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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 2022 FINAL RESULTS

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders:

BUSINESS REVIEW

In 2022, the domestic tourism industry continued to be hit hard by the pandemic. With the secondary tightening of prevention and control measures across the region, continued disruption to inbound and outbound group travel and cross-border business, and repeated 'meltdowns' of cross-province travelling, travel radius continued to shrink and the travel market was slow to recover. According to a survey conducted by the Ministry of Culture and Tourism of the PRC, in 2022 the number of domestic tourists and domestic tourism revenue in China dropped by 22.1% and 30.0% year-on-year, respectively. The fifth wave of the COVID-19 outbreak in January 2022 has severely impacted Hong Kong's economic activities. The government reacted with most stringent preventive measures since the start of the outbreak, which deeply impacted Hong Kong's wider economic activities as well as the global supply chain. However, during November and December 2022, with the promulgation of the "Notice on Further Optimising the Prevention and Control Measures of COVID-19 for Scientific and Precise Prevention and Control Work" and the "Notice on Further Optimising and Implementing the Prevention and Control Measures for COVID-19", the Chinese government set a course for a strategic turning point in the tourism industry's recovery. Tourism consumption and market confidence were boosted, and the industry's pace of recovery and development significantly accelerated. With normal travel between Hong Kong and Mainland China resuming fully from 6 February 2023, the Group will seize the opportunity to execute various tasks and strive for a greater recovery of growth in 2023.

In 2022, China Travel International Investment Hong Kong Limited (the "**Company**", together with its subsidiaries, the "**Group**") recorded a consolidated revenue of HK\$3,032 million, representing a 17% decrease compared with the previous year. Loss before taxation was HK\$685 million, compared with a HK\$15 million profit before taxation in the previous year. Loss attributable to shareholders was HK\$356 million, compared to a HK\$174 million profit attributable to shareholders in the previous year. The Group's cash flow remained steady and sufficient, the debt level stable and controllable, and the financial position was healthy. As of 31 December 2022, cash and bank balances were HK\$2,798 million, total assets were HK\$23,763 million, and debt-to-capital ratio was 27%.

The Board of Directors (the “**Board**”) of the Company does not recommend payment of a final dividend for the year ended 31 December 2022.

EXTERNAL ENVIRONMENT

In 2022, COVID-19 continued to spread around the world, while the Russia-Ukraine conflict resulted in sanctions imposed on Russia by many European countries and the USA. The consequent disruption of the global supply chain affected the recovery of economic activity and pushed up inflation significantly, with major central banks aggressively hiking interest rates and tightening market liquidity, triggering a decline in stocks and bonds. In Mainland China, the economy was severely affected by the pandemic as well as the international situation in 2022. Although the gross domestic product (“**GDP**”) grew by 3.9% year-on-year in the third quarter, an increase of 3.5 percentage points from 0.4% in the second quarter, the recovery was not sustained in the fourth quarter, which recorded an increase of 2.9% year-on-year, down by 1.0 percentage point from the third quarter. In Hong Kong, the fifth wave of the pandemic in 2022 severely impacted the economy, though local economic activity revived with increasing vaccination rates and reduced community infections enabled most preventive measures to be lifted. Hong Kong’s annual GDP contracted by 3.5% year-on-year in 2022. The unemployment rate stood at 3.5% and the underemployment rate dropped to 1.5% for the October to December quarter, showing continued improvement in Hong Kong’s labour market as the unemployment rate fell for eight consecutive months.

CORPORATE DEVELOPMENT

The Group regards “integrity management and quality service” as its core business philosophy, which is integrated into our corporate culture and service standards. The Group has continued to strengthen training for a culture of integrity by devising specialised work plans and setting up specialised teams to promote the core value of “keep our word, bear risks, value on services and comply with regulations”. This has become a tool to boost morale and unity against the backdrop of the pandemic, driving the Group’s service standards and high-quality development.

In 2022, the Group firmly committed to its strategic development direction and the strategic goal of becoming a “first-class tourist destination investment and operation service provider” by focusing on quality tourism resources and continuously launching new products. The Desert Star Hotel of the Shapotou Scenic Spot was awarded “Best Resort Hotel in Asia”, with its occupancy rate remaining stable at 95% during summer. Window of the World, Splendid China, Detian Scenic Spot and Xianyang OSR have continued to innovate and launch new products despite the pandemic and repeated travel “meltdowns”, which stabilised their business fundamentals and laid a good foundation for post-pandemic recovery. CTS Luzhou Culture Tourism achieved substantial revenue and contributed to the stability of the Group’s results in 2022. As for the business in Hong Kong, the Group built up its strength in preparation for a rapid commencement of tasks after the resumption of full cross-border travel. China Travel Service Property Investment Hong Kong Limited (“**CTSPI**”), a subsidiary of the Company, completed the topping out of the Hung Hom hotel project, which is expected to commence operation in January 2024. During the year, CTSPI allotted and issued 1,075 new ordinary shares to its parent company for RMB400 million, resulting in the parent company holding 9.71% of the shares in CTSPI upon completion of the transaction. The transaction, which was approved by the extraordinary general meeting of the Company on 30 September 2022 and completed on 10 October 2022, will facilitate the capital requirements for the development of the Hung Hom hotel project and other businesses.

The Group will continue to cultivate its leisure resort business with a ‘two-wheel drive’ approach of in-depth cooperation with leading leisure resort brands and promoting the incubation of its leisure resort brands. In 2023, the Group will therefore leverage its leading brands’ quality resources and market influence to achieve business expansion and joint development, while striving to join with the industry’s leading and outstanding brands in other market segments to launch boutique projects. Meanwhile, the Group will improve the vitality of its resorts, including the Zhuhai OSR and the Anji Harmonious Valley in 2023, through a repetitive operational upgrade of existing products, merger and acquisition of popular products, and incubation and landing of new products, to realise gradual transformation and strive for leadership in the domestic leisure resort market.

The Group has been actively promoting the intelligent transformation of its scenic spots. Initial improvements have been made to scenic spot management kiosk functions, and the data of several scenic spots and hotels were integrated during the year to enable visual management of business. Drone delivery at Window of the World, a VR panoramic roaming project in Shapotou Scenic Spot and AI video monitoring at Detian Scenic Spot are additional highlights of the intelligent transformation of the Group’s scenic spots. The Group’s large membership system has also been initially established. By connecting the membership data of various enterprises, it has enabled the matching of membership levels and identity interoperability and promoted the optimisation and restructuring of the customer service process of various enterprises, facilitating cross-introduction and joint marketing. The Group has also expanded its visitor-centric digital application scenarios, including keeping up with metaverse hotspots and releasing digital collections.

