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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 2021 FINAL RESULTS

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders:

In 2021, at a pace accelerated by the influence of the COVID-19 pandemic, China Travel International Investment Hong Kong Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) worked with new development concepts, endeavoured to prevent and resolve various risks, achieved new results and breakthroughs in key areas, and stepped firmly towards a new stage of development.

FINANCIAL PERFORMANCE

In 2021, the Company recorded healthy growth in revenue, making a turnaround from loss to profit. Consolidated revenue for the year was HK\$3,648 million, representing a 85% increase compared with the previous year. Profit before taxation was HK\$15 million, compared with a HK\$742 million loss before tax in previous year. Profit attributable to shareholders was HK\$174 million, compared with a HK\$391 million loss attributable to shareholders in the previous year.

The Group's cash flow remained steady and sufficient, the debt level was stable and controllable, and the financial position was healthy. As of 31 December 2021, cash and bank balances were HK\$3,074 million, total assets were HK\$25,808 million, and debt-to-capital ratio was 30%.

The Board of Directors (the “**Board**”) of the Company does not recommend payment of a final dividend for the year ended 31 December 2021.

BUSINESS DEVELOPMENT

The Group remained firmly committed to becoming “a first-class tourist destination investment and operation service provider”. It focused on tourism resources and the customer base, and optimised its strategic development plan. The Group studies the market to understand and fulfil customer demand, and to develop innovative ideas.

In February 2021, the Group completed the acquisition of 34% equity interest in Hangzhou New Century Senbo Tourism Investment Co., Ltd. (“**New Century Senbo**”) from New Century Tourism Group Co., Ltd. (“**New Century Tourism**”), becoming its second largest shareholder. New Century Senbo’s good tourism IP, high-reputation and market-attractive products will enable the Company to leapfrog its development of the tourism real estate businesses. Through close cooperation, the Company and New Century Tourism will establish a friendly, mutually beneficial partnership in which the Company will utilise its investment and operational advantages of market, management and capital in cultural tourism and real estate, while New Century Tourism will capitalise the advantages of New Century Senbo’s established brand and full-process project management services. Both sides will strive to coordinate investment and operations in cultural tourism and real estate and achieve favourable economic and social benefits to jointly build the “New Century Senbo Tourism Resorts” product series into a model project for the investment and operation of the Group’s tourism destinations. During the year, New Century Senbo recorded a profit contribution.

In April 2021, the Group completed the disposal of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., which showed relatively slow recovery under the impact of the pandemic. The disposal helped to optimize the portfolio of the Group’s natural and cultural scenic spots, raise the asset turnover rate, increase working capital, and further improve the sustainability of the Company’s development.

With the rapid development of the online travel industry and the shift of residents’ tourism consumption patterns, the traditional travel agency industry faces greater development challenges. Market competition is fierce and the profit margin of travel agency business is being squeezed – especially during the COVID-19 pandemic. The travel agency business lacked synergy with the Group’s travel destination operations and the tourism real estate business and did not significantly contribute to the growth of the Group’s core business. In May 2021, the Group completed the disposal of its travel agency business and recorded a one-off disposal gain. The Group exited the non-advantageous business of traditional travel agency at a fair and reasonable price, which helped improve the Group’s existing asset structure. After streamlining its business structure, the Group will be able to focus on developing core businesses with better profit potential and further clarify its strategic positioning.

The Group stepped up efforts to develop its business in Hong Kong and overseas. During the year, the hotel construction project in Hung Hom commenced and is expected to be completed by November 2023; the development of a one-stop service “smart passenger transport platform” will be promoted as planned, and cross-border passenger transport enterprises will be acquired at the right time to build a more convenient and complete cross-border travel transportation system in the Greater Bay Area. In October 2021, the Company entered into a sale and purchase agreement with Ceylon Hotels Maldives (Pvt) Ltd. in relation to the acquisition of its 50% shareholding interest in Handhuvaru Ocean Holidays Private Limited (the remaining 50% equity interest in Handhuvaru Ocean Holidays Private Limited is held by Zhen Hua Engineering Company Limited). Upon completion of the acquisition, the Company and Zhen Hua Engineering Company Limited will cooperate on developing a mid- to high-end resort of approximately 100 rooms on Ambara Island in the Maldives. The Company will facilitate the completion of the acquisition and plan to progress other potential overseas projects.

The Company has always emphasised corporate governance, promoting the establishment of a governance system and improvement of the governance mechanism. By continuously strengthening

comprehensive risk management, development of an internal control system and compliance management, the Company's risk prevention and control capabilities have kept improving. The Company has maintained a high level of corporate governance as a whole, providing a strong guarantee for the realisation of the Company's healthy and sustainable development.

The Group has gained wide recognition for its fulfilment of corporate social responsibilities and comprehensive promotion of development between enterprises and society. In 2021, the Group solidly promoted tourism industry assistance in Mabian county by following the "education + industry" integrated two-way precise assistance model to implement a number of public welfare assistance projects. During the year, the Group invested public welfare poverty alleviation funds in Mabian county, involving projects such as tourism assistance, education assistance, and livelihood improvement.

PROSPECTS

Despite progress made in containing the pandemic worldwide, future COVID-19 outbreaks may still recur anywhere and at any time. Global economic growth and financial markets are subject to the uncertainty caused by a global inflation spike, an advance and accelerated rate hike, the gradual withdrawal of quantitative easing policies, and the pandemic's impact on global supply chains. Geopolitical factors also pose risks to global economic growth. Although China's economy was the first to emerge from the pandemic and registered a strong rebound, its economic growth in 2022 is subject to challenges caused by potential recurrences of the pandemic, weak consumption appetite and global supply chain instability.

Industry trends suggest that the tourism industry's recovery will be volatile and unbalanced. International travel remains sluggish, with significant lingering uncertainty in the recovery process. In general, inbound and outbound tourism businesses were stagnant, with an uncertain recovery timeframe. We must not only prepare for a protracted war, but also actively pay attention to business expansion and investment opportunities in some tourism destinations that are expected to recover first. The recovery of tourist numbers and tourism revenue was impeded due to domestic travel being affected by sporadic COVID-19 outbreaks and cross-provincial travel being affected by constant suspension. Although scenic spots experienced a temporary decline in tourist numbers, the overall picture is improving as the industry strengthens its ability to respond to the pandemic. The essence of the tourism industry rests on satisfying people's quest for a better life, and given the extant strategic opportunities, the Group believes there are more opportunities than challenges for it to expand and strengthen its main tourism business.

In the prevailing volatile economic environment, I remain cautious about the Group's prospects underpinned by the strong backup of the parent company and unrelenting efforts of the management and all staff. I would like to take this opportunity to express my sincere gratitude to the shareholders and business partners for their support, and my heartfelt thanks to the Directors and staff for their team spirit and loyal service in the face of last year's challenges.

