

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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: 308)

ANNOUNCEMENT OF 2016 FINAL RESULTS

CHAIRMAN'S STATEMENT

First of all, on behalf of the Board of China Travel International Investment Hong Kong Limited, I would like to express my heartfelt thanks to all our shareholders and all sectors of society for their concern for and support to the Company. I would also like to express my deepest gratitude to and respect for my fellow Board members, the management and the staff for their expertise, devotion and achievements.

SUMMARY OF RESULTS

In 2016, although the Chinese economy was undergoing restructuring and grew at slower pace, the tourism industry showed strong momentum and delivered double-digit growth in the number of tourists, operating revenue, investment scale and persons engaged. Against the backdrop of intensified competition in the tourism industry, the Company was confronted with great challenges in terms of expansion of new business and new projects, as well as fierce competition in travel destination and related operations, structural improvement in assets, business and team. The Company's consolidated revenue and profit attributable to shareholders were approximately HK\$4,070 million and HK\$350 million respectively, representing a 7% and 74% decrease compared with last year. Excluding the one-off net gain arising from the disposal of non-core power generation operations last year and other non-recurring items, the attributable profit from core operations was approximately HK\$410 million, a 34% decrease compared with last year.

The Board declared a final dividend of HK1 cent per share and a special final dividend of HK1 cent per share for the year ended 31 December 2016. The final dividend and the special final dividend are expected to be paid to shareholders on 23 June 2017 upon approval at the annual general meeting. Together with the interim dividend of HK2 cents per share, the total dividend for the full year is HK4 cents per share, and the dividend payout ratio is 62%.

IMPLEMENTATION OF STRATEGIES

In 2016, the Company has been firmly committed to the strategic development direction of becoming “an investor, developer and operator of top-tier travel destinations”, whereas the strategic positioning, objectives, deployment and implementation path were further determined. The Company strived to build up a project base specific to the concentrated tourism resources and tourists areas including Beijing-Tianjin-Hebei, Yangtze River Economic Zone, Pearl River Delta, Yunnan-Guizhou-Sichuan, aiming to expand new business and project, thus laying solid foundation for the Company’s long-term development in the future.

In 2016, the Company strengthened its strategy implementation and implemented its strategic measures. It focused on the adjustment to the assets, business and team structure, continued to consolidate the business and management foundation, and strived to enhance capabilities in operating, management and business expansion. Despite the decline in the overall result, assets, business and team structures were further optimised, the core business and its deployment were further integrated, and investment and financing capacity was enhanced.

In 2016, the Company made greater efforts in achieving a turnaround of loss situation and disposing and revitalizing inefficient assets, and arranged the planned exit of certain enterprises that have been loss making for a long time with no prospects of turning around and those which are restricted in operation by the industry conditions. During the year, the Company has disposed of Project Jigongshan Company and Sakura Hotel. The Company’s asset quality was further optimised and profitability was further enhanced.

FUTURE PROSPECTS

As China’s tourism industry is entering into the era of mass tourism and holistic tourism, the state tourism industry has promulgated and implemented the 13th Five-Year Plan, and tourism in China is shifting from sightseeing to leisure vacation, the tourism industry development will usher in a golden age and tourism enterprises are thus offered unprecedented opportunities for development. The Company will continue to adhere to the strategic positioning of becoming “an investor, developer and operator of top-tier travel destinations”. Under the mission of “creating a new travel destination and leading a new lifestyle for mass tourism”, the Company will focus on the development of natural and cultural scenic spots, leisure resorts scenic spots and city travel scenic spots and related business. Meanwhile, the Company will actively develop management business of scenic spots to extend the value chain, with a view to enhancing competitiveness and forming competitive strength.

The Company will proactively promote model optimization, explore new business models to adapt to the development trends of new economy and technologies, establish the new concept on scenic spot development, promote the application of technology products and establish a smart platform for scenic spots featuring mobilised business, digitalised resource and intelligent management, accelerate the transformation from the product-oriented model to the customer-oriented one, and forming a new scenic spot development model featured by opening, coordination and sharing. The Company will seek for organic integration of local tourism resources and development plan, pursue development in collaboration with local related and advantageous industries, transform from development of stand-alone scenic spots to comprehensive tourism destinations and from tickets economy to diversified income structure. Furthermore, the Company will fully exert its ability in integration of internal and external resources and establish a platform for “joint-development, sharing and mutual benefits” to achieve a win-win situation.