The Group fulfilled its corporate social responsibilities by sending its cadre staff to the frontline of pandemic prevention and control, building a line of defence and providing care for tourists, customers and general staff. Zhuhai OSR and Window of the World worked with local authorities on three occasions during the year, for a total of 170 days, to complete for isolation and reception duties. Passenger transportation operations made an effort to fulfil the “three fast and three secure” mission by satisfactorily completing more than 900 trips for transport protection. This effectively implemented the tasks of transport protection for Mainland China’s aid to Hong Kong against the pandemic.

The Group has always emphasised corporate governance and has put into place sound governance systems and mechanisms. By continuously strengthening its comprehensive risk management and developing internal control systems 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.

PROSPECTS

Looking ahead to 2023, the external economic environment remains complex and volatile. Despite US inflation initially peaking and the economy showing signs of a slowdown, the Federal Reserve Board of the United States (the “Fed”) believes that inflation remains high and that continued interest rate hikes may be an appropriate approach. The Fed’s aggressive anti-inflation stance is expected to continue to depress local wages, consumer confidence and even consumption growth in the US, which may add to the downward pressure on the economy. After it raised interest rates by 0.25% in February 2023, Chairman

Powell made it clear that the Fed would continue to raise rates, and rate cuts should not be expected in 2023. The extended cycle of interest rate hikes in the US may further dampen global investment sentiment. In addition, continued friction between the US and China may trigger a new round of market turmoil.

In China, a shift in pandemic policy and resumption of normal economic activity will allow for a short-term release of pent-up demand, but there are still multiple challenges to the economic recovery process. Driven by years of deepening reforms, the Shanghai Stock Exchange and Shenzhen Stock Exchange ranked first and second in the world respectively in terms of IPO proceeds raised in 2022, encouraging the return of red-chip enterprises to China stock markets for listing and reforming the registration system for new share issues. With the continued deepening of reforms in the capital markets of Mainland China, the issuance and trading volume of new A shares are expected to remain buoyant.

The year 2022 was a challenging one against the backdrop of COVID-19. Nevertheless, with effective control and the rapid development and widespread use of vaccines, the adverse effects of COVID-19 have been mitigated in many developed countries, and economies around the world are showing signs of recovery. The Board and the management will capitalise on the Group's competitive strengths to drive core business performance at a steady pace and will continue to be prudent, well-planned and proactive in seizing investment opportunities to achieve better returns for the Company's shareholders while maintaining a healthy cash position. The Board considers that the overall financial and business position of the Group remains sound.

Looking ahead, in the highly competitive, complex and ever-changing macroeconomic environment, the Group will seize the development opportunities arising from the strategic deployment of the "Guangdong, Hong Kong and Macau Greater Bay Area" by combining domestic and overseas capital markets to further deepen synergy and expand its business both domestically and internationally. This is fully in line with the Group's strategic goal of becoming a "first-class tourist destination investment and operation service provider".

The Group will implement its industry leadership plan to further enhance its competitiveness by identifying market gaps through benchmarking, improving key indicators, building core competency and optimising its business competitive strategy. Off to a good start in 2023, our total revenue from tourist attractions and related operations between January and February 2023 returned to the same level as the corresponding period in 2019, with some scenic areas achieving record-high results. The Group is relatively optimistic about the overall business fundamentals and will do its utmost to implement initiatives to reduce losses, increase profits, maintain steady growth in operations and accelerating breakthroughs in development bottlenecks so as to create greater value for shareholders. I would like to express my sincere gratitude and respect to my fellow directors and staff for their loyalty and perseverance during these uncertain times, and for their efforts and contributions to our business development.