Jiang Hong
Chairman of the Board

Hong Kong, 30 March 2022

The Board is pleased to present the consolidated results of the Group for the year ended 31 December 2021 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenue	4	3,647,829	1,966,709
Cost of sales		<u>(3,123,661)</u>	<u>(1,891,006)</u>
Gross profit		524,168	75,703
Other income and gains, net		540,412	603,157
Changes in fair value of investment properties		36,255	(183,271)
Selling and distribution costs		(350,467)	(403,120)
Administrative expenses		<u>(858,304)</u>	<u>(874,070)</u>
Operating loss	6	(107,936)	(781,601)
Finance income	5	74,787	68,554
Finance costs	5	<u>—</u>	<u>—</u>
Finance income, net	5	74,787	68,554
Share of profits less losses of			
– associates		76,520	(22,612)
– joint ventures		<u>(27,940)</u>	<u>(6,160)</u>
Profit/(loss) before taxation		15,431	(741,819)
Taxation	7	<u>(107,018)</u>	<u>129,735</u>
Loss for the year		<u>(91,587)</u>	<u>(612,084)</u>
Attributable to:			
Equity owners of the Company		174,016	(390,792)
Non-controlling interests		<u>(265,603)</u>	<u>(221,292)</u>
Loss for the year		<u>(91,587)</u>	<u>(612,084)</u>
Earnings/(loss) per share for profit/(loss) attributable to equity owners of the Company (HK cents)	9		
Basic earnings/(loss) per share		<u>3.14</u>	<u>(7.06)</u>
Diluted earnings/(loss) per share		<u>3.14</u>	<u>(7.06)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(91,587)</u>	<u>(612,084)</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on property valuation, net of tax	799,709	605
Equity investments at FVOCI – net movement in fair value reserve (non-recycling), net of tax	3,881	(19,598)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of hedging reserve, net of tax	–	(2,181)
Release of exchange reserves upon disposal of subsidiaries	(15,892)	–
Exchange differences on translation of foreign operations, net	194,106	586,197
Cash flow hedges:		
net movement in hedging reserve	<u>–</u>	<u>6,290</u>
Other comprehensive income for the year, net of tax	<u>981,804</u>	<u>571,313</u>
Total comprehensive income for the year	<u>890,217</u>	<u>(40,771)</u>
Attributable to:		
Equity owners of the Company	1,126,242	122,505
Non-controlling interests	<u>(236,025)</u>	<u>(163,276)</u>
Total comprehensive income for the year	<u>890,217</u>	<u>(40,771)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		9,238,280	9,412,901
Investment properties		2,736,691	1,621,154
Prepaid land lease payments		474,545	411,054
Goodwill		1,348,456	1,347,825
Other intangible assets		112,734	112,734
Interest in associates		1,444,625	933,012
Interest in joint ventures		240,627	155,578
Derivative financial instrument		41,591	–
Other financial assets		31,648	27,395
Prepayments and other receivables		524,486	555,382
Deferred tax assets		327,061	259,473
		<hr/>	<hr/>
Total non-current assets		16,520,744	14,836,508
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Current assets			
Inventories		185,540	175,392
Properties under development		4,281,760	4,250,099
Completed properties held for sale		610,543	374,488
Trade receivables	<i>10</i>	95,350	81,743
Deposits, prepayments and other receivables		496,195	705,683
Loan to fellow subsidiaries		256,849	381,439
Amounts due from holding companies		5,180	1,165
Amounts due from fellow subsidiaries		271,778	152,228
Tax recoverable		–	13,983
Financial assets at fair value through profit or loss		–	297,553
Pledged time deposits		9,967	10,644
Cash and bank balances		3,074,492	2,947,404
Assets of disposal group classified as held for sale		–	955,865
		<hr/>	<hr/>
Total current assets		9,287,654	10,347,686
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		25,808,398	25,184,194
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	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		9,222,295	9,222,295
Reserves		<u>8,111,406</u>	<u>6,985,164</u>
		17,333,701	16,207,459
Non-controlling interests		<u>1,787,539</u>	<u>2,228,804</u>
Total equity		<u>19,121,240</u>	<u>18,436,263</u>
LIABILITIES			
Non-current liabilities			
Deferred income		701,131	772,363
Lease liabilities		235,959	229,791
Bank and other borrowings		195,347	95,052
Deferred tax liabilities		<u>685,379</u>	<u>686,561</u>
Total non-current liabilities		<u>1,817,816</u>	<u>1,783,767</u>
Current liabilities			
Trade payables	<i>11</i>	686,508	439,284
Other payables and accruals		3,505,888	3,207,303
Loans from holding companies		84,393	514,130
Amounts due to holding companies		1,166	3,882
Amounts due to fellow subsidiaries		25,351	4,924
Lease liabilities		47,519	61,309
Tax payables		184,980	110,164
Bank and other borrowings		333,537	51,569
Liabilities of disposal group classified as held for sale		<u>–</u>	<u>571,599</u>
Total current liabilities		<u>4,869,342</u>	<u>4,964,164</u>
Total liabilities		<u>6,687,158</u>	<u>6,747,931</u>
Total equity and liabilities		<u>25,808,398</u>	<u>25,184,194</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, a PRC state-owned enterprise.

2 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties, equity investments, financial assets at fair value through profit or loss and derivative financial instrument, which are stated at their fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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 report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of retained earnings at 1 January 2021.

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, 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 and vessel rental and charter operations in Hong Kong, Macau and Mainland China.

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 acquisition or disposal of investments and property, plant and equipment.

Segment assets include all tangible and intangible assets and current assets with the exception of interest 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.

