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 2018 FINAL RESULTS

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

SUMMARY OF RESULTS

For the year ended 31 December 2018, the Company's consolidated revenue and profit attributable to shareholders were HK$4,518 million and HK$687 million respectively, representing a 8% and 40% decrease compared with last year. As of 31 December 2018, the Group's net asset value was HK$17.1 billion, representing a decrease of 1.6% compared with last year. The decrease in profit attributable to shareholders was mainly due to the one-off gain generated from assets operation last year no longer contributing to the profit this year.

An interim dividend of HK3 cents per share was paid during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

COMPANY DEVELOPMENT

In 2018, the Company was firmly committed to the strategic development direction of becoming "an investor, developer and operator of top-tier travel destinations". We focused on tourism resources and the customer base, and optimised our strategic development plan. At the same time, we focused on the market to drive innovative developments and fulfil customer demands.

During the year, the Group launched asset-light businesses including tourism planning and management services which brought new sources of income and expanded the market share. The Hip Kee Godown (No.3) property in Hung Hom, owned by China Travel Service (Hong Kong) Limited, has obtained Government approval for a change to hotel use, which has significantly enhanced the value of the land and its development potential. The Group experienced more new growth in its existing scenic spots businesses. Our associate, Evergrande OSR, began to contribute profit by recognising revenue in property sales during the year. The value of the majority of land reserves of Zhuhai OSR is enhanced and post-development profitability is promising. Additionally, the official opening of the Mediterranean Club Hotel of the Anji project significantly increased the development value of the subsequent land reserve, while the development of Songshan Shaolin Town and the upgrading of Shapotou Scenic Spot facilities and products enriched the tourist experience, boost average consumption per visitor, and promote enhancement and innovation of product conditions and the business model.

At the end of 2018, the Company entered into a management services master agreement with parent company, pursuant to which the Group will provide management services for subsidiaries of parent company which engage in real estate projects. The Group will thereby benefit from the quality resources of parent company, achieving synergy and maximizing asset returns. On 1 March 2019, the Company and Daxin County People's Government of Chongzuo City, Guangxi entered into a cooperation agreement, pursuant to which the Company will establish a project company and invest in the Detian Tourism Project in Daxin County. As Daxin County is rich in tourism resources and has tremendous development potential, the project will help strengthen the Group's cultural scenic spot business and increase its market influence and bring in revenue.

During the year, the Group fulfilled its corporate social responsibilities by promoting poverty alleviation through all-for-one tourism, promoting poverty alleviation in Leibo County and Mabian County, Sichuan Province, and implementing action plans for poverty alleviation through tourism in the aforementioned counties. In connection with the latter, it assigned cadres to participate in poverty alleviation and organised large special orientation job fair and special tourism training series, etc.

PROSPECTS

In 2019, with the situation becoming more complicated both overseas and domestically in the PRC, new features will emerge in the tourism industry and the competition will become more intense. As the coexistence of opportunities and challenges remains unchanged, development and reform will continue as the Group's main focus this year. Currently, the PRC has become the world's largest outbound travel market. As long as the Group can seize opportunities, it can adjust itself in changing environment and push forward its business to a new level.

The Group will promote product innovation by considering scenic spots as important technological application sites, and enhance its capacity for scientific and technological innovation. It will promote crawler technology on reputation monitoring, intelligent command systems and other technical applications to enhance the allocation of travel service carriers within the entire sector, such as resources for scenic spots, traffic conditions, shopping environments.

The Group will continue to promote market innovation via market orientation and will carry out innovative benchmarking products to enhance the operational capabilities, product innovation capabilities and the brand influence of travel destinations. We will promote Ocean Spring Resort's brand to create a refined and replicable business model. The Group will focus on efficiency-driven innovation and reduce costs by reducing production times, raising product quality, rationalising and improving existing production processes, and achieving breakthroughs in efficiency assessment standards for quality, cost, speed and service.

The Group will strengthen its capital and asset operations to improve the return on assets and capital utilisation rate. It will expand overseas markets and seize investment opportunities in key travel destination countries along the "Belt and Road". The Group adheres to the three-wheel-driven integration and development of capital, assets and operations, leads the industry norms and standards, and will become an investor, developer and operator of top-tier travel destinations to create greater value for shareholders.