Wu Qiang
Chairman of the Board

Hong Kong, 31 March 2023

The Board is pleased to present the consolidated results of the Group for the year ended 31 December 2022 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Revenue	4	3,031,936	3,647,829
Cost of sales		<u>(2,723,527)</u>	<u>(3,123,661)</u>
Gross profit		308,409	524,168
Other income and gains, net		238,613	540,412
Changes in fair value of investment properties		(90,724)	36,255
Selling and distribution costs		(331,653)	(350,467)
Administrative expenses		<u>(798,627)</u>	<u>(858,304)</u>
Operating loss	6	(673,982)	(107,936)
Finance income	5	53,216	74,787
Finance costs	5	<u>—</u>	<u>—</u>
Finance income, net	5	53,216	74,787
Share of profits less losses of:			
– associates		(51,825)	76,520
– joint ventures		<u>(12,222)</u>	<u>(27,940)</u>
(Loss)/profit before taxation		(684,813)	15,431
Taxation	7	<u>19,197</u>	<u>(107,018)</u>
Loss for the year		<u>(665,616)</u>	<u>(91,587)</u>
Attributable to:			
Equity owners of the Company		(355,792)	174,016
Non-controlling interests		<u>(309,824)</u>	<u>(265,603)</u>
Loss for the year		<u>(665,616)</u>	<u>(91,587)</u>
(Loss)/earnings per share for (loss)/profit attributable to equity owners of the Company (HK cents)	9		
Basic (loss)/earnings per share		<u>(6.43)</u>	<u>3.14</u>
Diluted (loss)/earnings per share		<u>(6.43)</u>	<u>3.14</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(665,616)</u>	<u>(91,587)</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
Equity investments at FVOCI – net movement in fair value reserve (non-recycling), net of tax	2,550	3,881
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Release of exchange reserve upon disposal of subsidiaries	–	(15,892)
Release of exchange reserve upon disposal of a joint venture	16,296	–
Exchange differences on translation of foreign operations, net	<u>(1,005,533)</u>	<u>194,106</u>
Other comprehensive income for the year, net of tax	<u>(986,687)</u>	<u>981,804</u>
Total comprehensive income for the year	<u>(1,652,303)</u>	<u>890,217</u>
Attributable to:		
Equity owners of the Company	(1,258,401)	1,126,242
Non-controlling interests	<u>(393,902)</u>	<u>(236,025)</u>
Total comprehensive income for the year	<u>(1,652,303)</u>	<u>890,217</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		9,129,646	9,238,280
Investment properties		2,552,662	2,736,691
Prepaid land lease payments		418,211	474,545
Goodwill		1,354,833	1,348,456
Other intangible assets		112,734	112,734
Interest in associates		1,300,529	1,444,625
Interest in joint ventures		64,236	240,627
Derivative financial instrument		22,748	41,591
Other financial assets		34,091	31,648
Prepayments and other receivables		481,398	524,486
Deferred tax assets		398,329	327,061
		<hr/>	<hr/>
Total non-current assets		15,869,417	16,520,744
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		199,917	185,540
Properties under development		3,158,298	4,281,760
Completed properties held for sale		678,345	610,543
Trade receivables	<i>10</i>	103,665	95,350
Deposits, prepayments and other receivables		390,846	496,195
Loan to fellow subsidiaries		235,091	256,849
Amounts due from holding companies		2,742	5,180
Amounts due from fellow subsidiaries		322,947	271,778
Tax recoverable		26	–
Pledged time deposits		4,057	9,967
Cash and bank balances		2,797,976	3,074,492
		<hr/>	<hr/>
Total current assets		7,893,910	9,287,654
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		23,763,327	25,808,398
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	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		9,222,295	9,222,295
Reserves		<u>6,977,197</u>	<u>8,111,406</u>
		16,199,492	17,333,701
Non-controlling interests		<u>1,778,121</u>	<u>1,787,539</u>
		17,977,613	19,121,240
LIABILITIES			
Non-current liabilities			
Deferred income		604,990	701,131
Lease liabilities		219,281	235,959
Bank and other borrowings		210,788	195,347
Deferred tax liabilities		<u>656,643</u>	<u>685,379</u>
		1,691,702	1,817,816
Current liabilities			
Trade payables	11	745,001	686,508
Other payables and accruals		2,358,263	3,505,888
Loans from holding companies		334,725	84,393
Amounts due to holding companies		1,302	1,166
Amounts due to fellow subsidiaries		34,303	25,351
Lease liabilities		53,180	47,519
Tax payables		123,113	184,980
Bank and other borrowings		<u>444,125</u>	<u>333,537</u>
		4,094,012	4,869,342
Total liabilities		<u>5,785,714</u>	<u>6,687,158</u>
Total equity and liabilities		<u>23,763,327</u>	<u>25,808,398</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, the 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 Tourism 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”) 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 2022 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 that investment properties, equity investments and derivative financial instrument, which are stated at their fair value.

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 2022 and 2021 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 2021 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 2022 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in the consolidated financial statements.

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

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 (loss)/profit attributable to equity owners of the Company of each reportable operating segment excluding changes in fair value of investment properties and derivative financial instrument, result from acquisition or disposal of investments, investment properties 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 2022

	Tourist attraction and related operations	Travel agency, travel document and related operations	Hotel operations	Passenger transportation operations	Total of reportable segments	Corporate and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	2,368,320	117,191	469,238	51,820	3,006,569	25,367	3,031,936
Inter-segment revenue	817	2,195	652	64	3,728	2,520	6,248
	<u>2,369,137</u>	<u>119,386</u>	<u>469,890</u>	<u>51,884</u>	3,010,297	27,887	3,038,184
Elimination of inter-segment revenue					(3,728)	(2,520)	(6,248)
Revenue					<u>3,006,569</u>	<u>25,367</u>	<u>3,031,936</u>
Segment results	<u>29,155</u>	<u>(420)</u>	<u>17,436</u>	<u>(169,183)</u>	<u>(123,012)</u>	<u>(134,223)</u>	<u>(257,235)</u>
Non-controlling interests							<u>(309,824)</u>
Segment operating results before non-controlling interests							(567,059)
Gain on disposal of a joint venture							1,969
Gain on bargain purchase of subsidiaries							745
Changes in fair value of investment properties							(89,370)
Loss on changes in fair value of derivative financial instrument							(11,974)
Gain on disposal of property, plant and equipment							1,708
Loss on disposal of investment properties							<u>(1,635)</u>
Loss for the year							<u>(665,616)</u>

	Travel attractions 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
Segment assets	10,813,422	1,539,586	3,582,503	1,544,883	17,480,394	4,918,168	22,398,562
Interest in associates	1,236,517	–	–	48,179	1,284,696	15,833	1,300,529
Interest in joint ventures	35,369	–	–	28,867	64,236	–	64,236
Inter-segment receivables	2,533,452	24,249	394,944	206,125	3,158,770	6,986,501	10,145,271
	<u>14,618,760</u>	<u>1,563,835</u>	<u>3,977,447</u>	<u>1,828,054</u>	<u>21,988,096</u>	<u>11,920,502</u>	<u>33,908,598</u>
Elimination of inter-segment receivables							(10,145,271)
Total assets							<u>23,763,327</u>
Segment liabilities	3,721,948	173,735	514,820	817,906	5,228,409	557,305	5,785,714
Inter-segment payables	4,140,262	265,911	1,841,248	739,057	6,986,478	3,158,793	10,145,271
	<u>7,862,210</u>	<u>439,646</u>	<u>2,356,068</u>	<u>1,556,963</u>	<u>12,214,887</u>	<u>3,716,098</u>	<u>15,930,985</u>
Elimination of inter-segment payables							(10,145,271)
Total liabilities							<u>5,785,714</u>
Other segment information:							
Share of profits less losses of associates	(36,280)	–	–	(37,742)	(74,022)	22,197	(51,825)
Share of profits less losses of joint ventures	–	–	–	(12,222)	(12,222)	–	(12,222)
Capital expenditure (note (a))	685,778	12,704	18,641	3,900	721,023	300,532	1,021,555
– owned property, plant and equipment	618,503	1,166	17,167	643	637,479	295,205	932,684
– right-of-use assets	67,275	11,538	1,474	3,257	83,544	5,327	88,871
Depreciation and amortisation	280,600	32,826	109,753	139,288	562,467	4,157	566,624
– owned property, plant and equipment	239,966	13,075	97,503	121,209	471,753	909	472,662
– right-of-use assets	40,634	19,751	12,250	18,079	90,714	3,248	93,962
Provision for impairment recognised in the income statement, net (note (b))	3,943	(340)	(985)	1,252	3,870	–	3,870

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 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>	<u>(72,882)</u>
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							35,519
Loss on changes in fair value of derivative financial instrument							(7,031)
Loss on disposal of property, plant and equipment							<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 and amounts due from associates.