Year ended 31 December 2021

	Tourist attraction and related operations <i>HK\$'000</i>	Travel agency, travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	3,004,824	103,096	439,372	77,344	3,624,636	23,193	3,647,829
Inter-segment revenue	<u>646</u>	<u>2,203</u>	<u>658</u>	<u>67</u>	<u>3,574</u>	<u>1,200</u>	<u>4,774</u>
	<u>3,005,470</u>	<u>105,299</u>	<u>440,030</u>	<u>77,411</u>	3,628,210	24,393	3,652,603
Elimination of inter-segment revenue					<u>(3,574)</u>	<u>(1,200)</u>	<u>(4,774)</u>
Revenue					<u>3,624,636</u>	<u>23,193</u>	<u>3,647,829</u>
Segment results	<u>472,127</u>	<u>(106,719)</u>	<u>(33,034)</u>	<u>(248,284)</u>	<u>84,090</u>	<u>(156,972)</u>	(72,882)
Non-controlling interests							<u>(265,603)</u>
Segment operating results before non-controlling interests							(338,485)
Gain on disposal of subsidiaries							229,135
Changes in fair value of investment properties, net of tax							35,519
Loss on changes in fair value of derivative financial instrument							(7,031)
Net loss on disposal of property, plant and equipment, net of tax							<u>(10,725)</u>
Loss for the year							<u>(91,587)</u>

	Tourist attraction and related operations <i>HK\$'000</i>	Travel agency, travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	12,862,080	4,062,209	3,771,936	1,711,504	22,407,729	1,715,417	24,123,146
Interest in associates	1,325,794	-	-	100,727	1,426,521	18,104	1,444,625
Interest in joint ventures	199,835	-	-	40,792	240,627	-	240,627
Inter-segment receivables	54,664	836,011	1,596,555	133,132	2,620,362	8,061,149	10,681,511
	<u>14,442,373</u>	<u>4,898,220</u>	<u>5,368,491</u>	<u>1,986,155</u>	<u>26,695,239</u>	<u>9,794,670</u>	<u>36,489,909</u>
Elimination of inter-segment receivables							(10,681,511)
Total assets							<u>25,808,398</u>
Segment liabilities	5,187,274	117,022	452,890	677,434	6,434,620	252,538	6,687,158
Inter-segment payables	3,893,905	822,553	2,546,487	1,020,427	8,283,372	2,378,462	10,661,834
	<u>9,081,179</u>	<u>939,575</u>	<u>2,999,377</u>	<u>1,697,861</u>	<u>14,717,992</u>	<u>2,631,000</u>	<u>17,348,992</u>
Elimination of inter-segment payables							(10,661,834)
Total liabilities							<u>6,687,158</u>
Other segment information:							
Share of profits less losses of associates	62,607	-	-	(22,219)	40,388	36,132	76,520
Share of profits less losses of joint ventures	-	-	-	(11,473)	(11,473)	(16,467)	(27,940)
Capital expenditure (note a)	492,312	78,017	11,776	62,386	644,491	5,114	649,605
- owned property, plant and equipment	421,940	74,343	11,776	23,814	531,873	5,114	536,987
- right-of-use assets	70,372	3,674	-	38,572	112,618	-	112,618
Depreciation and amortisation	284,510	31,915	109,508	184,018	609,951	6,672	616,623
- owned property, plant and equipment	246,345	12,770	97,650	171,751	528,516	6,672	535,188
- right-of-use assets	38,165	19,145	11,858	12,267	81,435	-	81,435
Provision for impairment recognised in the income statement, net (note b)	(29,260)	-	13	17,692	(11,555)	-	(11,555)

Notes:

- (a) Capital expenditure consists of additions of 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, inventories and properties under development.

Year ended 31 December 2020

	Tourist attraction and related operations <i>HK\$'000</i>	Travel agency, travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	1,285,388	252,398	325,698	90,756	1,954,240	12,469	1,966,709
Inter-segment revenue	<u>1,542</u>	<u>231</u>	<u>8,883</u>	<u>878</u>	<u>11,534</u>	<u>464</u>	<u>11,998</u>
	<u>1,286,930</u>	<u>252,629</u>	<u>334,581</u>	<u>91,634</u>	1,965,774	12,933	1,978,707
Elimination of inter-segment revenue					<u>(11,534)</u>	<u>(464)</u>	<u>(11,998)</u>
Revenue					<u>1,954,240</u>	<u>12,469</u>	<u>1,966,709</u>
Segment results	<u>27,984</u>	<u>(18,689)</u>	<u>(97,486)</u>	<u>(297,147)</u>	<u>(385,338)</u>	<u>(51,334)</u>	(436,672)
Non-controlling interests							<u>(221,292)</u>
Segment operating results before non-controlling interests							(657,964)
Gain on deemed disposal of an associate							182,822
Gain on bargain purchase of a subsidiary							36,834
Changes in fair value of investment properties, net of tax							(170,486)
Net loss on disposal of property, plant and equipment, net of tax							<u>(3,290)</u>
Loss for the year							<u>(612,084)</u>

	Tourist attraction and related operations <i>HK\$'000</i>	Travel agency, travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	12,630,044	2,002,875	3,755,562	2,073,008	20,461,489	3,634,115	24,095,604
Interest in associates	813,678	–	–	102,026	915,704	17,308	933,012
Interest in joint ventures	103,325	–	–	52,253	155,578	–	155,578
Inter-segment receivables	158,987	603,073	616,192	75,606	1,453,858	6,538,185	7,992,043
	<u>13,706,034</u>	<u>2,605,948</u>	<u>4,371,754</u>	<u>2,302,893</u>	<u>22,986,629</u>	<u>10,189,608</u>	<u>33,176,237</u>
Elimination of inter-segment receivables							<u>(7,992,043)</u>
Total assets							<u>25,184,194</u>
Segment liabilities	4,629,372	500,710	479,360	607,097	6,216,539	531,392	6,747,931
Inter-segment payables	3,844,122	558,587	2,147,617	966,691	7,517,017	475,026	7,992,043
	<u>8,473,494</u>	<u>1,059,297</u>	<u>2,626,977</u>	<u>1,573,788</u>	<u>13,733,556</u>	<u>1,006,418</u>	<u>14,739,974</u>
Elimination of inter-segment payables							<u>(7,992,043)</u>
Total liabilities							<u>6,747,931</u>
Other segment information:							
Share of profits less losses of associates	74,211	–	–	(96,075)	(21,864)	(748)	(22,612)
Share of profits less losses of joint ventures	(3,608)	–	–	(2,552)	(6,160)	–	(6,160)
Capital expenditure (note a)	575,521	626,209	4,522	37,519	1,243,771	21,116	1,264,887
– owned property, plant and equipment	575,521	565,714	4,522	18,785	1,164,542	21,116	1,185,658
– right-of-use assets	–	60,495	–	18,734	79,229	–	79,229
Depreciation and amortisation	267,226	31,581	131,578	157,867	588,252	1,111	589,363
– owned property, plant and equipment	241,948	17,770	131,578	143,516	534,812	1,111	535,923
– right-of-use assets	25,278	13,811	–	14,351	53,440	–	53,440
Provision for impairment recognised in the income statement, net (note b)	8,538	(1,676)	–	–	6,862	–	6,862

Notes:

- (a) Capital expenditure consists of additions of 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 amounts due from associates.