ACKNOWLEGEMENTS

With the full support of the parent company and the consistent efforts and pioneering spirit of the management and all staff, I am confident in the prospects of the Group. I would like to take this opportunity to express my sincere gratitude to the shareholders and business partners for their support, and to all directors and staff for their loyal effort, professionalism and valuable contributions.

Fu Zhuoyang
Chairman of the Board

Hong Kong, 27 March 2019

The Board of Directors (the "Board") of China Travel International Investment Hong Kong Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	**2018** ***HK$'000***	2017 *HK$'000* (Note)
Continuing operations			
Revenue	*4*	**4,518,180**	4,908,837
Cost of sales		**(2,560,183)**	(2,964,119)
Gross profit		**1,957,997**	1,944,718
Other income and gains, net		**144,260**	852,944
Changes in fair value of investment properties		**26,542**	80,843
Selling and distribution costs		**(519,038)**	(511,602)
Administrative expenses		**(980,308)**	(960,815)
Operating profit	*6*	**629,453**	1,406,088
Finance income	*5*	**80,352**	63,166
Finance costs	*5*	**(10,314)**	(4,966)
Finance income, net	*5*	**70,038**	58,200
Share of profits less losses of			
– associates		**339,373**	98,410
– joint ventures		**–**	(619)
Profit before taxation		**1,038,864**	1,562,079
Taxation	*7*	**(208,948)**	(297,838)
Profit for the year from continuing operations		**829,916**	1,264,241
Discontinued operations			
Profit for the year from discontinued operations	*12*	**–**	20,538
Profit for the year		**829,916**	1,284,779

	Note	2018	2017
		HK$'000	*HK$'000*
			(Note)
Attributable to:			
Equity owners of the Company		**687,076**	1,147,843
Non-controlling interests		**142,840**	136,936
Profit for the year		**829,916**	1,284,779
Earnings per share for profit attributable to equity owners of the Company (HK cents)	*9*		
Basic earnings per share			
From continuing operations		**12.60**	20.69
From discontinued operations		**–**	0.38
		12.60	21.07
Diluted earnings per share			
From continuing operations		**12.57**	20.67
From discontinued operations		**–**	0.38
		12.57	21.05

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Please refer to note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
		(Note)
Profit for the year	**829,916**	1,284,779
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on property revaluation, net of tax	**26,936**	25,479
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)	**(24,328)**	–
Items that may be reclassified subsequently to profit or loss:		
Share of hedging reserve of an associate, net of tax	**(9,371)**	1,336
Release of exchange difference upon disposal of		
– subsidiaries	**–**	(977)
– a joint venture	**(845)**	–
Exchange differences on translation of foreign operations, net	**(499,118)**	656,854
Other comprehensive income for the year, net of tax	**(506,726)**	682,692
Total comprehensive income for the year	**323,190**	1,967,471
Attributable to:		
Equity owners of the Company	**226,296**	1,766,468
Non-controlling interests	**96,894**	201,003
Total comprehensive income for the year	**323,190**	1,967,471

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Please refer to note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000 (Note)
ASSETS			
Non-current assets			
Property, plant and equipment		**8,025,958**	7,398,349
Investment properties		**1,794,236**	1,754,106
Prepaid land lease payments		**2,171,581**	2,250,352
Goodwill		**1,323,828**	1,323,828
Other intangible assets		**203,066**	210,682
Interest in associates		**1,273,537**	1,076,902
Interest in a joint venture		**–**	7,084
Other financial assets		**40,129**	30,041
Prepayments and other receivables		**103,032**	37,310
Deferred tax assets		**51,446**	147,990
Total non-current assets		**14,986,813**	14,236,644
Current assets			
Inventories		**18,925**	21,339
Properties under development		**1,683,262**	1,883,541
Completed properties held for sale		**57,837**	92,092
Trade receivables	*10*	**145,498**	158,484
Deposits, prepayments and other receivables		**732,566**	748,103
Loan to a fellow subsidiary		**157,363**	156,831
Amounts due from holding companies		**26,162**	19,724
Amounts due from fellow subsidiaries		**40,193**	83,860
Tax recoverable		**50,997**	13,622
Financial assets at fair value through profit or loss		**942,993**	1,411,711
Pledged time deposits		**46,884**	37,720
Cash and bank balances		**2,602,282**	3,271,404
Total current assets		**6,504,962**	7,898,431
Total assets		**21,491,775**	22,135,075