Geographical information

(a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	501,472	414,326
Mainland China (including Macau)	2,530,464	3,227,933
Overseas	—	5,570
	<u>3,031,936</u>	<u>3,647,829</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	7,952,560	8,606,905
Mainland China (including Macau)	7,484,437	7,555,130
	<u>15,436,997</u>	<u>16,162,035</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 2022 (2021: 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

	2022 <i>HK\$'000</i>	2021 <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	707,016	1,295,060
– Tour, travel agency, travel document and related income	115,844	103,115
– Hotel income	501,037	464,579
– Passenger transportation income	51,820	77,344
– Property sales income	1,521,663	1,574,769
– Consultancy and service income	36,595	35,228
	<u>2,933,975</u>	<u>3,550,095</u>
Revenue from other sources		
Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	97,961	97,734
	<u>3,031,936</u>	<u>3,647,829</u>

5 Finance income, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
Bank deposits and entrustment loans	53,216	74,787
Interest expense:		
Lease liabilities	(10,451)	(11,187)
Bank borrowings, overdrafts and other borrowings	(21,490)	(24,034)
– wholly repayable within five years	(31,941)	(35,221)
Less: Interest expense capitalised into properties under development and property, plant and equipment	31,941	35,221
Finance costs	–	–
Finance income, net	<u>53,216</u>	<u>74,787</u>

6 Operating loss

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Other income and gains, net		
Rental income on investment properties, net	(26,729)	(25,490)
Foreign exchange differences, net	6,576	(4,812)
Government grants	(107,984)	(149,167)
Management fee income	(55,490)	(63,181)
Income from financial assets at fair value through profit or loss	–	(5,455)
(Gain)/loss on disposal of property, plant and equipment, net	(1,709)	11,737
Loss on disposal of investment properties	1,654	–
Gain on disposal of subsidiaries	–	(229,135)
Gain on disposal of a joint venture	(1,969)	–
Gain on bargain purchase of subsidiaries	(915)	–
Loss on changes in fair value of derivative financial instrument	15,966	7,031
Reversal of provision of legal expenses	(6,564)	–
Written off of trade and other payables	(10,680)	–
Other	(50,769)	(81,940)
	<u>(238,613)</u>	<u>(540,412)</u>
(b) Other items:		
Depreciation charge		
– owned property, plant and equipment	472,662	535,188
– right-of-use assets	68,923	53,600
	<u>541,585</u>	<u>588,788</u>
Amortisation of prepaid land lease payments	25,039	27,835
Amortisation of other intangible assets	–	1,041
Employee benefit expenses	1,212,788	1,426,459
Provision for impairment of trade and other receivables, net	3,870	42
Reversal of impairment of properties under development	–	(29,260)
Provision for impairment of inventories	–	17,663
Direct operating expenses of investment properties	4,505	3,215
Fuel cost	13,744	16,377
Cost of properties sold	<u>1,045,834</u>	<u>1,012,201</u>

7 Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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.

	2022	2021
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	16,145	4,252
Over-provision in prior years	(1,189)	(2,361)
	14,956	1,891
Current – Mainland China and Macau		
Charge for the year	40,218	122,675
(Over)/under-provision in prior years	(60,845)	7,236
	(20,627)	129,911
LAT	95,459	49,192
Deferred tax	(108,985)	(73,976)
Total tax (credit)/charge for the year	(19,197)	107,018

8 Dividends

There were no dividends paid during the year ended 31 December 2022 (2021: Nil).

At a board meeting held on 31 March 2023, the Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

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

The calculation of basic and diluted (loss)/earnings per share is based on loss attributable to equity owners of the Company for the year ended 31 December 2022 of HK\$356 million (2021: profit of HK\$174 million) and the weighted average of 5,536,633,709 ordinary shares (2021: 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 2022 and 2021, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	44,895	39,494
Over 3 months to 6 months	29,404	27,021
Over 6 months to 12 months	22,170	23,157
Over 1 year to 2 years	6,447	5,253
Over 2 years	749	425
	<u>103,665</u>	<u>95,350</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	279,393	261,843
Over 3 months to 6 months	121,059	119,737
Over 6 months to 12 months	113,086	100,646
Over 1 year to 2 years	192,586	181,079
Over 2 years	38,877	23,203
	<u>745,001</u>	<u>686,508</u>

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

12 Subsequent events

On 27 January 2023, the Board announced that the Company has resolved to grant share options to certain directors and employees of the Group to subscribe for, in aggregate up to 61,404,000 ordinary shares of the Company, subject to acceptance of the Grantees, under the 2023 Share Option Scheme.

In January 2023, the Company's wholly-owned subsidiary, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort") entered into an agreement with Changde City Development Group Co., Ltd ("Changde City Development Group") to establish a joint venture, namely CTS Taohuayuan (Changde) Cultural Tourism Development Company Limited ("CTS Taohuayuan (Changde)"). CTS Taohuayuan (Changde) was incorporated on 11 January 2023 with a registered capital of RMB50 million. CTS Scenery Resort injected RMB17 million, representing 34% equity in CTS Taohuayuan (Changde). Changde City Development Group injected RMB33 million, representing 66% equity in CTS Taohuayuan (Changde).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2022, the third year of the COVID-19 pandemic and with the most severe impact, the scenic industry suffered serious losses. Despite the many external difficulties and challenges, including intensifying industry competition, high operating costs and shrinking market demand, the Group continued to seek progress while implementing measures to maintain its stability. The Group has been able to “survive and seek development” and has moved forward to ensure the continuity of its operations, management and team, creating a solid foundation for sustainable development.

In 2022, the Group’s consolidated revenue was HK\$3,032 million, representing a 17% decrease compared with the previous year. Loss before taxation was HK\$685 million, while profit before taxation amounted to HK\$15 million in the previous year. Loss attributable to shareholders was HK\$356 million, while profit attributable to shareholders amounted to HK\$174 million in the previous year. Loss attributable to operation was HK\$257 million, while loss attributable to operation amounted to HK\$73 million in the previous year. The turnaround from profit to loss for the year was mainly attributable to (i) profit from sales of real estate from China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. (“**Zhuhai OSR**”) recorded for the year dropped by approximately HK\$285 million compared with the previous year; (ii) a non-recurring gain of approximately HK\$216 million from the completion of the disposal of travel agency business recorded for the year ended 31 December 2021; and (iii) the outbreak of the fifth wave of COVID-19 in January 2022, which adversely affected the financial performance of the Group’s business.