The Company will expedite the development of new business and projects and accelerate seizure of quality resources in key regions including quality scenic spots with expansion and appreciation potential. Flexible and diversified forms of cooperation including equity participation, acquisition, provision of management services, cooperation and development through platforms or projects, investment and merger etc. will be adopted to achieve occupation, development and management of resources. The Company will focus on the regions rich in tourism resources and tourists and extend its main layout to cover Beijing-Tianjin-Hebei, Yangtze River Economic Zone, Pearl River Delta, Yunnan-Guizhou-Sichuan. New profit growth drivers will be fostered through large scale expansion and innovation of profit model. The Company will engage in management business by virtue of its own management experience in scenic spots and the advantages of the parent company in terms of brand and industrial chain, so as to strengthen market presence, improve brand awareness and enhance competitive strength and profitability.

The Company will continue to promote optimisation of existing businesses, enhance expansion and quality of scenic spots, enrich the culture, science and technology, sport and health exhibited in the products of scenic spots so as to improve customers' satisfaction, build flagship scenic spots and benchmark projects, so as to establish core competence and shape top-tier brands. The Company will concentrate on the completion of new investments in Shapotou and Songshan scenic spots to further diversify the tourism elements of natural and cultural scenic spots and further improve quality of scenic spots. The two major scenic spots will be upgraded and renovated in an accelerated manner to add new travel elements and regain vitality. The Company will strive to turn around business of the two resorts and innovate new products and models, promote echelon development and realise sustainable profit. The Company will ensure the trial operation of Club Med resort hotel of Anji Project as scheduled, promote the sales of real estate projects and propel the subsequent development and construction of land parcels. Furthermore, the Company will continue to vitalize or dispose of inefficient asset to achieve improvement in asset quality and optimisation in asset structure.

The Company is confident in the prospects of future development, and will endeavour to strengthen strategies implementation, model optimization, enhance capability, with a view to achieving optimisation of existing businesses and excellence of new businesses. The Company will facilitate the strategic layout in key regions to seize quality scenic spot resources, so as to realise quality, efficiency and sustainable development, as well as strong sense of satisfaction among customers, strong sense of achievement among staff and high return for shareholders.

Zhang Fengchun
Chairman of the Board

Hong Kong, 29 March 2017

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 2016 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Continuing operations			
Revenue	4	4,065,999	4,395,389
Cost of sales		<u>(2,253,779)</u>	<u>(2,391,052)</u>
Gross profit		1,812,220	2,004,337
Other income and gains, net	4	140,054	262,360
Changes in fair value of investment properties		55,555	73,353
Selling and distribution costs		(490,039)	(536,472)
Administrative expenses		<u>(992,205)</u>	<u>(932,331)</u>
Operating profit	6	525,585	871,247
Finance income	5	120,677	129,001
Finance costs	5	(12,965)	(24,332)
Finance income, net	5	107,712	104,669
Share of profits less losses of			
Associates		139,991	127,803
Joint ventures		<u>4,904</u>	<u>5,144</u>
Profit before taxation		778,192	1,108,863
Taxation	7	<u>(205,129)</u>	<u>(239,635)</u>
Profit for the year from continuing operations		573,063	869,228
Discontinued operations			
(Loss)/profit for the year from discontinued operations	13	<u>(64,815)</u>	<u>662,917</u>
Profit for the year		<u>508,248</u>	<u>1,532,145</u>