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	414,326	404,836
Mainland China (including Macau)	3,227,933	1,488,695
Overseas	5,570	73,178
	<u>3,647,829</u>	<u>1,966,709</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	8,606,905	6,794,395
Mainland China (including Macau)	7,555,130	7,688,946
Overseas	–	50,365
	<u>16,162,035</u>	<u>14,533,706</u>

The information about the Group's non-current assets is based on the physical location of assets which exclude other financial assets 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 2021 (2020: 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.

Disaggregation of revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	1,295,060	720,768
– Tour, travel agency, travel document and related income	103,115	264,867
– Hotel income	464,579	332,333
– Passenger transportation income	77,344	90,756
– Property sales income	1,574,769	437,813
– Consultancy and service income	35,228	47,580
	<u>3,550,095</u>	<u>1,894,117</u>
Revenue from other sources		
Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	97,734	72,592
	<u>3,647,829</u>	<u>1,966,709</u>

5 Finance income, net

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income:		
Bank deposits and entrustment loans	74,787	68,554
Interest expense:		
Lease liabilities	(11,187)	(12,990)
Bank borrowings, overdrafts and other borrowings – wholly repayable within five years	(24,034)	(5,235)
	(35,221)	(18,225)
Less: Interest expense capitalised into properties under development and property, plant and equipment	35,221	18,225
Finance costs	–	–
Finance income, net	74,787	68,554

6 Operating loss

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Other income and gains, net		
Rental income on investment properties, net	(25,490)	(19,817)
Foreign exchange differences, net	(4,812)	4,536
Government grants	(149,167)	(87,308)
Management fee income	(63,181)	(67,782)
Income from financial assets at fair value through profit or loss	(5,455)	(6,344)
Loss on disposal of property, plant and equipment, net	11,737	3,309
Reversal of provision for the closure of golf club	–	(138,346)
Gain on disposal of subsidiaries	(229,135)	–
Loss on changes in fair value of derivative financial instrument	7,031	–
Gain on deemed disposal of an associate	–	(182,822)
Gain on bargain purchase of a subsidiary	–	(36,834)
Other	(81,940)	(71,749)
	(540,412)	(603,157)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(b) Other items:		
Depreciation charge		
– owned property, plant and equipment	535,188	535,923
– right-of-use assets	<u>53,600</u>	<u>53,440</u>
	<u>588,788</u>	<u>589,363</u>
Amortisation of prepaid land lease payments	27,835	32,664
Amortisation of other intangible assets	1,041	2,946
Employee benefit expenses	1,426,459	1,346,576
Provision for impairment/(reversal of impairment) of trade and other receivables, net	42	(285)
Provision for impairment of property, plant and equipment and prepaid land lease payments	–	7,147
Reversal of impairment of properties under development	(29,260)	–
Provision for impairment of inventories	17,663	11,290
Direct operating expenses of investment properties	3,215	1,906
Fuel cost	16,377	12,952
Cost of properties sold	<u>1,012,201</u>	<u>237,893</u>

7 Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 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.

Under the Provisional Regulations on Land Appreciation Tax (“LAT”), all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	4,252	13,899
(Over)/under-provision in prior years	(2,361)	6,401
	1,891	20,300
Current – Mainland China and Macau		
Charge for the year	122,675	20,839
Under-provision in prior years	7,236	619
	129,911	21,458
LAT	49,192	31,462
Deferred tax	(73,976)	(202,955)
Total tax charge/(credit) for the year	107,018	(129,735)

8 Dividends

There were no dividends paid during the year ended 31 December 2021 (2020: Nil).

At a board meeting held on 30 March 2022, the Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

9 Earnings/(loss) per share for profit/(loss) attributable to equity owners of the Company

The calculation of basic and diluted earnings/(loss) per share is based on profit attributable to equity owners of the Company for the year ended 31 December 2021 of HK\$174 million (2020: loss of HK\$391 million) and the weighted average of 5,536,633,709 ordinary shares (2020: 5,536,633,709 shares) in issue during the year.

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 2021 and 2020, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	39,494	31,432
Over 3 months to 6 months	27,021	23,925
Over 6 months to 12 months	23,157	20,559
Over 1 year to 2 years	5,253	5,130
Over 2 years	425	697
	<u>95,350</u>	<u>81,743</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	261,843	365,953
Over 3 months to 6 months	119,737	22,737
Over 6 months to 12 months	100,646	25,002
Over 1 year to 2 years	181,079	9,902
Over 2 years	23,203	15,690
	<u>686,508</u>	<u>439,284</u>

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

12 Disposal of subsidiaries

(a) Disposal of China Travel Service (Hong Kong) Limited and its wholly-owned subsidiaries

On 9 August 2019, Alton Services Limited (“Alton”), a wholly-owned subsidiary of the Company, entered into an agreement (“the Agreement”) in relation to the sale of its entire equity interest in China Travel Service (Hong Kong) Limited (formerly known as China Travel (HK & Macau Tour) Management Hong Kong Limited), and its wholly-owned subsidiaries (together the “New CTSHK Group”) within the travel agency, travel document and related operations segment, for a consideration of approximately HK\$5,130,000 to CTG Travel Service Co., Ltd., a fellow subsidiary of the Company. The transaction was completed in May 2021 and resulted in a gain of approximately HK\$216,115,000.

Analysis of the assets and liabilities of CTSHK upon disposal was as follows:

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	37,030
Investment properties	25,800
Inventories	268
Trade receivables	6,193
Deferred tax assets	7,978
Deposits, prepayments and other receivables	112,502
Cash and bank balances	110,731
	<u>300,502</u>

	300,502
Liabilities	
Trade payables	(75,284)
Other payable and accruals	(429,222)
Deferred tax liabilities	(3,065)
	<u>(507,571)</u>

	(507,571)
Net liabilities	(207,069)
Release of exchange reserve	(3,916)
Gain on disposal of a subsidiary	216,115
	<u>5,130</u>

	5,130
Cash received	5,130
	<u>5,130</u>

Net cash flows arising from the disposal	
Cash received	5,130
Cash and cash equivalents disposed of	(110,731)
Direct cost of disposal	(6,827)
	<u>(112,428)</u>

	<u>(112,428)</u>

(b) Disposal of CTS (Dengfeng) Songshan Shaolin Culture Toursim Co. Ltd.

On 8 October 2020, the Board announced that the Company intended to dispose of its 51% equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. (“CTS (Dengfeng)”) and the entire shareholder’s loan owed by CTS (Dengfeng) to the Company as at the date of open listing through Public Tender to be conducted on the China Beijing Equity Exchange. On 10 December 2020, after the expiry of the initial public tender period, CTS (Dengfeng) has repaid the Shareholder’s Loan of CTS (Dengfeng) of approximately RMB63,143,130 to the Company. In light of the response of the market and condition, the Company decided to proceed with a second open tender with the bid price adjusted downward. Accordingly, the Company made an open tender again from 16 December 2020 to 13 January 2021 on the website of China Beijing Equity Exchange in respect of the disposal of CTS (Dengfeng). On 25 January 2021, after the completion of transaction process at China Beijing Equity Exchange, the Company has entered into the Equity Transfer Agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited (“Deng Feng”), pursuant to which the Company has agreed to dispose of and Deng Feng has agreed to purchase CTS (Dengfeng) at the consideration of approximately RMB255,112,200. The transaction was completed in April 2021 and resulted in a gain of approximately HK\$13,020,000.

