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 2019 FINAL RESULTS

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

SUMMARY OF RESULTS

For the year ended 31 December 2019, the Group's consolidated revenue was HK$4,477 million, representing a 1% decrease compared with the previous year. Profit before taxation was HK$734 million, representing a 29% decrease compared with the previous year. Profit attributable to shareholders was HK$387 million, representing a 44% decrease compared with last year. Profit attributable to operations was HK$398 million, representing a 42% decrease compared with the previous 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 2019.

EXECUTION OF STRATEGY

In 2019, the Group was firmly committed to the strategic development direction of becoming "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer". 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 demand.

During the year, the Group and Daxin County People's Government of Chongzuo City, Guangxi, entered into a cooperative agreement, pursuant to which the Group will make investment in Daxin County for, among other things, certain constructions, renovations and improvement works in the core area of the Detian Waterfall Scenic Spot, Detian town hotel, and a tourist real estate project. A project company – Detian Scenic Spot – was established, and this made contributions to the Group's revenue and profit for the year. The Group entered into an asset and equity transfer agreement with a subsidiary of China National Travel Service Group Corporation Limited, pursuant to which the Group will sell its business and assets relating to travel agency. Withdrawing from non-advantageous businesses will enable the Group to improve its existing asset structure, increase property income and further clarify its strategic position.

The Group is actively implementing the revitalisation and optimisation of properties in Hong Kong with the aim of enhancing operational efficiency and unlocking value. In 2018, the Group obtained government approval to change the land use to hotel use at the parcel in Hung Hom on which Hip Kee Godown (No. 3) is located. A market survey and other preliminary work for the Hip Kee Godown (No. 3) hotel project have been completed, with tenders for design, foundation and other works underway. The Group will enhance communication with relevant government departments, deploy more staff and ensure construction safety for the project.

Since the signing of management services master agreement with the parent company at the end of 2018, and through the provision of management services for subsidiaries of the parent company engaged in real estate projects, the Group has benefited from the quality tourism resources of the parent company, achieved synergy and maximised asset returns. During the first half of 2019, the Company terminated cooperation with Evergrande Real Estate Group Limited in respect of all land parcels other than Land Parcel A of The Zhuhai OSR Phase 2 Project. By virtue of the consolidated resources and synergy with the parent company resulting from the provision of management services, the Group has sufficient resources and advantages to independently develop the Zhuhai OSR Phase 2 Project.

During the year, the Group fulfilled its corporate social responsibilities through local poverty alleviation in Mabian County. Employing a two-pronged "education + business" combined targeted model, it assigned cadres to participate in tourism-related poverty alleviation and organised a special tourism training series, etc.

PROSPECTS

At present, global economic growth shows signs of slowdown, with trade prospects being grim. Factors such as Brexit and US-Iran tensions have heightened geopolitical risk and edged the globe toward economic crisis and a collapse of international financial markets, and accommodative monetary policies could increase the risk of a new cycle of asset bubble burst, affecting business operation and development. China's economy still faces tremendous downward pressure, with increased pressure on employment and consumer sentiment. With the adverse impacts arising from ongoing social unrest in Hong Kong and the outbreak of novel coronavirus ("**COVID-19**") in China in early 2020, this downward economic pressure may be further increased. Hong Kong's GDP for 2020 is expected to show a moderate contraction.

In 2019, China recorded a GDP of nearly RMB100 trillion, and is expected to reach US$10,000 on a per capita basis. Consumption and the service sector contributed 76% and over 60% respectively to the country's economic growth, signifying the huge market potential of tourism. Faced with complicated internal and external conditions, the Group will seize opportunities to develop its markets and take note of new trends in consumption by pushing forward informatisation, digitalisation, and innovation in business and product models. It will exploit investment opportunities associated with the "Belt and Road Initiative" and undertake business negotiations with relevant parties in Maldives and other research. It will also pursue development opportunities in the Guangdong-Hong Kong-Macao Bay Area and facilitate implementation of its planned projects.

On 6 March 2020, the Group entered into agreements with Shun Tak Holdings Limited ("**STHL**") for reorganising its cross-border transportation services platform, pursuant to which both the Company and STHL would transfer their respective existing passenger bus and ferry operations to Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**") with a view to reinforcing and expanding Shun Tak-China Travel's multimodal transportation platform. After the reorganisation is completed, Shun Tak-China Travel will become a non wholly-owned subsidiary of the Company. This transaction will reinforce the strategic cooperation between the Group and STHL, enhance the Group's competitiveness, create synergy and increase the scale and diversity of the Group's passenger transportation business. Looking ahead, in addition to expanding cross-border road transportation operations on the Hong Kong-Zhuhai-Macao Bridge, there will be chances to explore new businesses such as Hong Kong-Macao seaplane, fast ferry across Qiongzhou Strait and Hainan-Xinsha Islands tourist routes. The Group is expected to become a key transport operator across Guangzhou, Hong Kong, Macau and Shenzhen and contribute to the fulfilment of the Chinese government's strategic goals as described in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area issued in February 2019. It is expected that the transportation network, overall competitiveness and throughput of the Pearl River Delta port cluster will be significantly enhanced and it will bring abundant business opportunities to the Delta area.