	Note	2018 HK$'000	2017 HK$'000 (Note)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,119,836**	9,102,708
Reserves		**6,893,631**	7,109,921
		16,013,467	16,212,629
Non-controlling interests		**1,098,557**	1,181,217
Total equity		**17,112,024**	17,393,846
LIABILITIES			
Non-current liabilities			
Deferred income		**689,725**	735,441
Bank and other borrowings		**337**	67,590
Deferred tax liabilities		**569,590**	453,069
Total non-current liabilities		**1,259,652**	1,256,100
Current liabilities			
Trade payables	*11*	**333,402**	397,206
Other payables and accruals		**2,301,532**	2,560,050
Loans from a holding company		**78,749**	82,545
Amounts due to holding companies		**1,232**	57,487
Amounts due to fellow subsidiaries		**7,871**	6,455
Tax payables		**150,404**	350,521
Bank and other borrowings		**246,909**	30,865
Total current liabilities		**3,120,099**	3,485,129
Total liabilities		**4,379,751**	4,741,229
Total equity and liabilities		**21,491,775**	22,135,075

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Please refer to note 2.

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 (Cap.622). 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 2018 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 financial assets at fair value through profit or loss 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 2018 and 2017 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 2017 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 2018 in due course.

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

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

– HKFRS 9, *Financial instruments*
– HKFRS 15, *Revenue from contracts with customers*

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

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

HKFRS 9, *Financial instruments*

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

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

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

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

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

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

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

The measurement categories for all financial liabilities remain the same.

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

HKFRS 15, *Revenue from contracts with customers*

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

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, hotspring resorts, other resorts, golf club (business closed at 6 November 2017), arts performance and tourism property development mainly located in Mainland China;

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

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

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

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

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

Segment assets include all tangible and intangible assets and current assets with the exception of interests in associates and a joint venture, 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 2018

	Continuing operations						
	Tourist attraction and related operations *HK$'000*	Travel agency, travel document and related operations *HK$'000*	Hotel operations *HK$'000*	Passenger transportation operations *HK$'000*	Total of reportable segments *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to external customers	1,959,140	1,289,026	821,123	448,891	4,518,180	–	4,518,180
Inter-segment revenue	3,603	3,803	2,246	982	10,634	17,409	28,043
	1,962,743	1,292,829	823,369	449,873	4,528,814	17,409	4,546,223
Elimination of inter-segment revenue					(10,634)	(17,409)	(28,043)
Revenue					4,518,180	–	4,518,180
Segment results	263,840	178,517	162,530	119,124	724,011	(40,640)	683,371
Non-controlling interests							142,840
Segment operating results before non-controlling interests							826,211
Changes in fair value of investment properties, net of tax							27,131
Gain on disposal of a joint venture, net of tax							11,213
Provision for impairment of property, plant and equipment							(5,020)
Net loss on disposal of property, plant and equipment, net of tax							(8,959)
One-off compensation to construction contractor							(24,403)
Reversal of share option expense							3,743
Profit for the year							829,916

	Continuing operations						
	Tourist attraction and related operations *HK$'000*	Travel agency, travel document and related operations *HK$'000*	Hotel operations *HK$'000*	Passenger transportation operations *HK$'000*	Total of reportable segments *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Segment assets	**9,763,701**	**3,529,762**	**3,984,487**	**379,635**	**17,657,585**	**2,560,653**	**20,218,238**
Interest in associates	**736,060**	**–**	**–**	**519,112**	**1,255,172**	**18,365**	**1,273,537**
Inter-segment receivables	**96,174**	**573,902**	**436,074**	**2,066**	**1,108,216**	**6,663,603**	**7,771,819**
	10,595,935	**4,103,664**	**4,420,561**	**900,813**	**20,020,973**	**9,242,621**	**29,263,594**
Elimination of inter-segment receivables							**(7,771,819)**
Total assets							**21,491,775**
Segment liabilities	**3,007,719**	**360,912**	**526,219**	**104,221**	**3,999,071**	**380,680**	**4,379,751**
Inter-segment payables	**3,813,358**	**447,086**	**2,133,818**	**292,678**	**6,686,940**	**1,084,879**	**7,771,819**
	6,821,077	**807,998**	**2,660,037**	**396,899**	**10,686,011**	**1,465,559**	**12,151,570**
Elimination of inter-segment payables							**(7,771,819)**
Total liabilities							**4,379,751**
Other segment information:							
Share of profits less losses of associates	**269,464**	**–**	**–**	**70,825**	**340,289**	**(916)**	**339,373**
Capital expenditure (note a)	**567,429**	**706,826**	**148,713**	**47,190**	**1,470,158**	**731**	**1,470,889**
Depreciation and amortisation	**305,021**	**23,061**	**137,968**	**27,348**	**493,398**	**1,772**	**495,170**
Provision for impairment/(write back of provision for impairment) recognised in the income statement, net (note b)	**7,429**	**(3)**	**(7)**	**–**	**7,419**	**–**	**7,419**

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 and property, plant and equipment.