The Group’s financial position remained stable and healthy, with adequate investment and financing capabilities. As of 31 December 2022, total assets were HK\$23,763 million, representing a 8% decrease compared with the previous year. Equity attributable to shareholders was HK\$16,199 million, representing a 7% decrease compared with the previous year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$3,037 million, representing a 9% decrease compared with the previous year, of which cash and bank balances amounted to HK\$2,798 million. Deducting HK\$990 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$1,808 million, representing a 27% decrease compared with the previous year.

DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2022.

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 Cable Car**”), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. (“**Huashan Scenic Spot**”, renamed as CTS (Guangxi Ningming) Rock Painting Tourism Culture Co., Ltd. on 3 January 2023), CTS Guangxi Detian Waterfall Tourism Development Co., Ltd. (“**Detian Scenic Spot**”), CTS Luzhou Laojiao Culture Tourism Development Company Limited (“**CTS Luzhou Culture Tourism**”), CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. (“**CTS Lugu Lake**”), CTS Xinjiang Tourism Operation Management Co., Ltd. (“**CTS Xinjiang**”), CTS Bairui Xinjiang Tourism Development Co., Ltd. (“**CTS Bairui**”);

Non-controlling investments in scenic spots: Huangshan Yuping Cable Car Company Ltd., Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company Limited, Changchun Jingyuetan Youle Co., Ltd. and Ningbo CTS Cicheng Ancient County Tourism Development Company Limited (“**CTS Cicheng**”, which was disposed of in December 2022), Hangzhou New Century Senbo Tourism Investment Co., Ltd. (“**New Century Senbo**”);

3. Leisure resorts: Zhuhai OSR, CTS (Xianyang) Ocean Spring Resort Co., Ltd. (“**Xianyang OSR**”), Zhuhai Evergrande Ocean Spring Land Co., Ltd. (“**Evergrande OSR**”) and CTS (Anji) Tourism Development Company Limited (“**Anji Company**”); and
4. Supplementary tourist attraction operations: China Heaven Creation International Performing Arts Co., Ltd. (“**Heaven Creation Company**”), CTS (Shenzhen) City Development Co., Ltd. (“**CTS City**”), China Travel Zhiye Culture Development (Shenzhen) Co., Ltd (“**China Travel Zhiye**”), CTS Scenery (Beijing) Tourism Management Limited (“**CTS Scenery**”).

The COVID-19 pandemic impacted a wide range of industries and has to some extent presented a challenge to the national economy. As a non-necessity demand, the impact on tourism was even greater during the economic downturn. Major enterprises’ business meeting and/or travel budgets were reduced, resulting in a reduction of industry supply prices. In 2022, the Group’s total revenue from tourist attractions and related operations was HK\$2,368 million, representing a 21% decrease compared with the previous year. Attributable profit was HK\$29 million, representing a 94% decrease compared with the previous year.

Theme parks

In 2022, the pandemic situation in China became more severe, leading to the closure or suspension of many scenic spots and festivals. The number of foreign tourists, who comprised the majority of the theme park's original source market, dropped significantly. Due to the complex and volatile pandemic situation in Shenzhen and surrounding markets, public fears remain despite the relaxation of pandemic prevention policies at the end of the year. Theme park revenue for the year amounted to HK\$201 million, representing a 50% decrease compared to the previous year. Attributable loss was HK\$66 million, while attributable loss for previous year was HK\$40 million.

Construction of the "Hanging Garden" project at Window of the World was completed in December 2022 and it will commence operation in 2023. The theme park has also advanced the construction of the new "Ice World Wonderland for Kids", "Ground Railcars" and "Flying Elephant" projects. Splendid China has launched the "Out of City" project, a serenely luxurious urban project that incorporates camping experiences and open-air cinema, and which should welcome a small peak in visitor traffic during Christmas and New Year's Eve. Window of the World and Splendid China will continue to strengthen market development and exploration, product enrichment, quality improvement and capacity expansion.

Natural and cultural scenic spots

One impact of pandemic-related policies has been the closure of many scenic spots. Revenue from natural and cultural scenic spots amounted to HK\$348 million for the year, representing a 45% decrease compared with the previous year. Attributable loss amounted to HK\$38 million, while attributable profit for the previous year was HK\$37 million.

Shapotou Scenic Spot was deeply impacted by the pandemic, with a significant decrease in tourist numbers. Revenue decreased by 51%, and loss increased. Nevertheless, it adhered to normalised pandemic prevention and continuously strengthened its project construction, marketing and service quality improvement. It will continue to advance the implementation of the "Desert Legend phase I" project, which is to commence operation in summer 2023. Affected by pandemic prevention and control measures in border cities, Detian Scenic Spot's revenue decreased by 84% compared with last year and turned from profit to loss. Yet it also launched the "Rice Field Waterfall Café", which has become a popular experience for visitors and on social media. Huashan Scenic Spot was closed for approximately 100 days during the year due to the severe pandemic prevention and control situation in borderland port cities and frequent impacts of local pandemic closures and controls. These resulted in a 92% decrease in revenue compared with the previous year. Huashan Scenic Spot will enhance product innovation by optimising the decoration of the "Lawn Canopy" campsite and adding leisure and entertainment items. It will also create a scenic tearoom with special characteristics to create a winter tea-making atmosphere to attract visitors, thereby increasing secondary sales revenue. Xiufeng Cable Car recorded a slight drop in revenue and profit, and will continue to strengthen cooperation with travel agencies to boost group visitor numbers. CTS Luzhou Culture Tourism upgraded and transformed Laojiaochi Scenic Spot with a focus on developing wine culture tourism. Revenue amounted to HK\$175 million for the year, representing a 10% decrease compared with the previous year. This made a significant contribution to the Group's revenue

from natural and cultural scenic spots. Established in May 2021, CTS Xinjiang was engaged in the operation and management of tourist destination projects in Xinjiang region as well as the creation and operation of modern resort experience products and services. It recorded a slight profit. In the first half of 2022, the Company, through its wholly-owned subsidiary, completed an injection of RMB92 million into the registered capital of CTS Bairui. Subsequently, the Company indirectly held 61.33% of the equity interest of CTS Bairui. During the year, CTS Bairui recorded a small revenue contribution. The projects and locations that CTS Bairui selected for tourism and holiday projects in Xinjiang are forward-looking, with a focus on 5A and 4A scenic spots and scarce core areas of major tourist destinations. It will also proceed with the construction and transformation of Xinjiang Tianshan corridor boutique accommodation, which is expected to go into operation in 2023. Due to significant changes to the foundation of project development and market conditions, in December 2022, the Company disposed of its entire equity interest in CTS Cicheng for a consideration of RMB163 million, resulting in a one-off disposal gain of HK\$2 million. New Century Senbo, an associate of the Company, recorded an attributable profit of HK\$20 million.