The recent outbreak of COVID-19 and the introduction of various emergency public health measures by the public authorities globally brought uncertainty to the Group's business environment. The travel restrictions, quarantine measures and suspension of work have posted particular notable impacts on the Group's operation of travel agency, hotel and passenger transport. Accordingly, the Group has taken effective measures in response and has mitigated these impacts. The Group's overall business fundamentals remain steady and healthy. It possesses adequate funds and the capability to invest and develop. Although the overall financial effect cannot be reliably estimated for the time being, the Group will continue to monitor the development of the COVID-19 outbreak and assess the potential risks and impact that it may have on the Group's financial and trading prospects.

ACKNOWLEDGEMENTS

With the parent company's full support and the consistent efforts of the management and all staff, I am cautiously optimistic of the Group's prospects, in spite of the currently fluid economic environment. 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 loyalty, professionalism and valuable contributions.

Fu Zhuoyang
Chairman of the Board

Hong Kong, 31 March 2020

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 2019 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000 (Note)
Revenue	*4*	**4,476,996**	4,518,180
Cost of sales		**(2,653,331)**	(2,560,183)
Gross profit		**1,823,665**	1,957,997
Other income and gains, net		**325,924**	144,260
Changes in fair value of investment properties		**(36,238)**	26,542
Selling and distribution costs		**(533,938)**	(519,038)
Administrative expenses		**(998,836)**	(980,308)
Operating profit	*6*	**580,577**	629,453
Finance income	*5*	**87,550**	80,352
Finance costs	*5*	**–**	(10,314)
Finance income, net	*5*	**87,550**	70,038
Share of profits less losses of associates		**66,185**	339,373
Profit before taxation		**734,312**	1,038,864
Taxation	*7*	**(196,548)**	(208,948)
Profit for the year		**537,764**	829,916
Attributable to:			
Equity owners of the Company		**386,880**	687,076
Non-controlling interests		**150,884**	142,840
Profit for the year		**537,764**	829,916
Earnings per share for profit attributable to equity owners of the Company (HK cents)	*9*		
Basic earnings per share		**7.08**	12.60
Diluted earnings per share		**7.08**	12.57

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000* *(Note)*
Profit for the year	**537,764**	829,916
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on property valuation, net of tax	**1,925**	26,936
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)	**7,871**	(24,328)
Items that may be reclassified subsequently to profit or loss:		
Share of hedging reserve of an associate, net of tax	**5,627**	(9,371)
Release of exchange difference upon disposal of a joint venture	**–**	(845)
Exchange differences on translation of foreign operations, net	**(258,600)**	(499,118)
Other comprehensive income for the year, net of tax	**(243,177)**	(506,726)
Total comprehensive income for the year	**294,587**	323,190
Attributable to:		
Equity owners of the Company	**166,519**	226,296
Non-controlling interests	**128,008**	96,894
Total comprehensive income for the year	**294,587**	323,190

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
			(Note)
ASSETS			
Non-current assets			
Property, plant and equipment		**8,120,307**	8,025,958
Investment properties		**1,745,232**	1,794,236
Prepaid land lease payments		**2,163,793**	2,171,581
Goodwill		**1,323,828**	1,323,828
Other intangible assets		**198,160**	203,066
Interest in associates		**1,216,602**	1,273,537
Other financial assets		**48,782**	40,129
Prepayments and other receivables		**5,918**	103,032
Deferred tax assets		**61,901**	51,446
Total non-current assets		**14,884,523**	14,986,813
Current assets			
Inventories		**17,780**	18,925
Properties under development		**2,263,561**	1,683,262
Completed properties held for sale		**26,607**	57,837
Trade receivables	*10*	**59,748**	145,498
Deposits, prepayments and other receivables		**330,469**	732,566
Loan to fellow subsidiaries		**395,865**	157,363
Amounts due from holding companies		**22,224**	26,162
Amounts due from fellow subsidiaries		**113,989**	40,193
Tax recoverable		**75,812**	50,997
Financial assets at fair value through profit or loss		**56,904**	942,993
Pledged time deposits		**18,333**	46,884
Cash and bank balances		**3,198,048**	2,602,282
Assets of disposal group classified as held for sale	*12*	**343,065**	–
Total current assets		**6,922,405**	6,504,962
Total assets		**21,806,928**	21,491,775

