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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: 00308)

ANNOUNCEMENT OF 2017 FINAL RESULTS

CHAIRMAN'S STATEMENT

On behalf of the Board of China Travel International Investment Hong Kong Limited, I express my heartfelt thanks to all our shareholders and all sectors of society for their concern for and support to the Company. I would also like to express my deepest gratitude to my fellow Board members, the management and staff for their hard work, creative ideas, contributions and achievements.

SUMMARY OF RESULTS

The year 2017 witnessed the significant growth of the world economy and a better-than-expected Chinese economy with good momentum. The tourism industry was ranked first among the “Five Happiness Industries” and became a new engine of the economic growth. The Company’s tourist attraction operation and related business are offered good opportunities and are achieving satisfactory results. The Company’s consolidated revenue and profit attributable to shareholders were approximately HK\$4,910 million and HK\$1,150 million respectively, representing 21% and 226% increases compared with last year. Profit attributable to the operating tourism business was approximately HK\$1,110 million, a 168% increase compared with last year. The increase in profit attributable to shareholders was mainly due to operating growth and a one-off gain generated from assets operation.

The Board declared a final dividend of HK5.5 cents per share for the year ended 31 December 2017. The final dividend will be paid to shareholders on 29 June 2018 upon approval at the annual general meeting. Together with the interim dividend of HK3 cents per share, the total dividend for the full year is HK8.5 cents per share, and the dividend payout ratio is 40%.

IMPLEMENTATION OF STRATEGIES

In 2017, the Company was firmly committed to the strategic development direction of becoming “an investor, developer and operator of top-tier travel destinations”. We focused closely on tourism resources and customer base and further refined our strategic development plan to secure quality resources of tourist attractions and accelerated our strategic plan, reinforced implementation, optimized the business and development modes, and made great strides in enhancing our core competence to maintain growth momentum. At the same time, the quality and efficiency of our existing business were enhanced so as to effectively prevent and mitigate risks. In light of these efforts, the operation and management of the Company and its business development is constantly improved.

The Company actively explored a new development model of cooperation with local governments through model innovation, searching new paths of development, building new platform and exploring new business model. It established a project platform based on the “new development path integrated with innovative product, quality resource and capital”, acquired quality resources in key regions (including quality scenic spots), promoted the expansion and implementation of projects with creative product concepts such as China Travel National Holiday Parks, China Travel Resorts and Holistic Tourism, and increased its number of projects with quality resources, good market prospect and geographical advantages which offer great development potential. Through the transformation and upgrading of their own business models, especially on products and services, the Company’s subsidiaries explored new operating model, added new source of revenue and created new paths to increase effectiveness. We succeeded in exploring the obstacles in the course of development including the exit of CTS Tycoon (Shenzhen) Golf Club and business expansion of the Songshan scenic spot by the adoption of innovative cooperation model combining heavy and light assets, and ultimately discovered a win-win solution towards the road of cooperative development.

The Company endeavored to improve the operational results of its existing subsidiaries and urged its subsidiaries to put more effort into product development, festival planning and marketing activity, and made new breakthroughs in terms of business expansion, service upgrade and refinement of management. As a result, the Company’s asset quality further improved and its profitability was further enhanced.

The Company completed the exit of CTS Tycoon (Shenzhen) Golf Club successfully and settled the arrangements of its employees properly to resolve a major operational risk. Also, the Company made appropriate measures to cope with the environmental protection risk of Shapotou scenic spot, minimising the loss suffered.

FUTURE PROSPECTS

Tourism has developed into one of China's key strategic pillar industries. The drive "To meet people's ever-increasing needs for a better life" has fueled a strong tourism industry of great potential and unprecedented development opportunities. The Company will maintain its strategic position of becoming "an investor, developer and operator of top-tier travel destinations". In fulfilling its mission of "creating new travel destinations and leading a new mass tourism lifestyle", the Company will focus on the development of natural and cultural scenic spots and leisure resort destinations, explore new model for the light-asset and professional tourism business, and strive to become a leader in comprehensive tourism destination service industry in China.

The Company will continue to implement an innovation-driven strategy of "leapfrog development". It will focus on continuously strengthening product services and marketing, will take advantage of model innovations to promote the governance of its structure, and will reform its systems, mechanisms and principles to enhance its brand reputation and influence, improve operating efficiency and benefits and core competitiveness, and boost development of all its lines of business.

The Company will continuously strengthen new business development to record revenue and profit contribution. Strategically, the Company will focus on securing quality resources to develop iconic and demonstrative projects. As to project profit cycles, the Company will develop short, medium and long-term projects and give priority to those which will contribute revenue and profit in the short run. The Company will place greater emphasis on the development of iconic projects such as Zhuhai Ocean Spring Resort ("OSR") Phase 2 Project and Songshan Shaolin Town, and push forward the key projects including Chongzuo Detian Project in Guangxi, Chengdu Sancha Lake in Sichuan, Dali Erhai Lake in Yunnan, Anji BC Zone Projects, Shapotou Expansion Project and Renovation Project of Hip Kee Godown (No.3) in Hung Hom, Hong Kong. Meanwhile, leveraging on its rich experience in the operation and management of scenic spots and its brand and industrial chain advantages, the Company will enhance the development of light-asset businesses such as China Travel Zhiye and management companies to expand their market influence, increase brand awareness and continuously improve competitiveness and profitability.