Analysis of the assets and liabilities of CTS (Dengfeng) upon disposal was as follows:

	<i>HK\$’000</i>
Assets	
Property, plant and equipment	246,276
Prepaid land lease payments	261,698
Intangible assets	90,255
Inventories	53
Trade receivables	120
Deposits, prepayments and other receivables	87,046
Deferred tax assets	8,925
Cash and bank balances	28,327
	<hr/>
	722,700

Liabilities	
Other payable and accruals	(117,050)
Deferred income	(1,202)
Deferred tax liabilities	(21,202)
Lease liabilities	(43,262)
	<hr/>
	(182,716)

Net assets	539,984
Non-controlling interest	(264,592)
Tax impact	10,609
Release of exchange reserve	(11,976)
Gain on disposal of a subsidiary	13,020
	<hr/>
Total consideration	287,045
	<hr/>
Cash received	287,045
	<hr/>
Net cash flows arising from the disposal	
Cash received	287,045
Cash and cash equivalents disposed of	(28,327)
Direct cost of disposal	(558)
	<hr/>
	258,160
	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2021, economies were observed to either bottom out from the impact of the pandemic or begin to bounce back, depending on their rate of vaccination and the extent of their economic stimuli. However, in global terms, the prolonged travel restrictions and preventative measures against COVID-19 slowed the pace of recovery. In China, while economic recovery continued, outbreaks of the new Omicron variant slowed growth and heightened uncertainty. Amid this complex and changing business environment, the Group recorded a solid overall performance for the year, showing significant growth over the previous year.

For 2021, the Group's consolidated revenue was HK\$3,648 million, representing an increase of 85% compared with the previous year. This can mainly be attributed to the subsidence of COVID-19, which resulted in an increase in overall revenue from the Group's tourist attraction and hotel operations. Profit before taxation was HK\$15 million, while in the previous year loss before tax amounted to HK\$742 million. Profit attributable to shareholders was HK\$174 million, while in the previous year loss attributable to shareholders amounted to HK\$391 million. Loss attributable to operation was HK\$73 million, representing a decrease of 83% compared with the previous year. The profit attributable to shareholders was mainly due to revenue of approximately HK\$1,300 million from the sale of real estate from China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("**Zhuhai OSR**"), a gain of approximately HK\$216 million from the completion of disposal of travel business, and the change in fair value of investment properties from a loss of HK\$183 million last year to a gain of HK\$36 million in the current year.

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 31 December 2021, total assets were HK\$25,808 million, representing a 2% increase compared with the end of last year. Equity attributable to shareholders was HK\$17,334 million, representing a 7% increase compared with the end of last year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$3,341 million, representing a 9% decrease compared with the end of last year, when cash and bank balances amounted to HK\$3,074 million. After deducting HK\$613 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$2,461 million, representing a decrease of 21% compared with the end of last year.

DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2021.

BUSINESS REVIEW

(I) Tourist attractions and related operations

The tourist attractions and related operations of the Group comprise:

1. Theme parks: Shenzhen The World Miniature Co., Ltd. (“**Window of the World**”) and Shenzhen Splendid China Development Co., Ltd. (“**Splendid China**”)
2. Natural and cultural scenic spots: CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd. (“**Shapotou Scenic Spot**”), Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd. (“**Xiufeng Scenic Spot**”), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. (“**Huashan Scenic Spot**”), CTS Guangxi Detian Waterfall Tourism Development Co., Ltd. (“**Detian Scenic Spot**”) (formerly known as “Guangxi CTS Detian Waterfall Tourism Development Co., Ltd.”), CTS Luzhou Laojiao Culture Tourism Development Company Limited (“**Luzhou Scenic Spot**”) and CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. (“**Lugu Lake Scenic Spot Company**”)

Non-controlling scenic spot investments:

Huangshan Yuping Cable Car Company Limited, Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company Limited, Changchun Jingyuetan Youle Co., Ltd., Ningbo CTS Cicheng Ancient County Tourism Development Company Limited and New Century Senbo

3. Leisure resorts: Zhuhai OSR, CTS Xianyang Ocean Spring Resort Co., Ltd. (“**Xianyang OSR**”) (formerly known as “Xianyang Ocean Spring Resort Co., Ltd.”), Zhuhai Evergrande Ocean Spring Land Co., Ltd. (“**Evergrande OSR**”), CTS (Anji) Tourism Development Company Limited (“**Anji Company**”)
4. Supplementary tourist attraction operations:

China Heaven Creation International Performing Arts Co., Ltd. (“**Heaven Creation Company**”), CTS (Shenzhen) City Development Co., Ltd., China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. (“**China Travel Zhiye**”), CTS Scenery (Beijing) Tourism Management Limited (“**CTS Scenery**”) and CTS Xinjiang Tourism Operation Management Co., Ltd. (“**Xinjiang Company**”)

With the alleviation of COVID-19 and a relatively rapid recovery of tourist arrivals in Mainland China, the Group’s total revenue from tourist attractions and related operations was HK\$3,005 million for the year 2021, representing a 134% increase compared with the previous year. Attributable profit was HK\$472 million, representing a 1,587% increase compared with the previous year.

Theme parks

With China's economy recovering steadily in 2021, tourism market trends were studied and discussed with a major focus on developing the local tourism sector while exploring other market segments. However, a new COVID-19 outbreak in Guangdong province in mid-May of the year increased pressure on operations. At present, as sporadic localised outbreaks cannot be avoided, much uncertainty remains concerning the recovery of the tourism market. For the year 2021, revenue from theme parks was HK\$403 million, representing a 57% increase compared with the previous year. Attributable loss was HK\$40 million, representing a decrease of 51% compared with the previous year.

During the year, six new projects – “Pyramid Fantasy”, “Firework Dance”, “Super Speed Car”, “Training Camp for Spartan Warriors”, “Whitewater Rafting in Grand Canyon” and “Small Animal Crossing” – were launched by Window of the World. New projects will be rolled out to complement the park's existing products, while existing projects will be upgraded regularly. An upgrade of the Tibetan Village at Splendid China has been completed, while the “Upgrade of Interactive Experience of River Rafting Project” has entered the equipment production phase. Window of the World and Splendid China will continue to emphasise market development and research of potential markets, product enrichment, quality improvement and capacity expansion.