	Notes	2019 HK$'000	2018 HK$'000 (Note)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,222,295**	9,119,836
Reserves		**6,863,980**	6,893,631
		16,086,275	16,013,467
Non-controlling interests		**1,277,892**	1,098,557
Total equity		**17,364,167**	17,112,024
LIABILITIES			
Non-current liabilities			
Deferred income		**679,069**	689,725
Lease liabilities		**244,810**	–
Bank and other borrowings		**–**	337
Deferred tax liabilities		**604,956**	569,590
Total non-current liabilities		**1,528,835**	1,259,652
Current liabilities			
Trade payables	*11*	**243,635**	333,402
Other payables and accruals		**2,055,319**	2,301,532
Loans from a holding company		**77,028**	78,749
Amounts due to holding companies		**1,715**	1,232
Amounts due to fellow subsidiaries		**1,553**	7,871
Lease liabilities		**30,468**	–
Tax payables		**157,406**	150,404
Bank and other borrowings		**3,801**	246,909
Liabilities of disposal group classified as held for sale	*12*	**343,001**	–
Total current liabilities		**2,913,926**	3,120,099
Total liabilities		**4,442,761**	4,379,751
Total equity and liabilities		**21,806,928**	21,491,775

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, 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. 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 2019 comprise the Company and its subsidiaries and the Group's interest in associates.

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 2019 and 2018 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 2018 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 2019 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 HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16, *Leases*, and Amendments to HKAS 23, *Borrowing costs*, none of the developments have had a material impact on how the Group's results and financial position for the current or prior periods have been prepared and presented.

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

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Upon adoption of HKFRS 16 on 1 January 2019, the Group recognised right-of-use assets under property, plant and equipment of HK$296 million (which included the discounting impact using the incremental borrowing rate and exclude HK$12 million relating to a lease with remaining lease term less than 12 months) and current and non-current lease liabilities amounting to HK$34 million and HK$262 million, respectively.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and prepaid land lease payments.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.0% – 4.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

Annual Improvements to HKFRSs 2015-2017 cycles: Amendments to HKAS 23

The Amendments to HKAS 23 clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

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, 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;

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 and share option expenses.

Segment assets include all tangible and intangible assets and current assets with the exception of interests in associates 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 2019

	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	1,972,967	1,308,916	708,077	487,036	4,476,996	–	4,476,996
Inter-segment revenue	7,879	2,355	2,676	1,894	14,804	16,270	31,074
	1,980,846	1,311,271	710,753	488,930	4,491,800	16,270	4,508,070
Elimination of inter-segment revenue					(14,804)	(16,270)	(31,074)
Revenue					4,476,996	–	4,476,996
Segment results	276,631	149,968	81,164	(13,574)	494,189	(96,630)	397,559
Non-controlling interests							150,884
Segment operating results before non-controlling interests							548,443
Changes in fair value of investment properties, net of tax							(38,727)
Net loss on disposal of property, plant and equipment, net of tax							(4,278)
Reversal of share option expense							32,326
Profit for the year							537,764

	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	**10,640,691**	**3,521,481**	**3,863,725**	**355,608**	**18,381,505**	**2,208,821**	**20,590,326**
Interest in associates	**670,381**	**–**	**–**	**528,165**	**1,198,546**	**18,056**	**1,216,602**
Inter-segment receivables	**242,221**	**559,607**	**627,729**	**1,693**	**1,431,250**	**5,523,536**	**6,954,786**
	11,553,293	**4,081,088**	**4,491,454**	**885,466**	**21,011,301**	**7,750,413**	**28,761,714**
Elimination of inter-segment receivables							**(6,954,786)**
Total assets							**21,806,928**
Segment liabilities	**3,117,635**	**456,525**	**517,687**	**110,828**	**4,202,675**	**240,086**	**4,442,761**
Inter-segment payables	**3,792,459**	**287,520**	**2,116,078**	**294,023**	**6,490,080**	**464,706**	**6,954,786**
	6,910,094	**744,045**	**2,633,765**	**404,851**	**10,692,755**	**704,792**	**11,397,547**
Elimination of inter-segment payables							**(6,954,786)**
Total liabilities							**4,442,761**
Other segment information:							
Share of profits less losses of associates	**87,245**	**–**	**–**	**(21,155)**	**66,090**	**95**	**66,185**
Capital expenditure *(note a)*	**377,609**	**67,449**	**67,672**	**38,255**	**550,985**	**53,441**	**604,426**
– owned property, plant and equipment^	**368,097**	**37,621**	**67,672**	**29,683**	**503,073**	**53,441**	**556,514**
– right-of-use assets^	**9,512**	**29,828**	**–**	**8,572**	**47,912**	**–**	**47,912**
Depreciation and amortisation	**293,198**	**44,148**	**140,767**	**38,660**	**516,773**	**1,230**	**518,003**
– owned property, plant and equipment^	**268,262**	**27,275**	**140,767**	**33,319**	**469,623**	**1,230**	**470,853**
– right-of-use assets^	**24,936**	**16,873**	**–**	**5,341**	**47,150**	**–**	**47,150**
Provision for impairment/(write back of provision for impairment) recognised in the income statement, net *(note b)*	**(297)**	**141**	**(178)**	**–**	**(334)**	**–**	**(334)**

Notes:

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

^ The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

Year ended 31 December 2018

	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

	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.