The Company will focus on improving the quality and efficiency of its existing business and assets. First, to achieve or maintain revenue growth, all subsidiaries will be urged to make a continuous effort in the areas of product innovation, service quality, precision marketing and refined management based on customer demand. Second, the Company will take various measures to overcome difficulties and turn around losses. In particular, it will make a sincere effort to turn around losses from the operation of Zhuhai OSR and Xianyang OSR, or execute a disposal plan. Third, the Company will explore and achieve added value in its ordinary business process through the vitalisation or disposal of portions of its existing assets.

The Company will strengthen the informatisation process and will promote digital transformation. The Company will pay close attention to the business impact of technological developments and changes in internet technology, artificial intelligence and blockchain, and will actively consider the necessity of engaging a chief information officer and a professional team. The Company will also study digital development trends in the business model for its scenic spots and their upstream and downstream businesses under the internet tourism industry, increase investment in resources, explore digital business models, and integrate internal resources and the sharing of external resources. This will contribute to its vigorous promotion of the intelligent operation and management of scenic spots, building of platforms for e-commerce direct sales, customer resources and intelligent management of smart scenic spots, and the high quality and efficient transformation and development of the Company.

Under the right strategic leadership, the Company is confident in its prospects for future development. It will endeavour to further improve operation and management, strengthen strategic implementation of model optimisation and control procedures, and enhance its core capabilities with a view to optimising its existing businesses. The Company will facilitate strategic plans for key regions to get hold of quality scenic spot resources, accelerate its digital transformation, achieve quality, effective and sustainable development, offer better products and services to customers, create a larger and firmer platform for its staff and generate higher return for shareholders.

Zhang Fengchun
Chairman of the Board

Hong Kong, 27 March 2018

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 2017 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Continuing operations			
Revenue	4	4,908,837	4,065,999
Cost of sales		<u>(2,964,119)</u>	<u>(2,253,779)</u>
Gross profit		1,944,718	1,812,220
Other income and gains, net		852,944	140,054
Changes in fair value of investment properties		80,843	55,555
Selling and distribution costs		(511,602)	(490,039)
Administrative expenses		<u>(960,815)</u>	<u>(992,205)</u>
Operating profit	6	1,406,088	525,585
Finance income	5	63,166	120,677
Finance costs	5	(4,966)	(12,965)
Finance income, net	5	58,200	107,712
Share of profits less losses of			
– associates		98,410	139,991
– joint ventures		(619)	4,904
Profit before taxation		1,562,079	778,192
Taxation	7	(297,838)	(205,129)
Profit for the year from continuing operations		1,264,241	573,063
Discontinued operations			
Profit/(loss) for the year from discontinued operations	14	20,538	(64,815)
Profit for the year		<u>1,284,779</u>	<u>508,248</u>

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Attributable to:			
Equity owners of the Company		1,147,843	352,053
Non-controlling interests		136,936	156,195
		<hr/>	<hr/>
Profit for the year		<u>1,284,779</u>	<u>508,248</u>
Earnings per share for profit attributable to equity owners of the Company (HK cents)	<i>9</i>		
Basic earnings/(loss) per share			
From continuing operations		20.69	7.60
From discontinued operations		0.38	(1.18)
		<hr/>	<hr/>
From profit for the year		<u>21.07</u>	<u>6.42</u>
Diluted earnings/(loss) per share			
From continuing operations		20.67	7.60
From discontinued operations		0.38	(1.18)
		<hr/>	<hr/>
From profit for the year		<u>21.05</u>	<u>6.42</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	<u>1,284,779</u>	<u>508,248</u>
Other comprehensive income		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Gain on property valuation, net of tax	25,479	80,030
<i>Items that may be reclassified to profit or loss:</i>		
Share of hedging reserve of an associate, net of tax	1,336	20,932
Release of exchange difference upon disposal of subsidiaries	(977)	(4,463)
Exchange differences on translation of foreign operations, net	<u>656,854</u>	<u>(608,831)</u>
Other comprehensive income for the year, net of tax	<u>682,692</u>	<u>(512,332)</u>
Total comprehensive income for the year	<u><u>1,967,471</u></u>	<u><u>(4,084)</u></u>
Attributable to:		
Equity owners of the Company	1,766,468	(109,988)
Non-controlling interests	<u>201,003</u>	<u>105,904</u>
Total comprehensive income for the year	<u><u>1,967,471</u></u>	<u><u>(4,084)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		7,398,349	7,451,863
Investment properties		1,754,106	1,567,692
Prepaid land lease payments		2,250,352	426,540
Goodwill		1,323,828	1,320,591
Other intangible assets		210,682	163,076
Interest in associates		1,076,902	1,020,209
Interest in joint ventures		7,084	51,761
Available-for-sale investments		30,041	26,104
Prepayments and other receivables		37,310	307,554
Deferred tax assets		147,990	50,726
		<hr/>	<hr/>
Total non-current assets		14,236,644	12,386,116
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		21,339	34,070
Properties under development		1,883,541	2,071,597
Completed properties held for sale		92,092	–
Trade receivables	10	158,484	182,417
Deposits, prepayments and other receivables		748,103	609,434
Loan to a fellow subsidiary		156,831	–
Amounts due from holding companies		19,724	21,047
Amounts due from fellow subsidiaries		83,860	26,262
Tax recoverable		13,622	4,896
Financial assets at fair value through profit or loss		1,411,711	537,724
Pledged time deposits		37,720	59,761
Cash and bank balances		3,271,404	3,937,193
		<hr/>	<hr/>
		7,898,431	7,484,401
Assets of a disposal group classified as held for sale		–	105,254
		<hr/>	<hr/>
Total current assets		7,898,431	7,589,655
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		22,135,075	19,975,771
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	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		9,102,708	9,096,434
Reserves		7,109,921	5,576,911
		<u>16,212,629</u>	<u>14,673,345</u>
Non-controlling interests		<u>1,181,217</u>	<u>1,099,248</u>
Total equity		<u>17,393,846</u>	<u>15,772,593</u>
LIABILITIES			
Non-current liabilities			
Deferred income		735,441	1,088,118
Bank and other borrowings		67,590	85,467
Deferred tax liabilities		453,069	424,492
		<u>1,256,100</u>	<u>1,598,077</u>
Total non-current liabilities		<u>1,256,100</u>	<u>1,598,077</u>
Current liabilities			
Trade payables	<i>11</i>	397,206	379,939
Other payables and accruals		2,560,050	1,961,790
Loans from a holding company		82,545	–
Amounts due to holding companies		57,487	3,969
Amounts due to fellow subsidiaries		6,455	7,979
Tax payable		350,521	178,889
Bank and other borrowings		30,865	13,061
		<u>3,485,129</u>	<u>2,545,627</u>
Liabilities of a disposal group classified as held for sale		–	59,474
Total current liabilities		<u>3,485,129</u>	<u>2,605,101</u>
Total liabilities		<u>4,741,229</u>	<u>4,203,178</u>
Total equity and liabilities		<u>22,135,075</u>	<u>19,975,771</u>