Natural and cultural scenic spot

Revenue from natural and cultural scenic spots amounted to HK\$632 million in the year, representing a 117% increase compared with last year. Attributable profit amounted to HK\$37 million, while attributable loss for the previous year was HK\$27 million.

The Company entered into an equity transfer agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited on 25 January 2021, pursuant to which the Company agreed to dispose of its 51% equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. (“**Songshan Scenic Spot**”) to Deng Feng Songshan Shaolin Culture Tourism Group Company Limited at a consideration of RMB255 million. The disposal will help to enhance the Group's portfolio of natural and cultural scenic spots, increase the asset turnover rate and working capital, and further improve the sustainability of the Company's development. The disposal was completed in April 2021 and resulted in a gain of approximately RMB10.93 million. For details, please refer to the Company's announcement dated 25 January 2021.

During the year, Shapotou Scenic Spot achieved positive results by maintaining its normalisation of pandemic prevention and continuously strengthening its project construction, marketing and service quality improvements. It recorded a year-on-year increase of 79% in revenue, and a decrease of 68% in loss. The four major “key opinion leader recommended products” and “Far-sighted View of Vietnam” tour business from Detian Scenic Spot improved the tourist flow and increased the conversion rate of tourists’ secondary consumption. Revenue and profit from Detian Scenic Spot increased by 100% and 42% respectively. The implementation of regional management at Huashan Scenic Spot increased its revenue by 48%. Xiufeng Scenic Spot recorded a significant increase in both revenue and profit as it strengthened cooperation with travel agents to increase the flow of group tours. Established in September 2020, Luzhou Scenic Spot aims to upgrade and transform Laojiaochi Scenic Spot with a focus on developing wine culture tourism. Revenue from Luzhou Scenic Spot was HK\$194 million for the year, which made significant contribution to the Group’s revenue from natural and cultural scenic spots. New Century Senbo, an associated company, accounted for a profit of HK\$37 million.

Leisure resorts

Revenue from leisure resorts was HK\$1,918 million, representing an increase of 181% compared with the previous year. Attributable profit was HK\$475 million, representing a 762% increase compared with the previous year. These increases were mainly due to a revenue of approximately HK\$1,300 million from the sale of real estate recorded by Zhuhai OSR.

Revenue from Zhuhai OSR was HK\$1,402 million, representing a 798% increase compared with the previous year which successfully turned loss to profit. During the year, projects such as “Unpowered Paradise”, “Pony Club”, “Tribe of Dwarves” and “Little Town Marketplace” were launched and became photogenic spots for key opinion leaders. Xianyang OSR is delivering a new OSR experience with activities such as themed festivals, and is enhancing brand communication through parent-child platforms with its outdoor hot spring product “Ocean Spring Hot Spring Centre”. Xianyang OSR managed to turn loss into profit with a 118% increase in revenue. Evergrande OSR, an associated company, accounted for real estate profit of approximately HK\$52 million. Anji Company put for sale of all remaining Phase II project housing in the second half of the year, but due to construction progress, settlement could not be completed during the year. Revenue for the Anji Company fell by 13%. The Anji Company’s operational emphasis has shifted to tea plantations and wine bar operations, and with the implementation of the farm planning proposal, families seeking parent-child entertainment have become main target visitors of the resort. This conceptual upgrade plan has further improved the product and operation systems.

Supplementary tourist attraction operations

The revenue from the supplementary tourist attraction operations was HK\$52 million, representing a 5% decrease compared with the previous year. Attributable profit was HK\$1 million, representing a 98% decrease compared with the previous year.

Heaven Creation Company was engaged in scenic spot construction, creative planning, performing arts and management business. As the main audience of its repertoire comprises tourists from Europe and America, where the pandemic was not effectively controlled, residence performance has come to a complete halt, resulting in a decrease in revenue for the year. China Travel Zhiye was engaged in providing tourism planning services, which recorded a decrease in revenue and an increase in loss. The company will put more effort into market expansion and will widen its marketing channels. CTS Scenery's management and consulting services recorded decreases of 40% in revenue. It will strengthen collaboration in product development, promotion and implementation. Established in May the year, Xinjiang Company was engaged in the operation and management of tourist destination projects in Xinjiang region and the creation and operation of modern resort experience products and services. Xinjiang Company recorded a modest revenue and profit.

(II) Travel Agency, Travel Document and Related Operations

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

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

On 9 August 2019, the Group and CTG Travel Service Co., Ltd. ("**CTS Head Office**"), a subsidiary of China National Travel Service Group Corporation Limited, entered into an asset and equity interest transfer master agreement, pursuant to which the Group agreed to dispose of its business and assets relating to travel agency to CTS Head Office for a consideration of HK\$5.13 million. The disposal was completed in May 2021 and resulted in a gain of approximately HK\$216 million. For details, please refer to the Company's announcement dated 31 May 2021.

Pandemic-related social distancing requirements and cross-border restrictions have affected the market dynamics of the entire tourism industry. In 2021, the Group's travel agency, travel document and related operations' revenue was HK\$103 million, representing a decrease of 59% compared with the previous year. Attributable loss was HK\$107 million, representing a 471% increase over the previous year.

(III) Hotel Operations

The Group's hotel operations comprise:

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

In 2021, revenue from the Group's hotel operations was HK\$439 million, representing a 35% increase compared with the previous year. Attributable loss was HK\$33 million, representing a 66% decrease compared with the previous year. Beijing Metropark Hotel had a relatively better recovery, with revenue increasing by 31%. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Metropark Hotel Kowloon recorded revenue growth after it was designated by the government as a quarantine hotel to host overseas returnees in Hong Kong last year. Some of the hotels launched discounts and promotions and strengthened their cost control to mitigate the negative impact of the pandemic.

(IV) Passenger Transportation Operations

The Group's passenger transportation operations comprise bus and passenger vessels businesses owned by Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**").

The Group's cross-border bus and passenger ferry services have been suspended due to COVID-19, causing serious setbacks to passenger transportation operations. At present, the bus business comprises the mainstream income of Shun Tak-China Travel. In 2021, revenue from passenger transportation operations was HK\$77 million, a decrease of 15% compared with the previous year. Attributable loss was HK\$248 million, representing a 16% decrease compared with the previous year.

In terms of the bus operation, the Company actively expanded diverse businesses such as cultural media and cross-border shopping malls whilst increasing its efforts in the local charter vehicle and local green tourism businesses to alleviate the negative impact of suspension of its principal operation.