Year ended 31 December 2017

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

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

Notes:

(a) Capital expenditure consists of additions to and acquisition of subsidiaries, property, plant and equipment and prepaid land lease payments.

(b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, property, plant and equipment, prepaid land lease payments and amount due from an associate.

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,783,087**	1,632,302
Mainland China (including Macau)	**2,352,750**	2,910,471
Overseas	**382,343**	366,064
	4,518,180	4,908,837

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**5,892,008**	5,242,893
Mainland China (including Macau)	**8,926,031**	8,727,586
Overseas	**73,319**	83,468
	14,891,358	14,053,947

The information about the Group's non-current assets is based on the physical location of assets which exclude other financial assets, other receivables and deferred tax assets.

Information about major customers

There was no revenue from any sales to any single external customer that contributed over 10% of the total sales of the Group during the year ended 31 December 2018 (2017: 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

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	**1,735,051**	1,744,025
– Tour, travel agency, travel document and related income	**1,289,026**	1,227,803
– Hotel income	**820,359**	722,060
– Passenger transportation income	**448,886**	428,510
– Property sales income	**30,936**	585,641
– Consultancy and service income	**126,266**	134,881
	4,450,524	4,842,920
Revenue from other sources		
– Rental income	**67,656**	65,917
	4,518,180	4,908,837

5 Finance income, net

	2018	2017
	HK$'000	*HK$'000*
Interest income:		
Bank deposits and entrustment loans	**80,352**	63,166
Finance income	**80,352**	63,166
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(10,314)**	(4,966)
Finance costs	**(10,314)**	(4,966)
Finance income, net	**70,038**	58,200

6 Operating profit

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation	**467,050**	404,169
Amortisation of prepaid land lease payments	**25,020**	31,700
Employee benefit expenses	**1,318,656**	1,284,347
Minimum lease payments under operating leases:		
– Land and buildings	**63,784**	76,708
– Plant and machinery and motor vehicles	**17,468**	21,080
Provision for impairment of trade and other receivables, net	**2,399**	6,345
Provision for impairment of amount due from an associate	**–**	15,203
Provision for impairment of property, plant and equipment and prepaid land lease payments	**5,020**	23,642
Rental income on investment properties	**(40,877)**	(37,831)
Income from financial assets at fair value through profit or loss	**(54,804)**	(66,399)
Gain derived from assets operation	**–**	(673,740)
Foreign exchange differences, net	**3,696**	(6,217)
Gain on disposal of a subsidiary	**–**	(28,574)
Gain on disposal of joint ventures	**(19,389)**	(10,534)
Loss on disposal of property, plant and equipment, net	**17,841**	66,711
Loss on disposal of other financial assets	**–**	690
Government grants	**(14,880)**	(33,217)
Cost of properties sold	**20,754**	522,840

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**69,472**	59,815
Under/(over)-provision in prior years	**44**	(1,969)
Current – Mainland China and Macau		
Charge for the year	**141,697**	334,557
Over-provision in prior years	**(1,513)**	(46,355)
Current – Overseas		
Charge for the year	**4,704**	1,524
Over-provision in prior years	**–**	(642)
LAT	**663**	12,261
Deferred tax	**(6,119)**	(61,353)
Total tax charge for the year	**208,948**	297,838

8 Dividends

	2018	2017
	HK$'000	*HK$'000*
Interim dividend, paid, of HK3 cents (2017: HK3 cents) per ordinary share	**163,624**	163,428
Final dividend, proposed, of Nil (2017: HK5.5 cents) per ordinary share	**–**	299,672
	163,624	463,100

At a board meeting held on 27 March 2019, the Board did not recommend the payment of a final dividend for the year ended 31 December 2018.