Leisure resorts

Some scenic areas have been closed repeatedly in accordance with pandemic prevention policy, which has made an impact on revenue. Revenue from leisure resorts was HK\$1,769 million, representing a decrease of 8% compared with the previous year. Attributable profit was HK\$141 million, representing a 70% decrease compared with the previous year. During the year, Anji Company, Xianyang OSR and Zhuhai OSR recorded property sales income of approximately HK\$1,521 million in aggregate, making a significant contribution to the profitability of the leisure resorts.

Zhuhai OSR recorded revenue of HK\$335 million, representing a 76% decrease compared with the previous year and resulting in a turnaround from profit to loss. Zhuhai OSR will continue the “Ancient China Town” project which will integrate tourism, culture, commerce, community and nature into a cultural/business/leisure “micro-vacation and downshifting” destination. Xianyang OSR’s revenue increased by 649% compared with the previous year, which was mainly attributable to revenue of approximately HK\$686 million from real estate projects. Xianyang OSR will strengthen its marketing and promotion, product innovation, channel and business development with an aim of increasing revenue. Evergrande OSR, an associate, contributed a loss of approximately HK\$45 million. Revenue for the Anji Company increased by 64%, which was mainly attributable to revenue of approximately HK\$597 million recorded from real estate projects. Anji Company focuses on the individual market, and will increase the average property price to lift overall revenue, and implement staff cost controls and energy conservation.

Supplementary tourist attraction operations

Revenue from supplementary tourist attraction operations was HK\$51 million, representing a 2% decrease compared with the previous year. These operations recorded a turnaround from profit to loss and generated an attributable loss of HK\$7 million.

Heaven Creation Company was engaged in scenic spot construction, creative planning, performing arts and management businesses. As the main audience of its repertoire comprises tourists from Europe and America, where the pandemic was not consistently controlled, residence performance has come to a complete halt. However, revenue was higher than the previous year due to increased revenue from the creative planning business. China Travel Zhiye was engaged in providing tourism planning services, which recorded a revenue increase of 128%. It will innovate its business models and cooperate with outstanding enterprises to open up new business and reduce costs while increasing efficiency. CTS Scenery's management and consulting services recorded a decrease of 27% in revenue. It will strengthen collaboration in product research and development, project promotion and implementation.

(II) Travel document and related operations

The Group's travel document and related operations comprise China Travel Service Entry Permit Service Hong Kong Limited and China Travel Hi-Tech Computer Hong Kong Ltd.

During the year, as Hong Kong-mainland border restrictions had not been lifted, the business volume of the travel document business had yet to rebound. With the promulgation and implementation of the "Notice on Further Optimising the Prevention and Control Measures of COVID-19 for Scientific and Precise Prevention and Control Work" and "Notice on Further Optimising and Implementing the Prevention and Control Measures for COVID-19", business volume gradually picked up. The Group completed the disposal of the travel business as of 31 May 2021 and recorded a non-recurring gain of approximately HK\$216 million. There was no revenue recorded from the travel agency operation in 2022. In 2022, the Group's revenue from travel document and related operations was HK\$117 million, representing an increase of 14% compared with the revenue from travel agency, travel document and related operations from the previous year. Attributable loss was HK\$0.40 million, while attributable loss for the previous year was HK\$107 million.

China Travel Hi-Tech Computer Hong Kong Ltd. provides system maintenance and data security services for the travel document business of the Group. It has been optimising the travel documents business system and supporting the digital transformation of the Group.

(III) Hotel operations

The Group's hotel operations comprise:

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

In 2022, revenue from the Group’s hotel operations was HK\$469 million, representing a 7% increase compared with the previous year. Hotel operations recorded an attributable profit of HK\$17 million, making a turnaround from loss to profit. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Metropark Hotel Kowloon recorded revenue growth and generated a profit after being designated by the government in 2020 as a quarantine hotel to host overseas returnees in Hong Kong. Both hotels added impetus to the revenue growth of the hotel operations. Impacted by the pandemic, revenue for Beijing Metropark Hotel recorded a decrease of 28%. Some of the hotels offered discounts and promotions and strengthened their cost controls to mitigate the negative impact of the pandemic.

(IV) Passenger transportation operations

The Group’s passenger transportation operations comprise bus and passenger vessel businesses owned by Shun Tak-China Travel Shipping Investments Limited (“**Shun Tak-China Travel**”).

The Group’s cross-border bus and passenger ferry services were suspended due to COVID-19, causing a serious setback to passenger transportation operations. In 2022, revenue from passenger transportation operations was HK\$52 million, a 33% decrease compared with the previous year. Attributable loss was HK\$169 million, while attributable loss for previous year was HK\$248 million.

During the year, to alleviate the negative impact of suspension of its principal operation, Shun Tak-China Travel 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. In 2023, it will seize the opportunities arising from the resumption of cross-border travel, develop the market and quickly recover to seek business growth and the in-depth participation of local businesses to integrate resources and create a significant tourism transportation platform in the Greater Bay Area.

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 focuses on natural and humanistic scenic and leisure resort destination product lines via the two major business pathways of mainland scenic business and Hong Kong business. These bring its focuses to enhancing four major capabilities, namely investment, products, digitalisation and operation, to achieve the objectives of building nationwide world-class tourism destination projects with branding and influence, realising leisure resort projects, achieving double growth in scale and efficiency, and establishing a leading position in the industry. The Group regards “integrity management and quality service” as its core business philosophy, integrated it into its corporate culture and service standards, and will continue to boost its existing businesses’ revenue and efficiency by optimising their operations, expanding its business in the tourism consumption market, creating quality tourism and model projects, and extensively applying technology.

