,843
Other income and gains, net	4	<b>262,360</b>	1,048,465
Changes in fair value of investment properties		<b>73,353</b>	70,049
Selling and distribution costs		<b>(536,472)</b>	(503,597)
Administrative expenses		<u>(932,331)</u>	<u>(996,108)</u>
Operating profit	6	<b>871,247</b>	1,676,652
Finance income	5	<b>129,001</b>	140,081
Finance costs	5	<b>(24,332)</b>	(30,276)
Finance income, net	5	<b>104,669</b>	109,805
Share of profits less losses of			
Associates		<b>127,803</b>	97,827
Joint ventures		<u>5,144</u>	<u>6,735</u>
<b>Profit before taxation</b>		<b>1,108,863</b>	1,891,019
Taxation	7	<u>(239,635)</u>	<u>(310,182)</u>
<b>Profit for the year from continuing operations</b>		<b>869,228</b>	1,580,837
<b>Discontinued operations</b>	12		
Profit for the year from discontinued operations		<u>662,917</u>	<u>284,322</u>
<b>Profit for the year</b>		<u><b>1,532,145</b></u>	<u>1,865,159</u>

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000 (restated)
<b>Attributable to:</b>			
Equity owners of the Company		<b>1,352,750</b>	1,738,884
Non-controlling interests		<u><b>179,395</b></u>	<u>126,275</u>
<b>Profit for the year</b>		<u><b>1,532,145</b></u>	<u>1,865,159</u>
<b>Earnings per share for profit attributable to equity owners of the Company (HK cents)</b>			
	9		
<b>Basic earnings per share</b>			
From continuing operations		<b>12.31</b>	25.87
From discontinued operations		<u><b>11.83</b></u>	<u>5.06</u>
From profit for the year		<u><b>24.14</b></u>	<u>30.93</u>
<b>Diluted earnings per share</b>			
From continuing operations		<b>12.27</b>	25.82
From discontinued operations		<u><b>11.79</b></u>	<u>5.05</u>
From profit for the year		<u><b>24.06</b></u>	<u>30.87</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (restated)
<b>Profit for the year</b>	<u>1,532,145</u>	<u>1,865,159</u>
<b>Other comprehensive income/(loss)</b>		
<b>Item that will not be reclassified subsequently to profit or loss:</b>		
Gain on property valuation, net of tax	110,975	1,745
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Share of hedging reserve of an associate	9,895	(30,025)
Release of exchange difference upon disposal of subsidiaries	(149,321)	(94,776)
Exchange differences on translation of foreign operations, net	<u>(615,440)</u>	<u>(24,929)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(643,891)</u>	<u>(147,985)</u>
<b>Total comprehensive income for the year</b>	<u><u>888,254</u></u>	<u><u>1,717,174</u></u>
<b>Attributable to:</b>		
Equity owners of the Company	761,324	1,592,652
Non-controlling interests	<u>126,930</u>	<u>124,522</u>
	<u><u>888,254</u></u>	<u><u>1,717,174</u></u>
<b>Total comprehensive income attributable to owners of the company arises from:</b>		
Continuing operations	98,407	1,308,330
Discontinued operations	<u>662,917</u>	<u>284,322</u>
	<u><u>761,324</u></u>	<u><u>1,592,652</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Note</i>	<b>31 December 2015 HK\$'000</b>	31 December 2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,919,792	9,947,765
Investment properties		1,439,590	1,285,274
Prepaid land lease payments		429,169	464,583
Goodwill		1,330,151	1,330,151
Other intangible assets		174,093	185,101
Interests in associates		998,879	1,020,460
Interests in joint ventures		47,977	40,204
Available-for-sale investments		27,068	27,771
Prepayments		85,658	91,951
Deferred tax assets		<u>56,293</u>	<u>19,632</u>
Total non-current assets		<u>12,508,670</u>	<u>14,412,892</u>
<b>Current assets</b>			
Inventories		36,012	31,833
Properties under development		2,026,394	106,450
Trade receivables	<i>10</i>	173,047	188,336
Deposits, prepayments and other receivables		877,565	1,366,176
Amount due from immediate holding company		186,497	26,939
Amounts due from fellow subsidiaries		25,392	32,379
Tax recoverable		3,910	1,744
Financial assets at fair value through profit or loss		1,640,050	1,419,753
Pledged time deposits		57,984	37,317
Cash and bank balances		<u>3,680,731</u>	<u>3,327,025</u>
Total current assets		<u>8,707,582</u>	<u>6,537,952</u>
<b>Total assets</b>		<u><u>21,216,252</u></u>	<u><u>20,950,844</u></u>