NOTES TO THE CONSOLIDATED 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 “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 Group Corporation Limited (formerly known as “China National Travel Service Group Corporation”), 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”) and requirements of the Hong Kong Companies Ordinance (Cap. 622). 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 2017 and 2016 included in this preliminary announcement of annual results 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 Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

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

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group except for the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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. 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, hot spring resorts, other resorts, golf club, 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 the 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. Please refer to note 14 for further details.

Management has determined the operating segments based on the information reviewed by the chief operating decision maker. Management 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 or impairment of investments, property, plant and equipment, prepaid land lease payments, properties under development and share option expenses.

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 payables, other payables and accruals, bank and other borrowings, tax payables and deferred tax liabilities, except for head office and corporate liabilities that are managed on a group basis.

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

The reportable segments have changed starting from 1 January 2017 in order to align with the information reviewed by the chief operating decision maker. Prior year corresponding information have been reclassified to conform to current year presentation.

Year ended 31 December 2017

	Continuing operations						Discontinued operations		Consolidated HK\$'000
	Tourist attraction and related operations HK\$'000	Travel agency, travel document and related operations HK\$'000	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Power generation operations HK\$'000	
Segment revenue:									
Sales to external customers	2,464,547	1,227,803	787,977	428,510	4,908,837	–	4,908,837	–	4,908,837
Inter-segment revenue	11,419	4,050	4,755	1,509	21,733	16,360	38,093	–	38,093
	<u>2,475,966</u>	<u>1,231,853</u>	<u>792,732</u>	<u>430,019</u>	<u>4,930,570</u>	<u>16,360</u>	<u>4,946,930</u>	<u>–</u>	<u>4,946,930</u>
Elimination of inter-segment revenue					(21,733)	(16,360)	(38,093)	–	(38,093)
Revenue					<u>4,908,837</u>	<u>–</u>	<u>4,908,837</u>	<u>–</u>	<u>4,908,837</u>
Segment results	<u>699,069</u>	<u>142,699</u>	<u>147,599</u>	<u>131,562</u>	<u>1,120,929</u>	<u>(15,114)</u>	<u>1,105,815</u>	<u>–</u>	<u>1,105,815</u>
Non-controlling interests							136,936	–	136,936
Segment operating results before non-controlling interests							1,242,751	–	1,242,751
Changes in fair value of investment properties, net of tax							68,329	–	68,329
Net gain on disposal of subsidiaries, net of tax							22,619	20,538	43,157
Gain on disposal of joint ventures							10,534	–	10,534
Loss on disposal of available-for-sale investment							(690)	–	(690)
Provision for impairment of property, plant and equipment, and prepaid land lease payments							(23,642)	–	(23,642)
Net loss on disposal of property, plant and equipment, net of tax							(26,605)	–	(26,605)
Share option expense							(29,055)	–	(29,055)
Profit for the year							<u>1,264,241</u>	<u>20,538</u>	<u>1,284,779</u>

	Continuing operations						Discontinued operations		
	Tourist attraction and related operations <i>HKS'000</i>	Travel agency, travel document and related operations <i>HKS'000</i>	Hotel operations <i>HKS'000</i>	Passenger transportation operations <i>HKS'000</i>	Total of reportable segments <i>HKS'000</i>	Corporate and others <i>HKS'000</i>	Total <i>HKS'000</i>	Power generation operations <i>HKS'000</i>	Consolidated <i>HKS'000</i>
Segment assets	10,575,200	2,905,577	4,055,566	386,665	17,923,008	3,128,081	21,051,089	-	21,051,089
Interest in associates	539,910	-	-	516,816	1,056,726	20,176	1,076,902	-	1,076,902
Interest in joint ventures	7,598	-	-	(514)	7,084	-	7,084	-	7,084
Inter-segment receivables	1,347	652,553	367,926	4,912	1,026,738	15,135,052	16,161,790	-	16,161,790
	<u>11,124,055</u>	<u>3,558,130</u>	<u>4,423,492</u>	<u>907,879</u>	<u>20,013,556</u>	<u>18,283,309</u>	<u>38,296,865</u>	-	<u>38,296,865</u>
Elimination of inter-segment receivables							(16,161,790)	-	(16,161,790)
Total assets							<u>22,135,075</u>	-	<u>22,135,075</u>
Segment liabilities	3,455,533	435,519	516,940	89,719	4,497,711	243,518	4,741,229	-	4,741,229
Inter-segment payables	3,345,240	41,062	2,307,115	394,999	6,088,416	10,073,374	16,161,790	-	16,161,790
	<u>6,800,773</u>	<u>476,581</u>	<u>2,824,055</u>	<u>484,718</u>	<u>10,586,127</u>	<u>10,316,892</u>	<u>20,903,019</u>	-	<u>20,903,019</u>
Elimination of inter-segment payables							(16,161,790)	-	(16,161,790)
Total liabilities							<u>4,741,229</u>	-	<u>4,741,229</u>
Other segment information:									
Share of profits less losses of									
- associates	14,291	-	-	84,345	98,636	(226)	98,410	-	98,410
- joint ventures	(619)	-	-	-	(619)	-	(619)	-	(619)
Capital expenditure (note a)	807,775	3,987	23,377	53,292	888,431	367	888,798	-	888,798
Depreciation and amortisation	264,035	22,088	128,882	22,239	437,244	1,645	438,889	-	438,889
Provision for impairment/(write back of provision for impairment) recognised in the income statement, net (note b)	29,265	2,819	(2,096)	-	29,988	15,202	45,190	-	45,190