During the year, Window of the World strictly controlled costs, reduced performance times outside the park, and relied on existing resources to coordinate festival events to assure the attraction's market activity. In future, it will retain its market position as a spot for local families and plan to add new products and items with strong sense of experience and interactivity. Splendid China has strengthened its market expansion and plans to use digital online and offline creative empowerment to create the first immersive national cultural digital classroom in China. Integrating national customary stories and digital cultural tourism, it will enable the visitors to immerse themselves in a national cultural experience. Window of the World and Splendid China will focus on reformation development and create new products which fulfill market trending.

Shapotou Scenic Spot implemented differentiated development of the Desert Star Hotel as a high-end hotel. As a result, comprehensive high-, mid- and low-range products will be offered for the creation of holiday resorts catering to cultural tourism. It will continue the development of a new "scenic spot + characteristic hotel" tourism model to facilitate the transformation and upgrading of scenic spots. Desert Star Hotel won "Best Resort Hotel" and "Best Theme Hotel" awards at the 13th Annual GBE Luxury Hotels & Resort Forum in Shanghai. On the basis of upgrading and advancing Desert Star Hotel, Shapotou Scenic Spot has completed professional designs for Diamond Hotel that will set a benchmark for luxury desert accommodation products. It will strive to realise the online operation of all offline businesses and the refinement of online platforms as soon as possible. Detian Scenic Spot will launch a new "Sino-Vietnamese Street" product for KOLs, which increase the attraction's secondary consumption while adding a new cross-country border experience for visitors. Xiufeng Cable Car will seize on the market situation of Lushan Scenic Spot and other surrounding large destinations, forge extensive marketing connections, and study future development from a strategic perspective. CTS Luzhou Hotel is focusing on improving the service level of wine sales, accelerating the preparation and operation of hotels, creating boutique products, accelerating the planning of the integrated development mode of wine tourism, and expanding the business model. Since the launch of "Kuldun Bairui Camp" in July 2022, CTS Bairui has received a lot of attention from the market, and the campsite has been regarded as among the "top Xinjiang campsites". It has launched a number of fine tourism routes in the Tianshan Corridor. CTS Lugu Lake Scenic Spot has started construction of the Lugu Lake Boutique Resort Hotel with opening scheduled for January 2024. It is providing the project with comprehensive support in terms of resource acquisition and integration, product creation, service improvement and marketing support, to help improve its overall operational capacity within the "spot investment + flow integration + overall operation" business model.

Zhuhai OSR continues to transform and upgrade its existing products and develop a new real estate business with a view to enriching the "Ocean Spring" brand portfolio with differentiated products. To this end, it will utilise the complementary effect between the travel and real estate industries to increase the number of products and explore the cultural characteristics of OSR. It will continue to push the transformation of the Neptune Hotel, aiming for an opening in 2023. It will also strengthen channel expansion, gradually conduct Tiktok live broadcasts on a regular basis, expand opportunities for cooperation with travel agencies, and expand the customer resource pool. Xianyang OSR's "Ocean Spring Baby Amusement Park" has started operation. Anji Company plans to rely on high-quality natural resources such as bamboo forests and tea mountains to create the first capybara-themed resort park and high-end parent-child leisure travel destination in the Yangtze River Delta. This is planned to open in 2023. CTS City's "CTS Investment Building" project is at the main construction stage, and development work is proceeding as planned.

The Group, through a number of subsidiaries such as CTS Scenery and Splendid China, provides scenic spot management services including custom solutions and full operational services for tourist destinations. The Group now has 25 scenic spots under management, of which 11 are of 4A grade and five of 5A grade. Among them, CTS Scenery is a leading destination operator in China with a focus on tourism resource development and operation management. CTS Scenery relies on the parent company's tourism industry full-chain service model, three-dimensional service platform and one-stop service system. It provides high-value unique solutions and full operation services for tourism destinations. Focusing on the professional sub-discipline of the tourism industry, CTS Scenery has established a pool of professional talent across the whole chain of tourism resource development and management, including tourism investment, development, planning, operation and management. In the course of operation, CTS Scenery fosters team values to build a team of professional managers aligned with the Group's strategies and values and adept at working together to accomplish organisational goals and realize organisational benefits (economic, environmental and social).

In January 2023, CTS Scenery Resort Investment Company Limited ("**CTS Scenery Resort**"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Changde City Development Group Co., Ltd. ("**Changde City Development Group**") to establish a joint venture, namely CTS Taohuayuan (Changde) Cultural Tourism Development Company Limited (the "**Joint Venture**"). The Joint Venture will develop the Taoxi Exploration Camp project in Changde Taohuayuan Scenic Area, and integrate and develop other high quality tourism resources in Changde. The Joint Venture was incorporated in January 2023 with a registered capital of RMB50 million, into which CTS Scenery Resort injected RMB17 million, representing 34% equity in the Joint Venture. Changde City Development Group injected RMB33 million, representing 66% equity in the Joint Venture. Changde Taohuayuan Scenic Area has Tao Yuanming's "Taohuayuan Utopia" historical and cultural resources, and is an important cultural IP in China with many historical relics. The Taoxi Exploration Camp project is backed by the Changzhu-Tan city cluster, offering convenient transportation and focusing on parent-child clientele to create a quality entertainment and holiday destination with diverse products.

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, and to build a Guangdong-Hong Kong-Macao Greater Bay Area cross-border passenger transportation platform. For the passenger vessel 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, for the purpose of increasing its share of the cross-border marine transportation market.

In the long term, the Guangdong, Hong Kong and Macau cross-border land passenger transport industry is an important pillar in the construction of a modern economic circulation between Guangdong, Hong Kong and Macao. With the economic and population integration of the three areas continuing, cross-border land transport has a certain industry access threshold and future development prospects of still greater potential. At the present initial stage, the number of people going through customs clearance may need to be gradually restored. The passenger bus business will focus its capacity on the major markets of Guangzhou, Panyu, western Guangdong and Shenzhen, under the principle of controlling operating costs

and increasing per vehicle ridership and revenue. Due to relatively large operating costs, the passenger vessel business will control the scale of frequency as much as possible, using the “ship + car” mode to supplement the business in Hong Kong and Macau, expand new routes and develop innovative business.

Hong Kong and overseas business development

The Group continues to develop new business and 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 agree 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, benefitted from growing demand and rising 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 15 October 2021. The acquisition was completed on 31 August 2022. Currently, construction and development work for Ambara Island is proceeding smoothly.