	<i>Note</i>	<b>31 December 2015 HK\$'000</b>	31 December 2014 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		9,088,838	8,966,896
Reserves		<u>6,316,321</u>	<u>6,575,037</u>
		<b>15,405,159</b>	15,541,933
<b>Non-controlling interests</b>		<u>1,093,669</u>	<u>1,090,850</u>
<b>Total equity</b>		<u><b>16,498,828</b></u>	<u>16,632,783</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		1,132,980	1,039,220
Bank and other borrowings		805,659	806,142
Deferred tax liabilities		<u>417,296</u>	<u>401,663</u>
Total non-current liabilities		<u><b>2,355,935</b></u>	<u>2,247,025</u>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	349,785	300,705
Other payables and accruals		1,778,338	1,533,198
Amount due to immediate holding company		8,215	4,131
Amounts due to fellow subsidiaries		9,438	26,415
Tax payable		193,045	144,510
Bank and other borrowings		<u>22,668</u>	<u>62,077</u>
Total current liabilities		<u><b>2,361,489</b></u>	<u>2,071,036</u>
<b>Total liabilities</b>		<u><b>4,717,424</b></u>	<u>4,318,061</u>
<b>Total equity and liabilities</b>		<u><b>21,216,252</b></u>	<u>20,950,844</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

China Travel International Investment Hong Kong Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in following activities:

- Tourist attraction operations
- Travel agency and related operations
- Hotel operations
- Passenger transportation operations
- Golf club operations
- Arts performance operations
- Power generation operations

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

In the opinion of the directors, immediate holding company of the Company is China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”), which is incorporated in Hong Kong, and the parent company is China National Travel Service (HK) Group Corporation (“China CTS (HK)”), a PRC state-owned enterprise.

### 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 3 to the consolidated financial statements.

The financial information relating to the years ended 31 December 2014 and 2015 included in this preliminary announcement of annual results 2015 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2015 in due course.

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

**(a) New and amended standards adopted by the Group**

The following new standards and amendments 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

The adoption of the new HKFRSs in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

**(b) New standards, amendments and interpretations to existing standards that are not effective and have not been early adopted by the Group**

At the date of authorisation of these consolidated financial statements, 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 by the Group:

HKFRS 14 <sup>(1)</sup> Amendment to HKFRS 11 <sup>(1)</sup>	Regulatory Deferred Accounts Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38 <sup>(1)</sup>	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41 <sup>(1)</sup>	Agriculture: bearer plants
HKFRS 10 and HKAS 28 (amendment) <sup>(1)</sup>	Investment entities: applying the consolidation exception
HKFRS 10, HKFRS 12 and HKAS 28 (amendment) <sup>(1)</sup>	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to HKAS 27 <sup>(1)</sup>	Equity method in separate financial statements
Amendments to HKAS 1 <sup>(1)</sup>	Disclosure initiative
HKFRS 15 <sup>(2)</sup>	Revenue from Contracts with Customers
HKFRS 9 <sup>(2)</sup>	Financial Instruments
Annual Improvement 2012 – 2014 Cycle <sup>(1)</sup>	Amendments to a number of HKFRSs issued in October 2014

<sup>(1)</sup> Effective for financial periods beginning on or after 1 January 2016

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

The Group is in the process of assessing the impact of these standards, amendments and interpretations to existing standards and it is not certain whether there will be a material impact on the consolidated financial statements of the Group.