DEVELOPMENT STRATEGY

Tourist attractions and related operations

Pursuant to its strategy of building a “first-class tourist destination investment and operation service provider”, the Group continued to focus on creating products related to tourism, leisure and holidays. It strives to set industry benchmarks for scenery, content and experience, and pursues the strategic implementation of integrating development of its scenic spot and real estate businesses. The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations, expanding its business in the tourism consumption market, creating quality tourism and model projects, extensively applying technology, seizing post-pandemic consumption opportunities, and creating a new pattern of tourism consumption.

During the year, Window of the World normalised and expanded its cross-industry cooperation, organising a number of activities with other brands to increase the scenic spot’s overall brand influence. New spectacular performances such as “Exodus”, “Taj Mahal Love Song” and “American Exotic Performance” were launched. Splendid China will continue to focus on local family customers and launch new products such as “Float Parade” and “Drifting River”. By strengthening its relationships with external strategic partners, it will continue to cultivate the management business and increase recognition of its management service brand. Window of the World and Splendid China will emphasise transformation and development to create new products in line with market trends.

Shapotou Scenic Spot will speed up completion of the Desert Star Hotel Phase II project as a high-end hotel for differentiated development. As a result, comprehensive high-, mid- and low-range products will be covered for the creation of holiday resorts catering for cultural tourism. It will continue the development of a new “scenic spot + characteristics hotel” tourism model to facilitate transformation and upgrading via leisure holiday products, such as hot springs, guesthouses, hotels, shows and nighttime tours. With the opening of the nighttime tourism experience product “Night Detian”, the “Far-sighted View of Vietnam” and the “Sino-Vietnam Cross-border Duty Free Shopping Street” projects, the operating performance of Detian Scenic Spot has improved significantly. Detian Scenic Spot will cross over with other high-end hotels in the vicinity to enhance its prestige, and will continue to adjust its marketing strategy and develop an integrated “activities + brand + product” marketing and promotion model. Luzhou Scenic Spot will utilise projects such as “Zhangba Scenic Spot” and “Wine Valley Lake” to build a model project integrating wine and tourism, setting new benchmarks for the “white wine + commodity + cultural and creative + accommodation” cultural tourism industry.

In February 2021, the Group completed the acquisition of 34% equity interest in New Century Senbo, becoming its second largest shareholder. New Century Senbo was positioned as a micro-vacation project targeting the mid- to high-end market, promoting short-distance peri-urban holiday packages to mid- to high-end customers and boosting consumption upgrade. Therefore, a value support system with special features, low cost and high quality was established. New Century Senbo has good tourism IP, highly reputable market-attractive products and a reproducible model with excellent performance. The Group's acquisition and merger of the mature tourism IP will enable it to leapfrog development of the tourism real estate businesses. During the year, New Century Senbo recorded a profit contribution.

In the first half of the year, the Company entered into a basic project agreement with Lijiang Lugu Lake Management Bureau and Lijiang Lugu Lake Tourism Development Co., Ltd. ("**Lugu Lake Tourism Company**") to jointly develop the Lugu Lake Scenic Spot. In July 2021, the Company and Lugu Lake Tourism Company jointly established Lugu Lake Scenic Spot Company with a registered capital of RMB200 million. The Company and Lugu Lake Tourism Company respectively hold 51% and 49% equity interests in Lugu Lake Scenic Spot Company, which is the main operating entity of Lugu Lake Scenic Spot. Lugu Lake Scenic Spot Company plans, develops, constructs, operates and manages the natural landscape, ethnic culture and water and land transportation resources within the project scope. Its ultimate aim is to build Lugu Lake Scenic Spot into a core tourism project of the Western Yunnan Tourism Ring Line, and a world destination integrating tourism, leisure, shopping and entertainment and Mosuo customs.

Zhuhai OSR will continue to upgrade its existing products and develop new real estate business with a view to enrich the "Ocean Spring" brand portfolio with differentiated products. To this end, it will utilise the complementary effect between the travel and real estate industries, and continue to push forward the renovation of the Neptune Hotel, aiming for an official opening in 2022 summer. In 2021, Xianyang OSR, in cooperation with Nestle and Starbucks Coffee brands, opened a Starbucks Coffee Experience Shop in the resort area, and at the same time introduced indoor golf, archery and other games to further enrich guest activities in the resort area. It also cooperated with local parent-child brand "Euro Kids" to create a comprehensive family playland. Anji Company will push forward the development of Anji Commercial Township to boost future revenue growth.

Passenger Transportation Operations

The passenger bus business will seek opportunities for the acquisition of a cross-border passenger transportation company to solve the development bottleneck of cross-border traffic and shortage of quota in Shenzhen Bay. For the passenger vessels business, the Company will continue to implement effective cost management and control, dispose of inefficient assets and low yielding routes, improve operating efficiency and the return of individual vessels, so as to increase its share of the cross-border marine transportation market.

Hong Kong and Overseas Business Development

The Group will develop new business and new growth engines by strategically acquiring quality scenic spots, and exploring new breakthroughs to expand into overseas markets. In October 2021, the Company entered into a sales and purchase agreement with Ceylon Hotels Maldives (Pvt) Ltd., pursuant to which the Company has agreed to acquire from the latter its 50% shareholding interest in Handhuvaru Ocean Holidays Private Company (“**Handhuvaru Company**”) (the remaining 50% equity interest in Handhuvaru Company is held by Zhen Hua Engineering Company Limited), which holds a leasehold interest in Ambara Island in the Maldives, at a consideration of US\$4,493,663. Upon completion of the acquisition, the Company and Zhen Hua Engineering Company Limited will reach an agreement to cooperate on developing a mid- to high-end resort of approximately 100 rooms on Ambara Island. Maldives is a renowned tourist destination that, prior to the COVID-19 pandemic, continued to benefit from growing demand and rising tourism spending among Asian tourists, and especially those from China. Ambara Island is located in Vaavu Atoll with relatively convenient transportation, rich tourism resources and high development potential. The Company considers that the acquisition will strongly complement its business development at a strategic level. For details, please refer to the Company’s announcement dated 12 October 2021. As of the date of this announcement, the acquisition has not yet been completed.

The Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. The conversion of the Group-owned Hip Kee Godown (No. 3) land parcel in Hung Hom to hotel use has been approved by the government and has significantly increased the land’s value and development potential. Demolition of Hip Kee Godown (No. 3) was completed in 2020. In December 2021, China Travel Service Property Investment Hong Kong Limited, a wholly-owned subsidiary of the Company, entered into a construction contract with a contractor to engage the latter to carry out construction of a 28-storey business boutique hotel and complementary facilities on the land parcel. This is expected to be completed by 3 November 2023. Taking into account the location, rail transit system and sea view resources of the proposed development, the proposed new hotel will be positioned at the medium- to high-end of the market, and will be capable of commanding a higher revenue and reaching a wider business and leisure customer base, all of which is in line with the Group’s business development strategies. For details, please refer to the Company’s announcement dated 24 December 2021. Furthermore, the Group has made on-site visits to a number of smart hotels in Mainland China and compiled investigative reports on the feasibility of practical use of smart hotel systems in our projects.