(c) The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,625,297**	1,783,087
Mainland China (including Macau)	**2,420,215**	2,352,750
Overseas	**431,484**	382,343
	4,476,996	4,518,180

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

	2019	2018
	HK$'000	*HK$'000*
		(Note)
Hong Kong	**5,834,701**	5,892,008
Mainland China (including Macau)	**7,867,122**	8,926,031
Overseas	**45,874**	73,319
	13,747,697	14,891,358

Note: The Group has initially applied HKFRS 16 using modified retrospective approach. Under this approach, the comparative information is not restated.

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 2019 and 2018.

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

	2019	2018
	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	**1,772,817**	1,735,051
– Tour, travel agency, travel document and related income	**1,308,916**	1,289,026
– Hotel income	**710,252**	820,359
– Passenger transportation income	**487,036**	448,886
– Property sales income	**57,695**	30,936
– Consultancy and service income	**73,819**	126,266
	4,410,535	4,450,524
Revenue from other sources		
Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	**66,461**	67,656
	4,476,996	4,518,180

5 Finance income, net

	2019	2018
	HK$'000	*HK$'000*
Finance income:		
Bank deposits and entrustment loans	**87,550**	80,352
Interest expense:		
Lease liabilities	**(13,819)**	–
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(8,701)**	(10,314)
	(22,520)	(10,314)
Less: Interest expense capitalised into properties under development and property, plant and equipment	**22,520**	–
Finance costs	**–**	(10,314)
Finance income, net	**87,550**	70,038

6 Operating profit

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation charge		
– owned property, plant and equipment	**438,475**	467,050
– right-of-use assets	**47,150**	–
Amortisation of prepaid land lease payments	**29,401**	25,020
Employee benefit expenses	**1,376,458**	1,318,656
Minimum lease payments for leases previously classified as operating leases under HKAS 17:		
– Land and buildings	**–**	63,784
– Plant and machinery and motor vehicles	**–**	17,468
(Reversal of)/provision for impairment of trade and other receivables, net	**(334)**	2,399
Provision for impairment of property, plant and equipment and prepaid land lease payments	**–**	5,020
Rental income on investment properties less direct outgoings of HK$29,290,000 (2018: HK$26,779,000)	**(37,171)**	(40,877)
Income from financial assets at fair value through profit or loss	**(13,478)**	(54,804)
Foreign exchange differences, net	**(680)**	3,696
Gain on disposal of a joint venture	**–**	(19,389)
Loss on disposal of property, plant and equipment, net	**4,332**	17,841
Government grants	**(26,898)**	(14,880)
Cost of properties sold	**30,821**	20,754

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**51,432**	69,472
Under-provision in prior years	**591**	44
	52,023	69,516
Current – Mainland China and Macau		
Charge for the year	**118,903**	141,697
Over-provision in prior years	**(2,929)**	(1,513)
	115,974	140,184
Current – Overseas		
Charge for the year	**854**	4,704
LAT	**366**	663
Deferred tax	**27,331**	(6,119)
Total tax charge for the year	**196,548**	208,948

8 Dividends

	2019	2018
	HK$'000	*HK$'000*
Interim dividend, paid, of HK3 cents (2018: HK3 cents) per ordinary share	**163,685**	163,624

At a board meeting held on 31 March 2020, the Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

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:

	2019	2018
Basic earnings per share		
Profit attributable to equity owners of the Company (HK$'000)	**386,880**	687,076
Weighted average number of ordinary shares in issue	**5,466,925,961**	5,453,076,128
Basic earnings per share (HK cents)	**7.08**	12.60

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.

	2019	2018
Profit attributable to equity owners of the Company (HK$'000)	**386,880**	687,076
Weighted average number of ordinary shares in issue	**5,466,925,961**	5,453,076,128
Adjustments for:		
– Share options	**528,557**	14,152,779
Weighted average number of ordinary shares for diluted earnings per share	**5,467,454,518**	5,467,228,907
Diluted earnings per share (HK cents)	**7.08**	12.57

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 2019 and 2018, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**48,467**	129,952
Over 3 months to 6 months	**7,058**	10,161
Over 6 months to 12 months	**2,255**	3,898
Over 1 year to 2 years	**1,001**	947
Over 2 years	**967**	540
	59,748	145,498

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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**200,694**	270,474
Over 3 months to 6 months	**14,208**	13,078
Over 6 months to 12 months	**12,861**	15,871
Over 1 year to 2 years	**5,190**	9,559
Over 2 years	**10,682**	24,420
	243,635	333,402

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

12 Assets/liabilities of disposal group classified as held for sale

On 9 August 2019, Alton Services Limited ("Alton"), a wholly-owned subsidiary of the Company, entered into an agreement ("the Agreement") in relation to the sale of its entire equity interest in China Travel (HK & Macau Tour) Management Hong Kong Limited and its wholly-owned subsidiaries (together "China Travel (HK & Macau Tour) Group") within the travel agency, travel document and related operations segment, for a consideration of HK$5,130,000 to China Travel Service Co., Ltd., a fellow subsidiary of the Company. Efforts to sell the disposal group have started and a sale is expected by April 2020.