**(c) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### **3 OPERATING SEGMENT INFORMATION**

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

- (a) the tourist attraction operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities, hot spring resorts, other resorts and tourism property development located in Mainland China;
- (b) the travel agency and related operations segment engages in the provision of travel agency and related services in Hong Kong, Mainland China, South East Asia, Oceania, the United States of America and countries in the European Union;
- (c) the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China;
- (d) the passenger transportation operations segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicle rental and charter operations in Hong Kong, Macau and Mainland China;
- (e) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members of the Group’s golf club in Shenzhen, Mainland China;
- (f) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas; and

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

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker and monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) attributable to equity owners of the Company of each reportable operating segment excluding material non-recurring incomes or expenses, such as changes in fair value of investment properties (net of tax), net gain on disposal of subsidiaries, and net gain/(loss) on disposal of property, plant and equipment and land contribution to associate.

Segment assets include all tangible and intangible assets and current assets with the exception of interests in associates and joint ventures, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities includes all trade and other payables, bank and other borrowings, tax payable and deferred tax liabilities, except for head office and corporate liabilities that are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices for sales transactions made to third parties at the then prevailing market prices.

Certain comparative figures in the operating segment information have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2015 and 2014, and on the Group's profits for the year ended 31 December 2015 and 2014.

## Year ended 31 December 2015

	Continuing operations								Discontinued operations		
	Tourist attraction operations	Travel agency and related operations	Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Total of reportable segments	Corporate and others	Total	Power generation operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:											
Sales to external customers	1,843,091	1,356,848	759,943	295,399	109,258	30,850	4,395,389	-	4,395,389	-	4,395,389
Intersegment revenue	11,078	5,650	3,465	1,067	-	-	21,260	20,350	41,610	-	41,610
	<u>1,854,169</u>	<u>1,362,498</u>	<u>763,408</u>	<u>296,466</u>	<u>109,258</u>	<u>30,850</u>	<u>4,416,649</u>	<u>20,350</u>	<u>4,436,999</u>	<u>-</u>	<u>4,436,999</u>
Elimination of intersegment revenue							(21,260)	(20,350)	(41,610)	-	(41,610)
Revenue							<u>4,395,389</u>	<u>-</u>	<u>4,395,389</u>	<u>-</u>	<u>4,395,389</u>
Segment results	<u>194,681</u>	<u>188,149</u>	<u>111,658</u>	<u>151,908</u>	<u>(3,342)</u>	<u>(1,580)</u>	<u>641,474</u>	<u>(16,311)</u>	625,163	233,546	858,709
Changes in fair value of investment properties, net of tax									66,599	-	66,599
Gain on disposal of subsidiaries, net of tax									(66)	429,371	429,305
Loss on disposal of investment property									(606)	-	(606)
Loss on disposal of property, plant and equipment, net									(4,319)	-	(4,319)
Other income and gains									3,062	-	3,062
Non-controlling interests									<u>179,395</u>	<u>-</u>	<u>179,395</u>
Profit for the year									<u>869,228</u>	<u>662,917</u>	<u>1,532,145</u>
Segment assets	8,261,838	2,939,142	4,136,170	200,180	702,342	104,591	16,344,263	3,825,133	20,169,396	-	20,169,396
Interests in associates	519,187	-	-	479,692	-	-	998,879	-	998,879	-	998,879
Interests in joint ventures	-	-	-	30,005	-	17,972	47,977	-	47,977	-	47,977
Intersegment receivables	<u>19,467</u>	<u>978,938</u>	<u>420,338</u>	<u>2,704</u>	<u>-</u>	<u>-</u>	<u>1,421,447</u>	<u>16,113,818</u>	<u>17,535,265</u>	<u>-</u>	<u>17,535,265</u>
	<u>8,800,492</u>	<u>3,918,080</u>	<u>4,556,508</u>	<u>712,581</u>	<u>702,342</u>	<u>122,563</u>	<u>18,812,566</u>	<u>19,938,951</u>	<u>38,751,517</u>	<u>-</u>	<u>38,751,517</u>
Elimination of intersegment receivables									(17,535,265)		(17,535,265)
Total assets									<u>21,216,252</u>		<u>21,216,252</u>
Segment liabilities	2,005,873	466,212	504,144	87,103	609,172	17,213	3,689,717	1,027,707	4,717,424	-	4,717,424
Intersegment payables	<u>2,779,397</u>	<u>392,792</u>	<u>2,679,380</u>	<u>558,571</u>	<u>194,634</u>	<u>55,998</u>	<u>6,660,772</u>	<u>10,874,493</u>	<u>17,535,265</u>	<u>-</u>	<u>17,535,265</u>
	<u>4,785,270</u>	<u>859,004</u>	<u>3,183,524</u>	<u>645,674</u>	<u>803,806</u>	<u>73,211</u>	<u>10,350,489</u>	<u>11,902,200</u>	<u>22,252,689</u>	<u>-</u>	<u>22,252,689</u>
Elimination of intersegment payables									(17,535,265)		(17,535,265)
Total liabilities									<u>4,717,424</u>		<u>4,717,424</u>