9 Earnings per share for profit attributable to equity owners of the Company

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

	2018	2017
Basic earnings per share		
Profit from continuing operations attributable to equity owners of the Company (HK$'000)	**687,076**	1,127,305
Profit from discontinued operations attributable to equity owners of the Company (HK$'000)	**–**	20,538
Profit attributable to equity owners of the Company (HK$'000)	**687,076**	1,147,843
Weighted average number of ordinary shares in issue	**5,453,076,128**	5,447,098,878
Basic earnings per share from continuing operations (HK cents)	**12.60**	20.69
Basic earnings per share from discontinued operations (HK cents)	**–**	0.38
	12.60	21.07

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share option is the only category of dilutive potential ordinary shares of the Group. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options together with the position of the fair value of the share options measured at the grant date, which is attributable to future periods. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2018	2017
Profit from continuing operations attributable to equity owners of the Company (HK$'000)	**687,076**	1,127,305
Profit from discontinued operations attributable to equity owners of the Company (HK$'000)	**–**	20,538
Profit attributable to equity owners of the Company (HK$'000)	**687,076**	1,147,843
Weighted average number of ordinary shares in issue	**5,453,076,128**	5,447,098,878
Adjustment for:		
– Share options	**14,152,779**	6,384,780
Weighted average number of ordinary shares for diluted earnings per share	**5,467,228,907**	5,453,483,658
Diluted earnings per share from continuing operations (HK cents)	**12.57**	20.67
Diluted earnings per share from discontinued operations (HK cents)	**–**	0.38
	12.57	21.05

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 2018 and 2017, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**129,952**	141,790
Over 3 months to 6 months	**10,161**	9,486
Over 6 months to 12 months	**3,898**	3,448
Over 1 year to 2 years	**947**	3,435
Over 2 years	**540**	325
	145,498	158,484

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:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**270,474**	343,884
Over 3 months to 6 months	**13,078**	16,100
Over 6 months to 12 months	**15,871**	4,617
Over 1 year to 2 years	**9,559**	5,532
Over 2 years	**24,420**	27,073
	333,402	397,206

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

12 Discontinued operations

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

Chadwick owns 51% equity interest in Shaanxi Weihe Power Co. Ltd. ("Weihe Power"), which is principally engaged in the operation of power generation in Mainland China and was an associate of the Group.

As power generation operation was identified as one of separate operating business of the Group by management, the operations of Weihe Power was classified as discontinued operations in the consolidated financial statements. The disposal was completed in June 2015. During the year ended 31 December 2017, the contingent consideration was finalised and a net gain of approximately HK$21 million was recognised. The results from discontinued operations are attributable entirely to equity owners of the Company.

13 Subsequent event

On 1 March 2019, the Company and Daxin County People's Government of Chongzuo City, Guangxi entered into a cooperation agreement, pursuant to which the Company will establish a project company as a vehicle to invest in the Detian Tourism Project and carry out operations in the Detian Waterfall Scenic Spot. The total planned investment amount to be made by the Company and the project company in Daxin County is approximately RMB1.45 billion, including certain construction, renovation and improvement works in the core area of the Detian Waterfall Scenic Spot, Detian town hotel and a tourism real estate project, etc. Details are disclosed in the Company's announcement dated 1 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2018, the Group's consolidated revenue was HK$4,518 million, a decrease of 8% compared with last year, mainly attributable to a majority of units from the real estate projects of Zhuhai OSR and Anji Company having been sold in the previous year, and sales of only a few remaining units being recognised as revenue during the year. Profit before taxation was HK$1,039 million, representing a 33% decrease compared with last year. Profit attributable to shareholders was HK$687 million, representing a 40% decrease compared with last year. Profit attributable to operations was HK$683 million, representing a 38% decrease compared with last year. The decrease in profit attributable to shareholders this year was mainly due to the one-off gain from asset operation recorded last year, and there was no such gain this year.

The Group's financial position remained stable and healthy, with strong investment and financing capabilities. As of 31 December 2018, total assets were HK$21,492 million, a 3% decrease compared with last year; the equity attributable to shareholders was HK$16,013 million, similar to that of last year; cash and bank balances, wealth management products and certain loan receivables amounted to HK$4,023 million, a decrease of 22% compared with last year, of which cash and bank balances amounted to HK$2,602 million and deducting loans from the holding company, bank loans and other borrowings of HK$326 million, net cash was HK$2,276 million, a 26% decrease compared with last year. The decrease in net cash was mainly due to capital expenditure used in the development of Anji Company, and payment of the land premium for Hip Kee Godown (No. 3), Hung Hom, with an aim of creating a foundation for future profitable development.