Notes:

- (a) Capital expenditure consists of additions to and acquisition of subsidiaries under property, plant and equipment and prepaid land lease payments.
- (b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, property, plant and equipment, prepaid land lease payments and amount due from an associate.

	Continuing operations						Discontinued operations		Consolidated HK\$'000
	Tourist attraction and related operations HK\$'000	Travel agency, travel document and related operations HK\$'000	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Power generation operations HK\$'000	
Segment revenue:									
Sales to external customers	1,839,813	1,198,273	753,456	274,457	4,065,999	–	4,065,999	–	4,065,999
Inter-segment revenue	10,785	4,974	4,085	1,670	21,514	15,800	37,314	–	37,314
	<u>1,850,598</u>	<u>1,203,247</u>	<u>757,541</u>	<u>276,127</u>	<u>4,087,513</u>	<u>15,800</u>	<u>4,103,313</u>	<u>–</u>	<u>4,103,313</u>
Elimination of inter-segment revenue					(21,514)	(15,800)	(37,314)	–	(37,314)
Revenue					<u>4,065,999</u>	<u>–</u>	<u>4,065,999</u>	<u>–</u>	<u>4,065,999</u>
Segment results	<u>115,495</u>	<u>137,490</u>	<u>110,045</u>	<u>149,546</u>	<u>512,576</u>	<u>(99,238)</u>	413,338	–	413,338
Non-controlling interests							156,195	–	156,195
Segment operating results before non-controlling interests							569,533	–	569,533
Changes in fair value of investment properties, net of tax							48,099	–	48,099
Net gain/(loss) on disposal of subsidiaries, net of tax							65,270	(64,815)	455
Provision for impairment of available-for-sale investments, property, plant and equipment and properties under development							(116,645)	–	(116,645)
Net loss on disposal of property, plant and equipment							(5,435)	–	(5,435)
Other income and gains							20,790	–	20,790
Share option expense							(8,549)	–	(8,549)
Profit for the year							<u>573,063</u>	<u>(64,815)</u>	<u>508,248</u>

	Continuing operations						Discontinued operations		Consolidated HK\$'000
	Tourist attraction and related operations HK\$'000	Travel agency, travel document and related operations HK\$'000	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Power generation operations HK\$'000	
Segment assets	8,938,245	2,899,429	4,141,374	209,002	16,188,050	2,715,751	18,903,801	–	18,903,801
Interest in associates	502,273	–	–	517,936	1,020,209	–	1,020,209	–	1,020,209
Interest in joint ventures	15,049	–	–	36,712	51,761	–	51,761	–	51,761
Inter-segment receivables	1,185	763,710	405,870	5,245	1,176,010	17,230,368	18,406,378	–	18,406,378
	<u>9,456,752</u>	<u>3,663,139</u>	<u>4,547,244</u>	<u>768,895</u>	<u>18,436,030</u>	<u>19,946,119</u>	38,382,149	–	38,382,149
Elimination of inter-segment receivables							(18,406,378)	–	(18,406,378)
Total assets							<u>19,975,771</u>	–	<u>19,975,771</u>
Segment liabilities	2,784,785	461,074	589,130	89,828	3,924,817	278,361	4,203,178	–	4,203,178
Inter-segment payables	3,210,379	184,360	2,477,789	441,279	6,313,807	12,092,571	18,406,378	–	18,406,378
	<u>5,995,164</u>	<u>645,434</u>	<u>3,066,919</u>	<u>531,107</u>	<u>10,238,624</u>	<u>12,370,932</u>	22,609,556	–	22,609,556
Elimination of inter-segment payables							(18,406,378)	–	(18,406,378)
Total liabilities							<u>4,203,178</u>	–	<u>4,203,178</u>
Other segment information:									
Share of profits less losses of									
– associates	35,678	–	–	104,313	139,991	–	139,991	–	139,991
– joint ventures	(1,289)	–	–	6,193	4,904	–	4,904	–	4,904
Capital expenditure (note a)	558,670	13,996	57,720	65,708	696,094	631	696,725	–	696,725
Depreciation and amortisation	261,873	26,206	131,678	23,520	443,277	1,886	445,163	–	445,163
Provision for impairment/(write back of provision for impairment) recognised in the income statement, net (note b)	121,084	4	(667)	–	120,421	–	120,421	–	120,421

Notes:

- (a) Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.
- (b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, available-for-sale investments, property, plant and equipment and properties under development.

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassification have no impact on the Group's total equity as at both 31 December 2017 and 2016, or on the Group's profits for the years ended 31 December 2017 and 2016.