## Year ended 31 December 2014

	Continuing operations							Discontinued operations		Consolidated	
	Tourist attraction operations	Travel agency and related operations	Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Total of reportable segments	Corporate and others	Total		Power generation operations
	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	1,619,143	1,466,573	930,149	290,947	134,643	33,687	4,475,142	-	4,475,142	-	4,475,142
Intersegment revenue	14,327	8,490	5,784	919	150	26	29,696	22,646	52,342	-	52,342
	<u>1,633,470</u>	<u>1,475,063</u>	<u>935,933</u>	<u>291,866</u>	<u>134,793</u>	<u>33,713</u>	<u>4,504,838</u>	<u>22,646</u>	<u>4,527,484</u>	-	<u>4,527,484</u>
Elimination of intersegment revenue							(29,696)	(22,646)	(52,342)	-	(52,342)
Revenue							<u>4,475,142</u>	-	<u>4,475,142</u>	-	<u>4,475,142</u>
Segment results	<u>96,311</u>	<u>182,700</u>	<u>216,450</u>	<u>105,549</u>	<u>849</u>	<u>3,431</u>	<u>605,290</u>	<u>9,497</u>	614,787	284,322	899,109
Changes in fair value of investment properties, net of tax									62,742	-	62,742
Gain on disposal of subsidiaries, net of tax									751,008	-	751,008
Gain on disposal of property, plant and equipment, net									26,328	-	26,328
Other income and gains									3,107	-	3,107
Impairment of interest in an associate									(3,410)	-	(3,410)
Non-controlling interests									126,275	-	126,275
Profit for the year									<u>1,580,837</u>	<u>284,322</u>	<u>1,865,159</u>
Segment assets	8,337,604	2,801,472	4,504,888	147,600	729,547	121,317	16,642,428	3,247,752	19,890,180	-	19,890,180
Interests in associates	136,252	-	-	406,635	-	-	542,887	-	542,887	477,573	1,020,460
Interests in joint ventures	-	-	-	28,227	-	11,977	40,204	-	40,204	-	40,204
Intersegment receivables	9,293	835,167	761,093	5,651	-	-	1,611,204	13,680,819	15,292,023	-	15,292,023
	<u>8,483,149</u>	<u>3,636,639</u>	<u>5,265,981</u>	<u>588,113</u>	<u>729,547</u>	<u>133,294</u>	<u>18,836,723</u>	<u>16,928,571</u>	<u>35,765,294</u>	<u>477,573</u>	<u>36,242,867</u>
Elimination of intersegment receivables									(15,292,023)		(15,292,023)
Total assets									<u>20,473,271</u>		<u>20,950,844</u>
Segment liabilities	1,584,979	454,646	614,841	79,288	605,499	21,420	3,360,673	957,388	4,318,061	-	4,318,061
Intersegment payables	2,716,884	42,255	2,840,592	601,318	220,070	58,281	6,479,400	8,812,623	15,292,023	-	15,292,023
	<u>4,301,863</u>	<u>496,901</u>	<u>3,455,433</u>	<u>680,606</u>	<u>825,569</u>	<u>79,701</u>	<u>9,840,073</u>	<u>9,770,011</u>	<u>19,610,084</u>	-	<u>19,610,084</u>
Elimination of intersegment payables									(15,292,023)		(15,292,023)
Total liabilities									<u>4,318,061</u>		<u>4,318,061</u>