DIVIDENDS

An interim dividend of HK3 cents per share was paid during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

CORE PRINCIPAL OPERATIONS AND OPERATIONAL FIGURES

(I) The Group's travel destination operations mainly include:

City hotels	Five hotels in Hong Kong and Macau Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**") CTS H.K. Metropark Hotels Management Company Limited
Theme parks	Shenzhen The World Miniature Co., Ltd. ("**Window of the World**") Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**")

Natural and cultural scenic spots	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd (“**Songshan Scenic Spot**”) CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd (“**Shapotou Scenic Spot**”) Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. (“**Huashan Scenic Spot**”)
Leisure resorts	China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd (“**Zhuhai OSR**”) Xianyang Ocean Spring Resort Co., Ltd (“**Xianyang OSR**”) Zhuhai Evergrande Ocean Spring Land Co., Ltd. (“**Evergrande OSR**”) CTS (Anji) Tourism Development Company Limited (“**Anji Company**”)
Non-controlling scenic spot investments	Huangshan Yuping Cable Car Company Limited Huangshan Taiping Cable Car Co., Ltd. Changsha Colorful World Company Limited Changchun Jingyuetan Youle Co., Ltd.
Supplementary tourist attraction operations	China Heaven Creation International Performing Arts Co., Ltd. China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. (“**China Travel Zhiye**”) CTS Scenery (Beijing) Tourism Management Limited (“**Management Company**”)

In 2018, total revenue of the Group’s travel destination operations was HK$2,780 million, a 14% decrease compared with last year. Attributable profit was HK$426 million, a 50% decrease compared with last year.

In 2018, revenue of the Group’s hotel operations was HK$821 million, a 4% increase compared with last year. Attributable profit was HK$163 million, a 9% increase compared with last year. The average room rate of the five hotels in Hong Kong and Macau and the Beijing Metropark Hotel increased and the entire hotel business achieved a satisfying performance.

Revenue of theme parks was HK$855 million, a 7% increase compared with last year. Attributable profit was HK$135 million, an increase of 4% compared with last year. Theme parks maintained stable growth in terms of visitor numbers, revenue and profit. Window of the World and Splendid China continued to enrich their products and expand their business. Driven by the management and consultation business’s outstanding performance, revenue and profit of Splendid China increased. The theme park business remained the major revenue and profit contributor to the Group’s scenic spots business.

Revenue from natural and cultural scenic spots was HK$550 million, a 2% decrease compared with last year. Attributable profit was HK$22 million, a decrease of 46% from last year. Songshan Scenic Spot implemented an interactive marketing model comprising online branding, offline theme activities and direct sales channels, resulting in an increase in the number of visitors and driving an 8% increase in revenue and 15% increase in attributable profit compared with last year. Shapotou Scenic Spot introduced discount tickets, driving an increase in the number of visitors but a decrease in average per capita consumption. This, together with the opening of the tourist distribution centre in mid-2017 which increased depreciation and amortisation charges for the year, resulted in a decrease in revenue and attributable profit compared with last year. Huashan Scenic Spot was established in August this year and recorded preliminary planning and preparation expenses.

Revenue of leisure resort destinations was HK$433 million, a 52% decrease compared with the last year. Attributable profit was HK$116 million, turning loss into profit during the year. The revenue decrease was mainly due to the sales of a majority of units from the real estate projects of Zhuhai OSR and Anji Company in 2017, which left sales of only a few remaining units to be recognised as revenue for the year. The leisure resort destinations turned loss into profit during the year, mainly due to increased profit from sales revenue recognised from the real estate project by the associate, Evergrande OSR. The loss of Zhuhai OSR increased. Xianyang OSR coped with difficulties by enhancing its marketing and cost control measures, achieving decreased losses compared with last year.

Attributable profit from non-controlling scenic spot investments was approximately HK$40 million, which was similar to that of last year.

China Travel Zhiye and Management Company were officially launched during the year to provide tourism planning, management services and other related businesses. This has expanded the Group's source of revenue.

(II) Travel Agency, Travel Document and Related Operations

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

In 2018, revenue of the Group's travel agency, travel document and related operations was HK$1,289 million, a 5% increase compared with last year. Attributable profit was HK$179 million, a 28% increase compared with last year. The increase in revenue and profit was largely due to an increase in the business volume of travel document operations.

(III) Passenger Transportation Operations

In 2018, revenue of the Group's passenger transportation operations was HK$449 million, a 4% increase compared with last year. Attributable profit was HK$119 million, an 8% decrease compared with last year.