Geographical information

(a) Revenue from external customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	1,632,302	1,493,574
Mainland China (including Macau)	2,910,471	2,202,530
Overseas	366,064	369,895
	<u>4,908,837</u>	<u>4,065,999</u>

The analysis of the Group's revenue by geographical area is based on the location of operations 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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	5,242,893	5,258,692
Mainland China (including Macau)	8,727,586	6,963,328
Overseas	83,468	82,347
	<u>14,053,947</u>	<u>12,304,367</u>

The information about the Group's non-current assets is based on the physical location of assets which exclude available-for-sale investments, other receivables 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 year ended 31 December 2017 (2016: Nil).

4 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 year.

An analysis of revenue is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Tourist attraction and related operations	2,464,547	1,839,813
Travel agency, travel document and related operations	1,227,803	1,198,273
Hotel operations	787,977	753,456
Passenger transportation operations	428,510	274,457
	<u>4,908,837</u>	<u>4,065,999</u>

5 Finance income, net

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income:		
Bank deposits and entrustment loans	<u>63,166</u>	<u>120,677</u>
Finance income	----- 63,166	----- 120,677
Interest expense:		
Bank borrowings, overdrafts and other borrowings – wholly repayable within five years	<u>(4,966)</u>	<u>(12,965)</u>
Finance costs	----- (4,966)	----- (12,965)
Finance income, net	<u>58,200</u>	<u>107,712</u>

6 Operating profit

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Depreciation	404,169	414,467
Amortisation of prepaid land lease payments	31,700	27,635
Employee benefit expenses	1,284,347	1,193,901
Minimum lease payments under operating leases:		
– Land and buildings	76,708	74,882
– Plant and machinery and motor vehicles	21,080	23,069
Provision for impairment of trade and other receivables, net	6,345	3,776
Provision for impairment of amount due from an associate	15,203	–
Provision for impairment of available-for-sale investments	–	258
Provision for impairment of property, plant and equipment and prepaid land lease payments	23,642	87,984
Provision for impairment of properties under development	–	28,403
Rental income on investment properties	(37,831)	(42,911)
Income from financial assets at fair value through profit or loss	(66,399)	(17,898)
Gain derived from assets operation	(673,740)	–
Foreign exchange differences, net	(6,217)	72,453
Gain on disposal of subsidiaries, net	(28,574)	(72,394)
Gain on disposal of joint ventures	(10,534)	–
Loss on disposal of property, plant and equipment, net	66,711	5,435
Loss on disposal of available-for-sale investment	690	–
Government grants	(33,217)	(37,917)
Cost of properties sold	(522,840)	–
	<u> </u>	<u> </u>

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current-Hong Kong		
Charge for the year	59,815	48,011
(Over)/under-provision in prior years	(1,969)	711
Current-Mainland China and Macau		
Charge for the year	334,557	138,682
Over-provision in prior years	(46,355)	(632)
Current-Overseas		
Charge for the year	1,524	668
Over-provision in prior years	(642)	–
Land appreciation tax	12,261	–
Deferred tax	(61,353)	17,689
	<u> </u>	<u> </u>
Total tax charge for the year	<u>297,838</u>	<u>205,129</u>

8 Dividends

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend, paid, of HK3 cents (2016: HK2 cents) per ordinary share	163,428	108,964
Final dividend, proposed, of HK5.5 cents (2016: HK1 cent) per ordinary share	299,672	54,459
Special final dividend, proposed, nil (2016: HK1 cent) per ordinary share	—	54,459
	<u>463,100</u>	<u>217,882</u>

At a board meeting held on 27 March 2018, the Directors proposed a final dividend of HK5.5 cents per share. These proposed dividends are not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2018.

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:

	2017	2016
Basic earnings per share		
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	1,127,305	416,868
Profit/(loss) from discontinued operations attributable to equity owners of the Company (HK\$'000)	20,538	(64,815)
Profit attributable to equity owners of the Company (HK\$'000)	<u>1,147,843</u>	<u>352,053</u>
Weighted average number of ordinary shares in issue	<u>5,447,098,878</u>	<u>5,479,490,618</u>
Basic earnings per share from continuing operations (HK cents)	20.69	7.60
Basic earnings/(loss) per share from discontinued operations (HK cents)	0.38	(1.18)
	<u>21.07</u>	<u>6.42</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 Group. 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 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.

	2017	2016
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	1,127,305	416,868
Profit/(loss) from discontinued operations attributable to equity owners of the Company (HK\$'000)	<u>20,538</u>	<u>(64,815)</u>
Profit attributable to equity owners of the Company (HK\$'000)	<u><u>1,147,843</u></u>	<u><u>352,053</u></u>
Weighted average number of ordinary shares in issue	5,447,098,878	5,479,490,618
Adjustments for:		
– Share options	<u>6,384,780</u>	<u>7,219,527</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>5,453,483,658</u></u>	<u><u>5,486,710,145</u></u>
Diluted earnings per share from continuing operations (HK cents)	20.67	7.60
Diluted earnings/(loss) per share from discontinued operations (HK cents)	<u>0.38</u>	<u>(1.18)</u>
	<u><u>21.05</u></u>	<u><u>6.42</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 interest-free.