## Geographical information

### (a) Revenue from external customers

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	1,708,257	1,866,475
Mainland China (including Macau)	2,328,809	2,273,252
Overseas	<u>358,323</u>	<u>335,415</u>
	<u><u>4,395,389</u></u>	<u><u>4,475,142</u></u>

The analysis of the Group's revenue by geographical area is based on the location of customers in respect of travel agency and related operations, and the location at which the services were provided in respect of other operations.

### (b) Non-current assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	5,256,712	5,154,593
Mainland China (including Macau)	7,083,203	9,140,502
Overseas	<u>85,394</u>	<u>70,394</u>
	<u><u>12,425,309</u></u>	<u><u>14,365,489</u></u>

The information about the Group's non-current assets is based on the physical location of assets which exclude available-for-sale investments and deferred tax assets.

## Information about major customers

There was no revenue from any sales to any single external customer that contributed over 10% of the total sales of the Group during the years ended 31 December 2015 (2014: Nil).

#### 4 REVENUE, OTHER INCOME AND GAINS, NET

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

An analysis of revenue, other income and gains, net, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>		
Tourist attraction operations	1,843,091	1,619,143
Travel agency and related operations	1,356,848	1,466,573
Hotel operations	759,943	930,149
Passenger transportation operations	295,399	290,947
Golf club operations	109,258	134,643
Arts performance operations	30,850	33,687
	<u>4,395,389</u>	<u>4,475,142</u>
<b>Other income</b>	166,461	167,405
<b>Gains, net</b>	<u>95,899</u>	<u>881,060</u>
	<u>262,360</u>	<u>1,048,465</u>

The gains, net above included loss on disposal of subsidiaries, net of HK\$66,000 (2014: Gain of HK\$837,750,000) and loss on disposal of investment property of HK\$606,000 (2014: nil).

#### 5 FINANCE INCOME, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income:		
Bank deposits and entrustment loans	<u>129,001</u>	<u>140,081</u>
Finance income	----- <u>129,001</u>	----- <u>140,081</u>
Interest expense:		
Bank borrowings, overdrafts and other borrowings – Wholly repayable within five years	<u>(24,332)</u>	<u>(30,276)</u>
Finance costs	----- <u>(24,332)</u>	----- <u>(30,276)</u>
Finance income, net	<u>104,669</u>	<u>109,805</u>

## 6 OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (restated)
Depreciation	464,917	484,089
Amortisation of prepaid land lease payments	27,138	24,624
Amortisation of other intangible assets	3,259	3,306
Total employee benefit expenses	1,225,465	1,295,635
Minimum lease payments under operating leases:		
Land and buildings	81,805	84,673
Plant and machinery and motor vehicles	17,270	22,179
Provision for impairment of trade and other receivables, net	2,818	6,590
Rental income on investment properties less direct operating expenses HK\$1,591,000 (2014: HK\$1,167,000)	<u>(34,393)</u>	<u>(33,404)</u>