Pursuant to the Agreement, Alton will undergo a reorganisation by including entities that are relevant to the Group's travel agency business under China Travel (HK & Macau Tour) Management Hong Kong Limited prior to the completion of the disposal (the "Reorganisation"). The assets and liabilities of China Travel (HK & Macau Tour) Group, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale.

At 31 December 2019, the major classes of assets and liabilities of disposal group classified as held for sale are as follows:

	2019
	HK$'000
Assets of disposal group classified as held for sale	
Property, plant and equipment (including right-of-use assets)	**42,272**
Investment properties	**29,500**
Trade receivables, net	**52,005**
Deposits, prepayments and other receivables	**68,046**
Cash and bank balances	**142,002**
Pledged time deposits	**4,824**
Others	**4,416**
	343,065
Liabilities of disposal group classified as held for sale	
Trade payables	**144,406**
Other payables and accruals	**174,954**
Lease liabilities	**22,346**
Others	**1,295**
	343,001

13 Subsequent event

On 6 March 2020, Interdragon Limited ("Interdragon") as the seller and Dalmore Investments Limited ("Dalmore"), a wholly-owned subsidiary of the Company, as the purchaser entered into SPA pursuant to which Interdragon has conditionally agreed to dispose of and Dalmore has conditionally agreed to purchase 21% of the issued share capital of Shun-Tak China Travel Shipping Investments Limited ("Shun Tak – China Travel"), an associate of the Company, at an aggregate consideration of HK$437 million. Upon the completion of the purchase, Shun Tak – China Travel will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results.

On the same day and simultaneously, the Company as the seller and Shun Tak – China Travel as the purchaser entered into another SPA pursuant to which the Company has conditionally agreed to dispose of and Shun Tak – China Travel has conditionally agreed to purchase the entire issued share capital and shareholder's loan, of China Travel Tours Transportation Development (HK) Limited ("CTTTD"), a wholly-owned subsidiary of the Company, at an aggregate consideration of HK$508 Million. Upon completion of the disposal, the Company will hold the shares of CTTTD through its 50% interest in Shun Tak-China Travel, and hence CTTTD will be a non-wholly-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

For 2019, the Group's consolidated revenue was HK$4,477 million, representing a 1% decrease compared with the previous year. Profit before taxation was HK$734 million, representing a 29% decrease compared with the previous year. Profit attributable to shareholders was HK$387 million, representing a 44% decrease compared with the previous year. Profit attributable to operations was HK$398 million, representing a 42% decrease compared with the previous year. The decrease in profit attributable to shareholders was mainly due to decreased profits from hotel and passenger transportation operations, and in profit recognised from Evergrande OSR real estate project.

The Group's financial position remained stable and healthy, with strong investment and financing capabilities. As of 31 December 2019, total assets were HK$21,807 million, a 1% increase compared with the previous year; the equity attributable to shareholders was HK$16,086 million, a 1% increase compared with the previous year; cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,669 million, a decrease of 9% compared with the previous year, of which cash and bank balances amounted to HK$3,198 million and, deducting loans from the holding company, bank loans and other borrowings of HK$81 million, net cash was HK$3,117 million, a 37% increase compared with the previous year.

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 2019.

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**”) Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. (“**Detian 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. (“**Heaven Creation Company**”) China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. (“**China Travel Zhiye**”) CTS Scenery (Beijing) Tourism Management Limited (“**Management Company**”)

In 2019, total revenue of the Group's travel destination operations was HK$2,681 million, a 4% decrease compared with the previous year. Attributable profit was HK$358 million, a 16% decrease compared with the previous year.

In 2019, revenue of the Group's hotel operations was HK$708 million, a 14% decrease compared with the previous year. Attributable profit was HK$81 million, a 50% decrease compared with the previous year. The average occupancy rate of the five hotels in Hong Kong and Macau and Beijing Metropark Hotel increased in the first half of the year. Affected by the social unrest in Hong Kong in the second half of the year, the hotel operations recorded an overall decline.

Revenue of theme parks was HK$830 million, a 3% decrease compared with the previous year. Attributable profit was HK$119 million, a 12% decrease compared with the previous year due to higher labour costs and repair expenses. Window of the World and Splendid China continued to enrich their products and expand their business. The theme park business remained the major revenue and profit contributor to the Group's scenic spots business.