At 31 December 2017 and 2016, 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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	141,790	167,789
Over 3 months to 6 months	9,486	7,602
Over 6 months to 12 months	3,448	5,293
Over 1 year to 2 years	3,435	809
Over 2 years	<u>325</u>	<u>924</u>
	<u><u>158,484</u></u>	<u><u>182,417</u></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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 3 months	343,884	327,790
Over 3 months to 6 months	16,100	14,431
Over 6 months to 12 months	4,617	6,603
Over 1 year to 2 years	5,532	4,965
Over 2 years	27,073	26,150
	<u>397,206</u>	<u>379,939</u>

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

12 Disposal of subsidiaries

- (a) 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”), for a consideration of approximately RMB53 million. The Yangzhou Hotel operates hotel in Mainland China. The transaction was completed in February 2017. The gain on disposal of HK\$29 million is recognised during the year ended 31 December 2017 and included in other income and gains, net of the consolidated income statement.
- (b) In October 2016, a wholly-owned subsidiary of the Company, CTS Scenery Resort Investment Company Limited, entered into an agreement with a third party to dispose of the entire interest of the Company’s indirect wholly-owned subsidiary, Chengdu Huashuiwan Sakura Hotel Company Limited, for a consideration of HK\$65 million. The transaction was completed in November 2016. The gain on disposal of HK\$11 million is recognised during the year ended 31 December 2016 and included in other income and gains, net of the consolidated income statement.
- (c) In August 2016, the Company entered into an agreement with the original non-controlling shareholder of its non-wholly owned subsidiary, CTS (Xinyang) Jigongshan Culture Tourism Co.,Ltd. (“CTS (Xinyang)”) to dispose of its entire interest of CTS (Xinyang) for a consideration of HK\$179 million. The disposal was approved by the Board of Directors in August 2016 and the transactions was completed in December 2016. The gain on disposal of HK\$62 million is recognised during the year ended 31 December 2016 and included in other income and gains, net of the consolidated income statement.

13 Business combinations

(a) A joint venture company transferred to a subsidiary

On 1 January 2017, Macao CTS Passenger Road Transport Company LTD. became 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 million before the change of control. The transaction resulted in an increase in cash and bank balances of HK\$52 million and no goodwill or bargain purchase was recognised from this transaction.

(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\$52 million. Goodwill of HK\$3 million was recognised from this transaction.

14 Discontinued operations

In March 2015, the Company entered into an agreement with its immediate holding company, CTS (Holdings), 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 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 consolidated financial statements. The disposal was completed in June 2015. During the year ended 31 December 2016, the net loss on contingent consideration was approximately HK\$65 million. During the year ended 31 December 2017, the contingent consideration was finalised and a net gain of approximately HK\$21 million was recognised. The results from discontinued operations are attributable entirely to equity owners of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2017, the Company's consolidated revenue and profit attributable to shareholders were approximately HK\$4,910 million and HK\$1,150 million respectively, representing a 21% and 226% increase compared with last year. Profit attributable to the operating tourism business was approximately HK\$1,110 million, representing a 168% increase compared with last year. The increase in profit attributable to shareholders was mainly due to operating growth and a one-off gain generated from assets operation.

The Company's financial position remained stable and healthy, with strong investing and financing capabilities. As of 31 December 2017, total assets was approximately HK\$22,135 million, an 11% increase compared with the end of last year; equity attributable to shareholders was approximately HK\$16,213 million, a 10% increase compared with the end of last year. Cash and bank balances and wealth management products, etc, amounted to approximately HK\$5,153 million, an 8% increase over last year, of which cash and bank balances amounted to approximately HK\$3,271 million and after deducting bank loans and other borrowings, and loans from a holding company of approximately HK\$181 million, net cash was approximately HK\$3,090 million, a 19% decrease compared with the end of last year.

DIVIDENDS

The Board declared a final dividend of HK5.5 cents per share (2016: a final dividend of HK1 cent and a special final dividend of HK1 cent per share) for the year ended 31 December 2017. The final dividend will be paid to shareholders on 29 June 2018 upon approval at the annual general meeting. Together with the 2017 interim dividend of HK3 cents (2016: HK2 cents) per share, the total dividend for the full year is HK\$8.5 cents per share, with a dividend payout ratio of 40%.

CORE PRINCIPAL OPERATIONS AND OPERATIONAL FIGURES

(I) Travel Destination Operations

1. *Business overview*

Category	Company name
City hotels	Five hotels in Hong Kong and Macau Two hotels in Mainland China (one of which was disposed of during the year) 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")

Category	Company name
Natural and cultural scenic spot destinations	<p>CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd (“Songshan Scenic Spot”)</p> <p>CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd (“Shapotou Scenic Spot”)</p> <p>Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd</p>
Leisure resort destinations	<p>China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd (“Zhuhai OSR”)</p> <p>Xianyang Ocean Spring Resort Co., Ltd (“Xianyang OSR”)</p> <p>CTS (Anji) Tourism Development Company Limited (“Anji Company”)</p>
Non-controlling scenic spot investments	<p>Huangshan Yuping Cable Car Company Limited (“Huangshan Yuping Cable Car”)</p> <p>Huangshan Taiping Cable Car Co., Ltd.</p> <p>Changsha Colorful World Company Limited</p> <p>Nanyue Cable Car Co., Ltd., which was disposed of during the year</p> <p>Changchun Jingyuetan Youle Co. Ltd.</p>
Supplementary tourist attraction operations	<p>CTS Tycoon (Shenzhen) Golf Club Company Limited (“Golf Club”)</p> <p>China Heaven Creation International Performing Arts Co., Ltd.</p>

2. Key Operational Figures

In 2017, revenue from travel destination operations was approximately HK\$3,250 million, a 25% increase compared with last year; and attributable profit was approximately HK\$850 million, a 275% increase compared with last year.