## 7 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	51,082	73,265
Underprovision in prior years	–	568
Current – Mainland China and Macau		
Charge for the year	212,725	231,140
Overprovision in prior years	237	(138)
Overseas – Charge for the year	1,720	677
Deferred tax	<u>(26,129)</u>	<u>4,670</u>
Total tax charge for the year	<u>239,635</u>	<u>310,182</u>

## 8 DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend, paid, of HK2.5 cents (2014: HK2.5 cents) per ordinary share	138,635	140,357
Special interim dividend, paid, of HK2.5 cents (2014: HK2.5 cents) per ordinary share	138,635	140,357
Final dividend, proposed, of HK4.5 cents (2014: HK5 cents) per ordinary share	247,896	280,843
Special final dividend, nil (2014: HK2 cents per ordinary share)	<u>–</u>	<u>112,337</u>
	<u><b>525,166</b></u>	<u><b>673,894</b></u>

At a board meeting held on 30 March 2016, the Directors proposed a final dividend of HK4.5 cents per share. These proposed dividends are not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2015.

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

The calculations of basic and diluted earnings per share are based on:

	2015	2014
<b>Basic earnings per share</b>		
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	689,833	1,454,562
Profit from discontinued operations attributable to equity owners of the Company (HK\$'000)	<u>662,917</u>	<u>284,322</u>
Profit attributable to equity owners of the Company (HK\$'000)	<u><b>1,352,750</b></u>	<u><b>1,738,884</b></u>
Weighted average number of ordinary shares in issue	<u><b>5,603,173,306</b></u>	<u><b>5,622,261,004</b></u>
Basic earnings per share from continuing operations (HK cents)	12.31	25.87
Basic earnings per share from discontinued operations (HK cents)	<u>11.83</u>	<u>5.06</u>
	<u><b>24.14</b></u>	<u><b>30.93</b></u>

## Diluted earnings per share

Diluted earnings per share 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 average annual market share price of the company's shares) 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.

	2015	2014
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	689,833	1,454,562
Profit from discontinued operations attributable to equity owners of the Company (HK\$'000)	<u>662,917</u>	<u>284,322</u>
Profit attributable to equity owners of the Company (HK\$'000)	<u><u>1,352,750</u></u>	<u><u>1,738,884</u></u>
Weighted average number of ordinary shares in issue		
Adjustments for:		
– Share options	<u>19,137,349</u>	<u>11,517,591</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>5,622,310,655</u></u>	<u><u>5,633,778,595</u></u>
Diluted earnings per share from continuing operations (HK cents)	12.27	25.82
Diluted earnings per share from discontinued operations (HK cents)	<u>11.79</u>	<u>5.05</u>
	<u><u>24.06</u></u>	<u><u>30.87</u></u>

## 10 TRADE RECEIVABLES

The Group allows an average credit period from 30 to 90 days to its trade debtors. As the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral as security. Trade receivables are non-interest-bearing.

At 31 December 2015 and 2014, the ageing analysis of the trade receivables, based on the invoice date and net of the provision for impairment of trade receivables, is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	<b>157,070</b>	163,426
3 to 6 months	<b>7,382</b>	13,673
6 to 12 months	<b>2,903</b>	4,995
1 to 2 years	<b>5,692</b>	6,008
Over 2 years	—	234
	<u><b>173,047</b></u>	<u>188,336</u>

## 11 TRADE PAYABLES

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	<b>294,874</b>	256,067
3 to 6 months	<b>20,360</b>	15,420
6 to 12 months	<b>4,429</b>	5,126
1 to 2 years	<b>11,038</b>	10,964
Over 2 years	<b>19,084</b>	13,128
	<u><b>349,785</b></u>	<u>300,705</u>

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

## 12 DISCONTINUED OPERATION

On 24 March 2015, the Company entered into an agreement (“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 (“Chadwick”) for a consideration of RMB510 million (subject to future adjustments). Chadwick owns 51% equity interest in Shaanxi Weihe Power Co., Ltd. (“Shaanxi Weihe Power”), which is principally engaged in the operation of power generation in Mainland China and is an associate of the Group. As power generation operation was identified as a separate operating business of the Group by management, the operations of Shaanxi Weihe Power is classified as discontinued operation in the consolidated financial statements. The disposal was approved by the shareholders on 20 May 2015 and was completed in June 2015.