Revenue from China Travel Tours Transportation Services Hong Kong Limited increased by 4% and its profit increased slightly, mainly attributable to an increase in passenger numbers and a rise in ticket prices for major routes such as Airport Express and Urban Lines.

Attributable profit of our associate, Shun Tak-China Travel Shipping Investments Limited, decreased due to the decrease in passenger numbers and increased fuel prices.

DEVELOPMENT STRATEGY

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

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations, and gradually increasing new product innovation, transformation and upgrading of its existing products for Window of the World and Splendid China. It will advance the planning and development of the land reserve for the Zhuhai OSR Phase 2 Project and subsequent land development of Anji. Progressive product innovations and extensions of the industrial chain will be implemented for Songshan Scenic Spot and Shapotou Scenic Spot to optimise their industrial structure. Such traditional scenic spots will be built in regions boasting clusters of tourism products with complex functions and comprehensive elements to strengthen their integrated tourism economy and realise upgrade and adjustment of the profit model. The Group will also enhance the development of light-asset businesses such as China Travel Zhiye and Management Company to expand market share, increase brand awareness and improve profitability.

The Group will develop new business and create new growth engines by acquiring strategic quality scenic spot resources. It will focus on regions rich in tourism resources and tourists, and quality scenic spots with a potential for expansion and appreciation. In the meantime, the Group will undertake in-depth studies of major travel destinations associated with the "Belt and Road", with the aim of seeking out business partners and exploring overseas markets.

The Group will strengthen the operation of capital and assets. By making mergers and acquisitions, joint ventures and cooperative arrangements when opportunities arise, the Group will invest funds in its principal business which may increase its core competitiveness with the aim of ‘leapfrogging’ development. The Group will also enhance its operation efficiency and unleash the value of core businesses and assets by exiting businesses that lack a competitive edge. It will also accomplish this by way of reform and reconstruction.

The Group will continue its progress toward informatisation and digital transformation, and will carry out in-depth studies on the impact of the internet, artificial intelligence and other technologies on its business. It will explore digital business models and advance the intelligent operation and management of scenic spots, with a view to building an intelligent management platform for smart scenic spots.

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

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2018, the Group had 8,963 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package for Group employees are periodically reviewed by management. Apart from the retirement benefit and in-house training programmes, discretionary bonuses and share options are awarded to certain employees according to assessments of their individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 31 December 2018, the cash and bank balances of the Group amounted to HK$2,602 million, whereas the bank and other borrowings and loans from a holding company amounted to HK$326 million. The debt-to-capital ratio was 19% with the debt including bank and other borrowings, trade and other payables, loans from a holding company 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. The Group will closely monitor and manage its foreign currency exposure and make use of appropriate measures when required.

CHARGE ON ASSETS

As of 31 December 2018, the Group's bank deposits of approximately HK$47 million (31 December 2017: HK$38 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As of 31 December 2018, certain of the Group's buildings with net carrying amount of HK$1,460,000 (31 December 2017: HK$1,295,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. The Group will only consider potential investments which are in the interests of the Company and the shareholders as a whole. Save as disclosed in the section "SUBSEQUENT EVENTS" below, no agreements for material investment have been conducted as of the date of this announcement.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENTS HELD

To utilise the Group's idle funds more efficiently without affecting operating cash and while ensuring fund safety, the Group used some idle funds to subscribe for RMB denominated wealth management products. As of 31 December 2018, wealth management products held by the Group amounted to a total RMB826 million (equivalent to HK$943 million). During the year, the income from financial assets at fair value through profit or loss was approximately HK$54.80 million.

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

BUSINESS PROSPECTS

The economic development of China has entered a "new normal" phase, and its economic structure is at a critical stage of transformation. While China-US trade negotiations have made progress, many uncertainties remain. China's economy still faces considerable downward pressure and macro policy will continue to make countercyclical adjustments. Its macroeconomic situation is complicated and grim. However, China's development is still at a stage which offers significant strategic opportunities and there is no risk for the overall economy to stall. Opportunities for development are abundant, while various reforms will continue to deepen. Supported by a solid domestic economy, the normalisation of tourism consumption and the continued rapid growth of tourism, the Group's overall business fundamentals remain steady and healthy. Additionally, the Group possesses adequate funds and the capability to invest and develop.