Revenue of natural and cultural scenic spots was HK$627 million, a 14% increase compared with the previous year. Attributable profit was HK$51 million, a 134% increase from the previous year. Songshan Scenic Spot recorded a decrease in revenue due to ticket price reduction and declined per capita consumption, while attributable profit significantly increased due to lower costs and expenses. Shapotou Scenic Spot introduced discount tickets, driving an increase in the number of visitors as well as average per capita consumption, and recorded lower interest expenses, which resulted in a 199% increase in profit compared with the previous year. Huashan Scenic Spot commenced operation in November 2018 and recorded a revenue contribution and suffered a slight loss during the year. Detian Scenic Spot was established in the first half of 2019 and recorded a revenue and profit contribution of HK$102 million and HK$18 million respectively during the year.

Revenue of leisure resort destinations was HK$424 million, a 2% decrease compared with the previous year, and turning profit into loss mainly due to the decreased profit recognised from the real estate project by the associate, Evergrande OSR. Despite an increase in visitor numbers, Anji Company hotel business recorded a decreased loss due to a decrease in room revenue. The tourism segment of Zhuhai OSR recorded decreased losses compared with the previous year. Xianyang OSR recorded decreased revenue due to the termination of contract with a regular major customer, but the revenue level roughly remained stable on the back of cost control.

Attributable profit from non-controlling scenic spot investments was HK$44 million, a 9% increase compared with the previous year.

Heaven Creation Company recorded a 49% decrease in revenue compared with the previous year due to the decrease in revenue from scenic spots construction, turning profit into loss. China Travel Zhiye and Management Company were officially opened in 2018 to respectively provide tourism planning and management services and broaden the Group's sources of revenue. China Travel Zhiye recorded 63% and 102% increases in revenue and profit, respectively, and Management Company recorded 101% increase in revenue compared with the previous year.

(II) Travel Agency, Travel Document and Related Operations

The Company's travel agency, travel document and related operations comprise a travel agency business (China Travel Service Property Investment Hong Kong Limited (formerly known as China Travel Service (Hong Kong) Limited, renamed to the current name on 23 December 2019) and overseas travel agencies) and a travel document business.

In 2019, revenue of the Group's travel agency, travel document and related operations was HK$1,309 million, a 2% increase compared with the previous year. Attributable profit was HK$150 million, a 16% decrease compared with the previous year. Higher business volume under the travel document operations resulted in a 16% increase in attributable profit. Affected by the social unrest in Hong Kong in the second half of the year, the travel agency and related operations turned profit into loss.

(III) Passenger Transportation Operations

In 2019, revenue of the Group's passenger transportation operations was HK$487 million, an 8% increase compared with the previous year, turning profit to loss.

The revenue and profit of China Travel Tours Transportation Services Hong Kong Limited respectively increased by 8% and decreased by 85%. The increase in revenue was mainly attributable to additional routes and operating vehicles resulting from strategic cooperation with third parties and contributions from vehicle rental operations for the Hong Kong-Zhuhai-Macao Bridge. However, as the profit therefrom was not substantial and were affected by the social unrest in Hong Kong in the second half of the year, middle and long-distance cross-border passenger transport routes operated by the Company recorded a decrease in profit, resulting from significantly lower visitor arrivals and passengers.

An attributable loss from our associate, Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**"), was recorded for the year, due to a decreased number of passengers following the opening of Hong Kong-Zhuhai-Macao Bridge and the impact of social unrest in Hong Kong during the second half of the year.

DEVELOPMENT STRATEGIES

The Group aims to enable people to enjoy the beauty and abundance of life, and is therefore committed to developing diverse, spectacular and intriguing cultural destinations and related value-added services. Consumers are offered excellent experiences of tours, holidays, leisure and recreation, and overseas living. The Group's vision is to become "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer", and it seeks to consolidate capabilities and resources to build a competitive and influential platform for the investment and operation of cultural tourism and city development.

The Group will continue down its path of integrating existing business and planning for new business, optimising management structures, and carrying out concrete optimisation of resources, staff, business, platforms and management. With building core competitiveness and increasing market influence as its fundamental goals, the Group will enhance its operation and management capability and improve the standard of its products and services.

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations. Window of the World will continue to focus on showcasing international cultures and creating an exotic atmosphere with products designed to meet market demand and trends. It will also renovate its ice rink. Splendid China will maintain good management of the miniature park's sightseeing cable car project, expand existing marketing channels, strengthen mechanisms of comprehensive management services and enhance the overall value of its services.

Shapotou Scenic Spot will pursue development of the Star Hotel project, aiming for a Phase I opening in 2020. It will develop a new "scenic spot + characteristic hotel" tourism model to facilitate transformation via recreational products such as hot springs, home-stay lodgings, hotels, shows and nighttime tours. Detian Scenic Spot has completed the land survey and called for tender of further design for the show area of its nighttime tour experience product – "Night Detian". It aims to open this year.