Internal Management

In January 2021, the Company established a digital operations department and developed a digital transformation and development plan. Through digital transformation, the Company will improve its online business and customer service, strengthen internal-external business coordination, promote cross-industry cooperation, create a convenient service platform with a rich product palette and an excellent consumer experience, and promote the deep integration of digital technology into business and management models.

While making an effort to achieve performance targets through routine operation and management, the Company will pursue a new level of development by strengthening its core competitiveness in product, digital and operating capabilities. The Company will maintain its corporate operations' development lifeline by continuing its safety and pandemic prevention efforts through supervision, inspection, training and improvement, and normalisation of pandemic prevention to ensure its overall stability.

The Group will continue to strengthen the functional capacities of its headquarters, recruit high-calibre talent, advance its control and business synergies, improve existing rules and systems, optimise workflows and strengthen its production safety mechanisms to ensure sustainable development.

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2021, the Group had 7,030 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group continues to be strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 31 December 2021, the Group's cash and bank balances amounted to HK\$3,074 million, whereas the bank and other borrowings and loans from the holding company amounted to HK\$613 million. The debt-to-capital ratio was 30%. The debt includes bank and other borrowings, trade payables, other payables and accruals loans from holding companies, and 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, and is thus exposed to different levels of foreign currency risk. The Group has not engaged in any particular hedge against foreign exchange risk. The Group will closely monitor and manage its foreign currency exposure and make use of appropriate measures when required.

CHARGES ON ASSETS

As of 31 December 2021, the Group's bank deposits of approximately HK\$10 million (31 December 2020: HK\$11 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 of 31 December 2021, certain of the Group's buildings with net carrying amounts of HK\$745 million (31 December 2020: HK\$57 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save those disclosed under “Business Review” in the “Management Discussion and Analysis” section above, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures during the year.

CONTINGENT LIABILITIES

As of 31 December 2021, the Group’s performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2020: HK\$0.3 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group did not devise future plans for material investments or capital assets.

PROSPECTS

In 2021, as the world entered into a new stage of COVID-19 prevention and control, some countries were experiencing a strong economic recovery coupled with widespread inflation. The International Monetary Fund forecasted global economic growth of 5.9% in 2021, while in its Global Economic Prospects, the World Bank expected global economic growth would be 5.5% for the same year. Amidst the severe challenges brought by the pandemic and uncertainties in the global economy, the overall infection rate in Mainland China was under control and the country’s economic development remained stable. According to the 2021 economic data released by the National Bureau of Statistics, China’s GDP in 2021 reached RMB114 trillion, with a year-on-year growth of 8.1% or an average of 5.1% for the past two years, demonstrating that the Chinese economy has maintained a high speed of growth among major economies.

With accelerated rate of vaccination, the global economy is set for recovery, though the potential emergence of new COVID-19 variants remains a source of uncertainty. Published in January 2022, the International Monetary Fund’s World Economic Outlook Update Report forecasted a 4.4% global economic growth for the year 2022. Affected by the pandemic, the growth momentum of different countries has slowed and economic prospects remain uncertain. In the China Monetary Policy Report for Quarter Four, 2021 issued by the People’s Bank of China, it is mentioned that the inflation trend, COVID-19 situation, and the adjustments in the macroeconomic policies of developed economies still face much uncertainty. The recent instability in Ukraine and the sanctioning of Russia by multiple countries have led to soaring prices of energy, commodities and agricultural products and increased pressure on global inflation. International market turbulence and geopolitical risks will also exert pressure on global economic growth. The Group expects that the global economic outlook for 2022 will mainly depend on the progress and effectiveness of epidemic control, and the performance of the Group’s hotel and passenger transportation operations will depend to a large extent on the resumption of traveller clearance between Hong Kong and the Mainland. The recent spread of the Omicron variant has forced the Hong Kong Government to implement stringent measures which have caused serious interruptions to the city’s normal business activities and further delayed the long-expected resumption of cross-border passenger flow. While facing pandemic-related pressure, the Group will remain focused on

its business operations and will adapt as needed to change. It will continue its operation and management work with the support of a strong cash flow, and will strive for further improvement in its business performance. With our solid foundations and the strong resilience of our assets, we will maintain the healthy development of our business during the year.

The Company is cautious about development prospects and will continue to monitor the COVID-19 situation while evaluating the potential risks and impact on finances and operations. The Group's overall business remains fundamentally stable and sound, with abundant funds, excellent investment, and great capability and capacity for development. The Company will make a strong effort to accomplish its various aims, and will proceed with its radical reform and integrated development. We will remain on the lookout for suitable growth opportunities to expand existing revenue streams in the medium- to long-term, and create greater shareholder value.

SCOPE OF WORK OF KPMG

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 2021 as set out in the preliminary announcement have been agreed 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 assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

DIVIDENDS

The Board does not recommend the payment of a final dividend (2020: Nil) for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBER

The annual general meeting of the Company will be held on Monday, 30 May 2022. The Register of Members of the Company will be closed from Wednesday, 25 May 2022 to Monday, 30 May 2022 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2022.

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 maintaining 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 of Hong Kong Limited (the "**Listing Rules**") throughout the year ended 31 December 2021, except for the following deviations:

- Code Provision A.2.7 specifies that the Chairman should at least annually hold meetings with the Independent Non-Executive Directors without the presence of other directors. During the year, the Chairman did not hold any meeting with the Independent Non-Executive Directors without the presence of other directors because the Independent 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 Independent 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 Mr. Lo Sui On, Mr. Yang Hao (resigned with effect from 24 May 2021), Mr. Fan Dongsheng (resigned with effect from 20 January 2022) and Mr. Tsang Wai Hung. However, the said 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 statutes 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 27 May 2021 because of other business commitment.

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 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management on the accounting principles and practices adopted by the Company and discussed the auditing, risk management, internal controls and financial reporting matters including a review of the final results of the Company for the year ended 31 December 2021.

PUBLICATION OF 2021 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 2021 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
Jiang Hong
Chairman

Hong Kong, 30 March 2022

DIRECTORS

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

Executive Directors:

Mr. Jiang Hong, Mr. Lo Sui On and Mr. Tang Yong.

Non-Executive Directors:

Mr. Wu Qiang and Mr. Tsang Wai Hung.

Independent Non-Executive Directors:

Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.