In 2019, the Group will adhere to the guideline of integrating existing business and planning for new business, further optimise management structure and concrete optimisation of resources, staff, business, platforms and management. With building its core competitiveness and increasing its market influence as its basic goals, the Group will enhance its operation and management capability and improve the standard of its products and services. It will focus on innovation, upgrading and replacing products and launching new benchmark products. It will also seize good development opportunities to acquire prime projects and strategic resources to support future development.

The Group's travel destination operations are generally in good shape. The development of Shaolin Town in the Songshan Scenic Spot and the upgrading of facilities and products at Shapotou Scenic Spot will enrich the tourist experience, boost average consumption per visitor and capitalise effectively on the existing large tourist flow. After years of cultivation, the tourism real estate business is gradually showing development potential, with the tourism real estate of our associate Evergrande OSR having begun to contribute profit by recognising revenue in property sales. In 2019, development of a new phase of the Zhuhai OSR tourism real estate project is planned. It is expected that continued development of the Zhuhai OSR tourism real estate project will continue its profit contribution. Xianyang OSR, a tourism real estate project which includes planned development of commercial and residential properties, is expected to commence construction in the second half of the year. The opening of the Mediterranean Club Hotel at the Anji project has significantly increased the development value of the project's land for tourism real estate. Anji Company intended to develop tourism real estate with high popularity such as courtyard buildings and houses in 2019, and aims to launch sales within the year.

At the end of 2018, the Company entered into a management services master agreement with China National Travel Service Group Corporation Limited ("**China CTS**"), pursuant to which the Group will provide management services for subsidiaries of China CTS which engage in real estate projects. Through providing management services, the Group will benefit from the quality tourism resources of China CTS, achieving synergy and maximising asset returns. It can also strengthen interaction between the Group's travel destination operations and tourism real estate business, which will enable us to provide a more comprehensive range of products and services, and increase our competitiveness and market influence. This will create favourable conditions for the Group's acquisition of additional prime projects and strategic resources, and is conducive to the realisation the Company's strategic position and plan.

The Group is studying the vitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unleashing value. Of these, the payment of land premium for the Group's land parcel at Hung Hom, on which Hip Kee Godown (No. 3) is located, was completed in the second half of 2018. As the government has approved the modification of the land parcel for hotel use, its value and development potential have significantly increased. Currently, preliminary work including market research has been commenced for the redevelopment of Hip Kee Godown (No. 3), and the target is to begin demolition by the end of the year.

The Group believes that with the appropriate leadership from the Board, the right development strategy and a dedicated effort from all employees, it will break through the development bottleneck, achieve high quality and sustainable development, and bring more favourable returns to shareholders. The Group is fully confident of its future development prospects.

SUBSEQUENT EVENTS

On 1 March 2019, the Company and Daxin County People's Government of Chongzuo City, Guangxi entered into a cooperation agreement, pursuant to which the Company will establish a project company as a vehicle to invest in the Detian Tourism Project and carry out operations in the Detian Waterfall Scenic Spot. The total planned investment amount to be made by the Company and the project company in Daxin County is approximately RMB1.45 billion, including certain construction, renovation and improvement works in the core area of the Detian Waterfall Scenic Spot, Detian town hotel and a tourism real estate project, etc. Tourism resources in Daxin County are abundant with development potential. Participating in the Detian Tourism Project is in line with the Group's strategic direction and will help to fundamentally strengthen its cultural scenic spot business, increase its market influence and bring in revenue, all of which are important to the long-term development of the Group. Please refer to the Company's announcement dated 1 March 2019 for details.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certifed Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

DIVIDENDS

The Board does not recommend the payment of a final dividend (2017: final dividend of HK5.5 cents per ordinary share) for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBER

The annual general meeting of the Company will be held on Thursday, 30 May 2019. The Register of Members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019 (both dates inclusive), for the purposes of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2019.

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 2018, except for the following deviations:

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

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

– Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Mr. Jiang Hong, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke and Mr. Huang Hui, who were appointed as Directors of the Company on 24 October 2018, the Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

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 2018.

PUBLICATION OF 2018 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 2018 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
Fu Zhuoyang
Chairman

Hong Kong, 27 March 2019

DIRECTORS

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

Executive Directors:
Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Jiang Hong, Mr. Chen Xianjun, Mr. You Cheng, Mr. Yang Hao and Mr. Wu Qiang

Independent Non-Executive Directors:
Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui and Mr. Chen Johnny