Zhuhai OSR will strengthen the "Ocean Spring" brand by upgrading existing products and developing new real estate business with a view to enriching the Ocean Spring portfolio with characteristic products, utilising the complementary and interactive effect between travel and real estate. Xianyang OSR is studying a proposal for an upgrade and modification for the hot spring centre, with modifications to be carried out in stages to meet market demand. It will also seek sources of business and group traveller and optimise their customer structure. During the year, Anji Company won the bid for residential-use land in the phase II resort area and is at the stage of planning submission. The construction is scheduled to begin in 2020. The project is conducive to the resort area's general operation and will encourage future sales. Anji Company will also strengthen product innovation and channel development and will increase sales using the benign interaction between existing and new products.

The Group will continue to enhance its 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, and will explore breakthroughs in overseas market. During the year, the Group undertook in-depth studies on major travel destinations associated with the "Belt and Road Initiative", engaged in field research on the investment environment in the Maldives, and conducted business negotiations with relevant parties in the Maldives and other early research. The Group will strive to make a breakthrough with its presence in the Guangdong-Hong Kong-Macao Bay Area market, consolidate its market share in the Yangtze River Delta, and facilitate implementation of its planned projects.

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. In particular, the Group completed procedures for a land premium payment for the land parcel at Hung Hom on which Hip Kee Godown (No. 3) is located, owned by the Group, in 2018. The parcel's change to hotel use has been approved by the government, and has significantly increased the land value and development potential. A market survey and other preliminary work for the Hip Kee Godown (No. 3) hotel project have been completed, with tenders for design, foundation and other works underway.

The Group will continue its progress towards informatisation. Starting from the three major areas of enhancing customer experience, digital operation and smart operation, it will accelerate its digital transformation to strengthen its future core competitiveness.

The Group will continue to strengthen the functional capacities of its headquarters, recruit high-calibre talent, intensify its control and business synergies, improve existing rules and systems, continue to optimise workflow, and strengthen its production safety system, so as to ensure its healthy and sustainable development.

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2019, the Group had 7,851 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and package of Group employees are periodically reviewed by management. Apart from retirement benefits 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 Group's financial position was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 31 December 2019, the Group's cash and bank balances amounted to HK$3,198 million, whereas the bank and other borrowings and loans from the holding company amounted to HK$81 million. The debt-to-capital ratio was 15%, and the debt includes bank and other borrowings, trade payables, other payables and accruals 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 denominated in foreign currencies, and is thus exposed to different levels of foreign currency risk. The Group has not engaged in any particular hedge against foreign exchange risk. The Group will closely monitor and manage its foreign currency exposure and to make use of appropriate measures as required.

CHARGE ON ASSETS

As of 31 December 2019, the Group's bank deposits of approximately HK$18 million (31 December 2018: HK$47 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 2019, certain of the Group's buildings with net carrying amounts of HK$1.5 million (31 December 2018: HK$1.5 million) 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 disposals of subsidiaries, associated and joint ventures for the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is identifying and exploring suitable investments with potential synergistic effects for its existing businesses. The Group will only consider investments which are in the interests of the Company and the shareholders as a whole. Save that which is disclosed in the "BUSINESS PROSPECTS" section below, no agreement for material investment has been conducted as of the date of this announcement.

CONTINGENT LIABILITIES

As of 31 December 2019, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2018: HK$0.3 million).

SIGNIFICANT INVESTMENTS HELD

To utilise the Group's idle funds more efficiently without affecting operating cash while ensuring fund safety, the Group used some idle funds to subscribe for RMB denominated wealth management products. As of 31 December 2019, the Group held wealth management products amounting to a total of RMB51 million (equivalent to approximately HK$57 million). During the year, the income from financial assets at fair value through profit or loss was approximately HK$13 million.

During the year, in respect to each subscription 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% and the subscription 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 2020; whereas the outstanding wealth management products without agreed maturity date will be redeemed where appropriate according to the Group's fund position.

BUSINESS PROSPECTS

Being the end of China's "13th Five-year Plan", 2020 marks the accomplishment of the first centennial goal of a moderately prosperous society. It is also a crucial year for the Company to consolidate its foundation and eliminate obstacles for quality development. Against the prevailing complicated macro-environment and policy conditions, the Company will uphold its overarching principle of steady progress while pursuing new development ideas and the strategic goal of becoming "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer" by mitigating risks and seizing opportunities with confidence. As it integrates existing businesses and plans for new business, the Group will identify and focus on targeted weaknesses by category to build capabilities and resources for developing its core competitiveness and landmark projects.

In the first half of 2019, the Company and Daxin County People's Government of Chongzuo City, Guangxi, entered into a cooperative agreement pursuant to which the Company will make an investment in Daxin County to a planned total of approximately RMB1.45 billion. This includes 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. (For details, please refer to the Company announcement dated 1 March 2019.) The Company established Detian Scenic Spot – a vehicle for investing in the Detian Tourism Project and carrying out operations in the Detian Waterfall Scenic Spot – during the year, and it recorded revenue and a share of profit in the same year. Tourism resources in Daxin County are abundant with great development potential. Participation 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 new revenue, starting a new chapter in the Company's development of travel destinations.