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 (“**CTSPI**”), a wholly-owned subsidiary of the Company, entered into a contract with a contractor for the construction of a 28-storey business boutique hotel and complementary facilities on the land parcel (“**Hung Hom hotel project**”). Taking into account the location, rail transit system and sea view resources of the proposed development, the new hotel will be positioned at the medium- to high-end 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.

On 29 June 2022, CTSPI and China Travel Service (Holdings) Hong Kong Limited (“**CTS (Holdings)**”) entered into a subscription agreement, pursuant to which CTSPI conditionally agreed to allot and issue 1,075 new ordinary shares to CTS (Holdings) at RMB400 million. Now that the transaction has been completed, CTSPI has become a non-wholly owned subsidiary of the Company, of which 90.29% of shares are indirectly held by the Company and 9.71% directly held by CTS (Holdings). The Hung Hom hotel project requires considerable capital expenditure, and the subscription agreement can strengthen the capital base of CTSPI such that it will be in a better position to meet capital requirements for future business development. For details, please refer to the Company’s announcement dated 29 June 2022 and the circular dated 13 September 2022. The transaction was completed on 10 October 2022.

Digital transformation

The State Council of the PRC has announced a development plan for the travel industry during the 14th Five-Year Plan period. It emphasises the importance of promoting smart tourism with digital and intelligent scenarios, as well as expanding the application of new technologies in tourism. The Company has accordingly formulated a digital transformation 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 excellent consumer experience, and pursue the deep integration of digital technology into business and management models. The Group has established digital platforms in various scenic spots and launched WeChat Mini Programs. It has also kickstarted platform operations and helped these spots to attract visitors and drive development through internal-external cooperation. During the year, digital collectible sales for Shapotou Scenic Spot, Splendid China, Window of the World, Detian Scenic Spot and other scenic spots were completed, realising a new attempt to develop a CTS metaverse. In 2023, the Company will “focus on operation” to build up its digital platform, digital marketing, flow integration empowerment, destination operation, technology innovation and application and big data to further the digitalisation and deep integration of businesses from member operation, short-form video platform operation and community operation. These efforts will bring substantial value to digitalisation for enterprise operation and gradually evolve digitalisation from a “tool” to a “business model”.

INTERNAL MANAGEMENT

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

The Company places a high priority on comprehensive risk management and continues to strengthen its internal control and legal compliance system to enhance its ability to prevent and mitigate risks. The Company also continues to optimise its governance mechanism and governance ability in order to maintain corporate governance at a high level and ensure a solid foundation for high quality development.

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2022, the Group employed 6,246 staff. Employees are remunerated on the basis of 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.

On 20 January 2023, the Company passed a resolution for the adoption of a new share option scheme (the “**2023 Share Option Scheme**”) at an extraordinary general meeting. It provides a flexible means of encouraging directors and employees of the Group, through incentives, rewards and benefits, to work toward enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders. As of 27 January 2023, the Company granted share options to certain directors and employees of the Group to subscribe for, in aggregate, up to 61,404,000 ordinary shares of the Company, under the 2023 Share Option Scheme. For details, please refer to the Company’s announcement dated 27 January 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group’s financial position continues to be strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 31 December 2022, the Group’s cash and bank balances amounted to HK\$2,798 million, while bank and other borrowings and loans from the holding company amounted to HK\$990 million. The debt-to-capital ratio was 27%. 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 level of foreign currency risk. The Group has not engaged in any particular hedge against foreign exchange risk. It will closely monitor and manage its foreign currency exposure and make use of appropriate measures when required.

CHARGE ON ASSETS

As of 31 December 2022, the Group’s bank deposits of approximately HK\$4 million (31 December 2021: HK\$10 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 2022, certain of the Group’s buildings with net carrying amounts of HK\$81 million (31 December 2021: HK\$745 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group had no future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As of 31 December 2022, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2021: HK\$0.3 million).

PROSPECTS

In 2022, the continuing COVID-19 pandemic in multiple locations, the crisis in Ukraine, rising inflation and the US Federal Reserve's interest rate hikes collectively made a greater than expected impact, significantly increasing the complexity and uncertainty of the economic development environment. Meanwhile, in the PRC, the government's coordination of efforts to prevent and control the pandemic while continuing economic development stabilised the macro-economic situation and allowed a continued expansion of economic volume and steady enhancement of development quality. With the cancellation of most travel restrictions and quarantine policies of the PRC in December 2022 and the continuing strong recovery of the international travel market, the global tourism industry reached a turning point in 2022. As we enter 2023, the economy of mainland China will begin to gradually rebound with the introduction of routine management and control of pandemic prevention, stabilisation of the real estate market and expansion of domestic demand. All of these factors are expected to bring new development opportunities.

With its solid foundation and quality assets, the Group remained resilient to the pressures created by the pandemic. With determination and quick adaptation to the rapidly changing business environment, the Group secured an adequate cashflow and achieved steady development of its business during the year.

The Group will seize the opportunities arising from the full resumption of normal travel, and is confident that it would show strong resilience in 2023 in view of the improving market condition and general environment in the Group's business area. The Group's overall business remains fundamentally stable and sound, with abundant funds and a great capability and capacity for investment and development. The Company will continue to strive toward sustainable growth and better returns for shareholders by pursuing potential long-term development opportunities and making astute strategic investments.

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 2022 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 draft 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 for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 25 May 2023. The Register of Members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 19 May 2023.

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 Listing Rules throughout the year ended 31 December 2022, except for the following deviations:

- Code Provision C.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 and the Chairman is also generally available to meet with the Independent Non-Executive Director(s) in private at reasonable notice. The Company is of the view that there is efficient communication between the Chairman and Independent Non-Executive Directors.

- Code Provision C.3.3 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 (resigned with effect from 9 November 2022), Mr. Fan Dongsheng (resigned with effect from 20 January 2022), Mr. Wu Qiang (in the period between 20 January 2022 and 8 November 2022 during which he was a non-executive Director), Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Company’s articles of association (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 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed 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 2022.

PUBLICATION OF 2022 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 2022 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
Wu Qiang
Chairman

Hong Kong, 31 March 2023

DIRECTORS

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

Executive Directors:

Mr. Wu Qiang, Mr. Feng Gang and Mr. Li Pengyu.

Non-Executive Directors:

Mr. Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi.

Independent Non-Executive Directors:

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