The Post-Completion Consideration Adjustment Mechanism of the Agreement resulted in 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 disposal resulted in a net gain of approximately HK\$429 million, while the share of profit of the investment in Shaanxi Weihe Power for the period was approximately HK\$234 million.

During the year ended 31 December 2015, the Group recorded HK\$170 million contingent consideration based on the Weihe Power profits for the year ended 31 December 2015, which was larger than the base value for the period, and the amount is included in net gain above.

The Group has considered that there should not be significant deviation between Weihe Power profits and their respective base values of subsequent year end and period end. Accordingly, the contingent payment has not been accounted for in the year.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **FINAL DIVIDEND**

The Board of Directors has resolved to recommend the payment of a final dividend of HK4.5 cents per ordinary share (2014: HK5 cents per share) for the year ended 31 December 2015.

Subject to shareholders' approval with regard to the proposed payment of the final dividends at the forthcoming annual general meeting to be held on Friday, 20 May 2016, the proposed dividends are expected to be paid on Monday, 20 June 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016 (both dates inclusive), for the purposes of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, 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 Tuesday, 17 May 2016.

For the purposes of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016 (both dates inclusive). In order to qualify for the proposed final dividend, all transfers 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, 26 May 2016.

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

During the year, the Company repurchased a total of 117,866,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which were cancelled during the year. The number of issued shares as of 31 December 2015 was 5,549,763,525 shares. Particulars of the shares repurchased during the year are as follows:

Month/Year	Number of 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
July 2015	34,556,000	3.00	2.26	88,322,040
August 2015	42,682,000	2.84	2.48	114,324,740
September 2015	27,710,000	2.84	2.52	73,775,660

The Directors consider that the repurchases 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 or and the Company did not redeem any of the Company's listed securities during the year.

## 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.

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2015, except for the following deviations:

- Code Provision A.2.7 specifies that the Chairman should at least annually hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the executive directors present. During the year, the Chairman did not hold any meeting with the Non-Executive Directors without the Executive Directors present because the Non-Executive Directors of the Company may express their views directly to the Chairman from time to time via other means including correspondences and emails. The Company is of the view that there is efficient communication between the Chairman and Non-Executive Directors.

- 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.

### **Application of Exemption to Continuing Connected Transaction**

Reference is made to the Company’s announcement dated 6 November 2012 in relation to the renewal of continuing connected transaction. The Company announces that CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. (“CTS (Dengfeng)”), a non-wholly owned subsidiary of the Company, is an insignificant subsidiary (as defined in the Listing Rules) of the Company and the transaction between CTS (Dengfeng) and Henan Province Songshan Scenic Spot Management Committee, a substantial shareholder of CTS (Dengfeng), under the franchise agreement is no longer a continuing connected transaction and is exempted from the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. The Company will apply the exemption beginning from the financial year 2016 so long as the transaction meets the exemption requirements under the Listing Rules.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management on the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the final results of the Company for the year ended 31 December 2015.

## **PUBLICATION OF 2015 FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company website at [www.irasia.com/listco/hk/ctii/](http://www.irasia.com/listco/hk/ctii/). The 2015 Annual Report will be available on the HKExnews and the Company websites, and despatched to the shareholders of the Company in due course.

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

Hong Kong, 30 March 2016

## **DIRECTORS**

As at the date of this announcement, the Directors are:

### ***Executive Directors:***

Mr. Xu Muhan, Mr. Lo Sui On, Mr. Zhang Fengchun, Mr. Fu Zhuoyang and Mr. Qu, Simon Tao

### ***Independent Non-Executive Directors:***

Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.