In 2017, revenue from the Company’s hotel operations was HK\$790 million, a 5% increase compared with the same period last year; and attributable profit was HK\$150 million, a significant increase of 34% compared with last year. Benefited from signs of stable growth in the Hong Kong and Macau tourism industry, visitors to Hong Kong and the overall average occupancy rate increased compared with last year, while the overall average occupancy rate of our five hotels in Hong Kong and Macau increased by 7 percentage points, the average room rate also increased by 7%. Additionally, the average room rate of Beijing Metropark Hotel increased by 15%, leading to an 11% increase in room revenue. The rise in office rental prices resulted in an increase of 11% in rental revenue. As a result, overall revenue recorded a year-on-year increase of 8% and the net profit recorded a year-on-year increase of 16%. The overall results of hotel business operations were satisfactory.

Revenue from theme parks was HK\$800 million, a 5% increase compared with the same period last year; and attributable profit was HK\$130 million, an 18% increase compared with the same period last year. Theme parks maintained stable growth in terms of visitor numbers, revenue and profit. Window of the World and Splendid China continued to enrich their products and expand their business to regain vitality. The theme park business remained the major contributor to the revenue and profit of the Company's scenic spots business.

Revenue from natural and cultural scenic spots was HK\$560 million, a 3% decrease compared with last year; and attributable profit was HK\$40 million, a 6% increase compared with last year. Songshan Scenic Spot implemented an interactive marketing model integrated with online branding, offline theme activities and direct sales channels, resulting in an increase in the number of visitors by approximately 110,000, or a year-on-year increase of 4%. As most of the visitors joined in activities by group, revenue decreased by 2% year-on-year. The Shapotou Scenic Spot introduced a glass bridge over the Yellow River, set up three marketing operation centers in provincial cities, connected bus tours in 16 cities and launched package tickets for special projects, all of which helped increase in the number of visitors – mostly composed of elderly and student groups – by 12%, resulting in a slight 2% year-on-year increase in revenue. Also during the year, the Tourist Distribution Center was opened, incurring preliminary expenses and depreciation costs. Profit attributable to this business decreased by 9% year-on-year.

Revenue from leisure resort destinations was approximately HK\$900 million, a 167% increase compared with last year. Attributable loss was approximately HK\$70 million, an increase compared with last year. The substantial increase in overall revenue from leisure resort destinations was mainly attributable to revenue recognised from Ocean Spring Resort Garden and Anji Real Estate project. The increased loss was largely due to the joint venture, Evergrande Real Estate, not yet handovering the properties to customer and resulting in the loss incurred during the year. Despite the total number of visitors to Zhuhai OSR decreasing by 1% during the year, the completed upgrading and renovation of Caribbean Water World and the introduction of an evening party, Romantic Zhuhai, stimulated increases in ticket price and food and beverage income, resulting in a year-on-year increase of 1% in revenue. Meanwhile visitors to Xianyang OSR and revenue both decreased dramatically, though losses were reduced through cost control measures and the assets impairment last year decreased the depreciation cost. Sales performance of the Anji Real Estate project was satisfactory although the hotel business recorded losses due to the startup costs incurred in its operational trial period, profit was attained for the whole year.

Attributable profit from non-controlling scenic spot investments was approximately HK\$40 million, a 12% increase compared with last year. The considerable increase of attributable profit was due to the substantial increase in share of profit as a result of a rising number of visitors after the completion of upgrade work at Huangshan Yuping Cable Car.

Due to the closure of business of CTS Tycoon Golf Course from 6 November 2017, both the revenue and profit of Golf Club were affected, but a one-off after tax gain of approximately HK\$560 million was recorded upon completion of the assets operation and turned loss into profit when compared with last year.

In 2017, revenue from China Heaven Creation International Performing Arts Co, Ltd was HK\$130 million, a 113% increase compared with last year, mainly due to a substantial increase in revenue from arts performance consulting projects undertaken during the year. Despite that such consulting projects usually generated lower gross profit margins, the operating profit maintained stable growth.

(II) Travel Agency, Travel Document and Related Operations

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

In 2017, revenue from the Company's travel agency, travel document and related operations was HK\$1,230 million, a 2% increase compared with last year. Attributable profit was HK\$140 million, a 4% increase compared with last year. The revenue increase was largely due to an increase in the business volume under the travel document operations, and as a result of the reduced cost, profit from the segment increased by 9%.

(III) Passenger Transportation Operations

In 2017, revenue from the Company's passenger transportation operations was HK\$430 million, a 56% increase compared with the same period last year. Attributable profit was HK\$130 million, a 12% decrease compared with the same period last year.

The year-on-year increases of 56% in revenue and 4% in profit of China Travel Tours Transportation Services Hong Kong Limited ("China Travel Tours") were largely attributable to revenue contributions from a jointly-controlled entity which became a subsidiary of China Travel Tours in accordance with its amended articles of association. Excluding this factor, the existing China Travel Tours business recorded a 2% year-on-year increase in revenue, mainly attributable to an increase in the number of passengers. Profit recorded a year-on-year increase of 9%, mainly attributable to the increase in revenue and effective cost control.

The associate Shun Tak-China Travel Shipping Investments Limited's share of profits decreased as a result of the higher fuel price, and increases in maintenance and labour costs.

DEVELOPMENT STRATEGY

The Company will maintain its strategy of becoming “an investor, developer and operator of top-tier travel destinations”. With its mission of “creating new travel destinations and leading a new mass tourism lifestyle”, the Company will focus on the development of natural and cultural scenic spots and leisure resort destinations, explore new models for the light-asset and professional tourism business, and strive to become a leader in comprehensive tourism destination service industry in China.