During the first half of 2019, the Company entered into a supplemental agreement with Evergrande Real Estate Group Limited to terminate cooperation in respect of all land parcels other than Land Parcel A of The Zhuhai OSR Phase 2 Project. (For details, please refer to the Company announcement dated 20 June 2019.) Since the signing of a management services master agreement with China National Travel Service Group Corporation Limited ("**China CTS**") at the end of 2018, through providing management services, the Group has benefited from the quality tourism resources of China CTS, achieved synergy, maximised asset returns, and strengthened interaction between the Group's travel destination operations and tourism real estate business. This has endowed the Group with sufficient resources and advantages to independently develop the Zhuhai OSR Phase 2 Project and is beneficial to the Group's long-term development.

On 9 August 2019, the Group entered into an asset and equity transfer agreement with China Travel Service Co., Ltd., ("**CTS Head Office**"), a subsidiary of China CTS, pursuant to which the Group will sell its business and assets relating to travel agency to CTS Head Office at a consideration of HK$5.13 million following internal reorganisation (the "**Disposal**"). (For details, please refer to the Company announcement dated 9 August 2019.) Withdrawing from non-advantageous businesses will enable the Group to improve its existing asset structure and increase property income. At the same time, after streamlining the business structure, the Group will be able to focus on developing core businesses with better profit potential and a further clarified strategic position. The Disposal has not been completed as at the date of this announcement.

On 6 March 2020, a wholly-owned subsidiary of the Company entered into a share transfer agreement with a non-wholly-owned subsidiary of Shun Tak Holdings Limited ("**STHL**"), pursuant to which the Group will acquire 21% issued shares of Shun Tak-China Travel at a consideration of HK$437 million. Upon completing the acquisition, the Company would indirectly hold 50% issued shares of Shun Tak-China Travel, which would become a non-wholly-owned subsidiary of the Company. On the same date, the Company entered into a share transfer agreement with Shun Tak-China Travel, pursuant to which the Company will disposal of the entire issued share capital, together with shareholder's loans, of its wholly-owned subsidiary China Travel Tours Transportation Development (HK) Limited to Shun Tak-China Travel at a consideration of HK$508 million. China Travel Tours Transportation Development (HK) Limited would become a non-wholly-owned subsidiary of the Company after completion of the disposal. In addition, Shun Tak-China Travel entered into a share transfer agreement with a wholly-owned subsidiary of STHL, pursuant to which Shun Tak-China Travel will acquire the entire issued share capital of Jointmight Investments Limited at a consideration of HK$55 million. (For details, please refer to the Company announcement dated 6 March 2020 and the circular of the Company dated 27 March 2020.) The transaction will reinforce strategic cooperation between the Company and STHL and allow the Group a crucial role in developing transportation in the Greater Bay Area by boosting synergy among the Company's road and sea transport, hotel, tourism and other segments, and the scale and diversity of its passenger transport operations in the area. Upon the consolidation of financial results of Shun Tak-China Travel, the overall results of the Company will be enhanced by virtue of significantly increased assets and staff in Hong Kong.

Currently, the domestic and foreign situations remain complex, with many sources of instability and risk emerging and economic growth continuing to slow down. China remains subject to huge downward pressure in the face of challenges arising both from international trade and industrial restructuring. According to the thrust of China's Central Economic Work Conference for 2019, the nation's economy did not deviate from the basic trend of steady and positive long-term momentum, and was expected to deliver overall stable growth in 2020 on the back of macro-policies. The recent novel coronavirus ("**COVID-19**") and social events in Hong Kong brought additional uncertainty to the Group's business environment, with particularly notable adverse impacts on operations of travel agency, hotel and passenger transport. The Group will continue to take effective measures in response and has mitigated these impacts. The Group's overall business fundamentals remain steady and healthy. It possesses adequate funds and the capability to invest and develop. The Company is cautiously optimistic of its future prospects, despite the impact from COVID-19 and social events in Hong Kong is expected to last for a period of time. The overall financial effect cannot be reliably estimated as of the date of this announcement. The Group will continue to monitor the development of the COVID-19 outbreak and assess the potential risks and impact that it may have on the Group's financial and trading prospects. With the right development strategies, the Company will complete its work tasks, facilitate in-depth reform and integrated development, and build a solid foundation for achieving its strategic objectives and creating better returns for all shareholders.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

DIVIDENDS

The Board does not recommend the payment of a final dividend (2018: Nil) for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBER

The annual general meeting of the Company will be held on Friday, 29 May 2020. The Register of Members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both dates inclusive), for the purposes of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 25 May 2020.

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 2019, except for the following deviations:

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

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

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

- Code Provision E.1.2 specifies that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board of the Company has not attended the Company's annual general meeting held on 30 May 2019 because of other business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

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 2019.

PUBLICATION OF 2019 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 2019 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, 31 March 2020

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

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

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