The Company will vigorously push forward the execution of its development strategy by acquiring strategic quality scenic spot resources to foster new profit growth. The Company will focus on regions which are rich in tourism resources and tourists, and scenic spots with potential for expansion and appreciation. The Company will acquire scenic spot resources through various forms of cooperation including joint ventures, provision of management services and entrusted operations, and will foster new profit growth through large-scale expansion.

The Company will increase its emphasis on enhancing quality and efficiency, and will optimize the operation of existing businesses. It will continue to devote serious effort to achieving turnaround of loss situations for loss-making subsidiaries, and a turnaround of the overall performance of Zhuhai OSR and Xianyang OSR, as soon as possible. The Company will further optimize its existing product and business portfolio to maintain continuous growth of its existing business. Additionally, the Company will strengthen the implementation of subsequent work on existing projects including Songshan Shaolin Town, Shapotou Expansion Project, land development of Anji BC Zones and Zhuhai OSR Phase 2 Project, to achieve its targets.

The Company will expedite the optimization of its asset structure and improve asset management efficiency. The Company will actively vitalize its existing assets and comprehensively improve the asset quality to achieve an increase in asset efficiency and optimisation of asset structure. To achieve this, the Company will systematically analyze inefficient and negative assets, and formulate and implement vitalizing plans for existing assets. It will also secure current profits and maintain steady growth by acquiring new businesses to vitalize existing assets.

The Company will give full opportunity to leverage its capital operation, optimize its capital structure and improve efficiency. It will continue to strengthen communication with the capital market, and actively explore solutions for capital optimisation of its various operational assets to maximize their value. As to market research on major overseas destinations and alongside the “Belt and Road”, the Company will give close attention to potential opportunities for mergers and acquisitions and will take the opportunity to expand overseas.

The Company will attach importance to development innovation and will promote digital construction, paying greater attention to innovations in product research and development, and its models of business, profit, management and control. The Company will focus particularly on the innovative development of business models for scenic spots and creating iconic projects, and will evolve a replicable and propagable product portfolio and development model for achieving the recreation and duplication of its business model. The Company will expedite the informatization and digital construction, promote the intelligent transformation of scenic spots, improve management and control efficiency and big data resource value, and build an efficient, strongly collaborative and highly integrated enterprise digital operation system.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2017, the Group had 6,641 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 2017, the cash and bank balances of the Group amounted to HK\$3,271 million whereas the bank and other borrowings and loans from a holding company amounted to HK\$181 million. The debt-to-capital ratio was 20% 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 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 31 December 2017, the Group's bank deposits of approximately HK\$38 million (31 December 2016: HK\$60 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 31 December 2017, certain of the Group's buildings with net carrying amounts of HK\$1,295,000 (31 December 2016: HK\$1,916,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Please refer to Note 12 and 13 under Notes to the Consolidated Financial Information regarding acquisition and disposal of the subsidiaries of the Company during the year. Apart from the foregoing, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures for the year.

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 report.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2016: HK\$0.3 million).

SIGNIFICANT INVESTMENT HELD

To utilize 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. At at 31 December 2017, the wealth management products held by the Group amounted to a total of RMB1,180 million (equivalent to HK\$1,412 million). During the year, the income from financial assets at fair value through profit or loss was approximately HK\$66 million.

During the year, in respect of the subscription of wealth management products above, the relevant applicable percentage ratios (as defined 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 year with agreed maturity date will be gradually recovered before the mid 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.

BUSINESS PROSPECTS

As Chinese economy enters a new era, the principal contradiction facing Chinese society has evolved. What we now face is the contradiction between unbalanced and inadequate development, and the people's ever-growing need for a better life. The tourism industry, which ranks first among the "Five Happiness Industries", has developed into a key strategic pillar industry for China. It is an important carrier for "fostering new growth areas and drivers of growth" required for the construction of a modern economic system, and has great development potential and space.

At present, positioned by the parent company, China National Travel Service Group Corporation Limited, as its core business, the Company will push forward the integrated operation of leisure resort destinations, scenic spots and tourism real estate, which is a strong supplement for our business. As the Company's strategic objectives become more specific, its paths of implementation more clearly defined, its business structure further optimized, the construction of core capabilities continuously increased, and the optimization of existing businesses and expansion of new projects improves and makes breakthroughs, its corporate governance capabilities will be enhanced and its fundamentals will significantly improve. As such, the Company faces more opportunities than challenges.

The Company will strengthen the formulation and execution of strategy in accordance with its overall development plan, expedite strategic plans for key regions, continue to enhance the professional competence, quality and efficiency of existing businesses, impose a cooperative model for joint development and sharing, seek out strategic resources to create iconic products, and develop an innovative business model that will achieve high-quality sustainable development for the Company and bring better return to shareholders.

SCOPE OF WORK OF KPMG

The financial 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 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK5.5 cents per ordinary share (2016: final dividend of HK1 cent per share and special final dividend of HK1 cent per share) for the year ended 31 December 2017.

Subject to shareholders' approval with regard to the proposed payment of the final dividends at the forthcoming annual general meeting to be held on Wednesday, 30 May 2018, the proposed dividends will be paid on Friday, 29 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018 (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 Thursday, 24 May 2018.

For the purposes of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Thursday, 7 June 2018 to Monday to 11 June 2018 (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 registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 6 June 2018.

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 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 2017, 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.

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 2017.

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 2017.

PUBLICATION OF 2017 FINAL RESULTS AND ANNUAL 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 2017 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
Zhang Fengchun
Chairman

Hong Kong, 27 March 2018

DIRECTORS

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

Executive Directors:

Mr. Zhang Fengchun, Mr. Lo Sui On, Mr. Zhang Xing, Mr. Liu Fengbo and Mr. Chen Xianjun

Independent Non-Executive Directors:

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