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Attributable to:			
Equity owners of the Company		352,053	1,352,750
Non-controlling interests		<u>156,195</u>	<u>179,395</u>
Profit for the year		<u>508,248</u>	<u>1,532,145</u>
Earnings per share for profit attributable to equity owners of the Company (HK cents)			
	9		
Basic earnings/(losses) per share			
From continuing operations		7.60	12.31
From discontinued operations		<u>(1.18)</u>	<u>11.83</u>
From profit for the year		<u>6.42</u>	<u>24.14</u>
Diluted earnings/(losses) per share			
From continuing operations		7.60	12.27
From discontinued operations		<u>(1.18)</u>	<u>11.79</u>
From profit for the year		<u>6.42</u>	<u>24.06</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u>508,248</u>	<u>1,532,145</u>
Other comprehensive income/(loss)		
Item that will not be reclassified subsequently to profit or loss:		
Gain on property valuation, net of tax	80,030	110,975
Items that may be reclassified to profit or loss:		
Share of hedging reserve of an associate, net of tax	20,932	9,895
Release of exchange difference upon disposal of subsidiaries	(4,463)	(149,321)
Exchange differences on translation of foreign operations, net	<u>(608,831)</u>	<u>(615,440)</u>
Other comprehensive loss for the year, net of tax	<u>(512,332)</u>	<u>(643,891)</u>
Total comprehensive (loss)/income for the year	<u>(4,084)</u>	<u>888,254</u>
Attributable to:		
Equity owners of the Company	(109,988)	761,324
Non-controlling interests	<u>105,904</u>	<u>126,930</u>
Total comprehensive (loss)/income for the year	<u>(4,084)</u>	<u>888,254</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	31 December 2016	31 December 2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	7,451,863	7,919,792
Investment properties	1,567,692	1,439,590
Prepaid land lease payments	426,540	429,169
Goodwill	1,320,591	1,330,151
Other intangible assets	163,076	174,093
Interests in associates	1,020,209	998,879
Interests in joint ventures	51,761	47,977
Available-for-sale investments	26,104	27,068
Prepayments and receivables	307,554	85,658
Deferred tax assets	50,726	56,293
	<u>12,386,116</u>	<u>12,508,670</u>
Total non-current assets	12,386,116	12,508,670
Current assets		
Inventories	34,070	36,012
Properties under development	2,071,597	2,026,394
Trade receivables	182,417	173,047
Deposits, prepayments and other receivables	609,434	877,565
Amounts due from holding companies	21,047	186,497
Amounts due from fellow subsidiaries	26,262	25,392
Tax recoverable	4,896	3,910
Financial assets at fair value through profit or loss	537,724	1,640,050
Pledged time deposits	59,761	57,984
Cash and bank balances	3,937,193	3,680,731
	<u>7,484,401</u>	<u>8,707,582</u>
Assets of a disposal group classified as held for sale	105,254	—
Total current assets	7,589,655	8,707,582
Total assets	<u><u>19,975,771</u></u>	<u><u>21,216,252</u></u>

	31 December	31 December
	2016	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	9,096,434	9,088,838
Reserves	<u>5,576,911</u>	<u>6,316,321</u>
	14,673,345	15,405,159
Non-controlling interests	<u>1,099,248</u>	<u>1,093,669</u>
Total equity	<u>15,772,593</u>	<u>16,498,828</u>
LIABILITIES		
Non-current liabilities		
Deferred income	1,088,118	1,132,980
Bank and other borrowings	85,467	805,659
Deferred tax liabilities	<u>424,492</u>	<u>417,296</u>
Total non-current liabilities	<u>1,598,077</u>	<u>2,355,935</u>
Current liabilities		
Trade payables	<i>11</i> 379,939	349,785
Other payables and accruals	1,961,790	1,778,338
Amounts due to holding companies	3,969	8,215
Amounts due to fellow subsidiaries	7,979	9,438
Tax payable	178,889	193,045
Bank and other borrowings	<u>13,061</u>	<u>22,668</u>
	2,545,627	2,361,489
Liabilities of a disposal group classified as held for sale	<u>59,474</u>	—
Total current liabilities	<u>2,605,101</u>	<u>2,361,489</u>
Total liabilities	<u>4,203,178</u>	<u>4,717,424</u>
Total equity and liabilities	<u>19,975,771</u>	<u>21,216,252</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 operations
- Travel agency, travel document and related operations
- Hotel operations
- Passenger transportation operations
- Golf club operations
- Arts performance 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, which is incorporated in Hong Kong, and the parent company is China National Travel Service Group Corporation (formerly known as China National Travel Service (HK) Group Corporation), a PRC state-owned enterprise.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results for the year ended 31 December 2016 does 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 2015 to the Registrar of Companies as required by section 662 (3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to existing standards are mandatory and relevant to the Group for the financial year beginning on or after 1 January 2016.

Amendments to HKAS 1	Disclosure initiative
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKAS 27	Equity method in separate financial statements
Annual Improvement 2012 – 2014 Cycle	Amendments to a number of HKFRSs
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
HKFRS 14	Regulatory Deferred Accounts

The adoption of these new standards and amendments in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

(b) New standards, amendments and interpretations to existing standards that are not effective and have not been early adopted by the Group

The HKICPA has issued the following new standards and HKFRS amendments which are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

Amendments to HKAS 7 ⁽¹⁾	Statement of cash flows
Amendments to HKAS 12 ⁽¹⁾	Income taxes
Annual Improvement 2014-2016 Cycle ⁽²⁾	Amendments to a number of HKFRSs
HKFRS 9 ⁽³⁾	Financial Instruments
HKFRS 15 ⁽³⁾	Revenue from Contracts with Customers
Amendments to HKFRS 2 ⁽³⁾	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 10 and HKAS 28 ⁽⁴⁾	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 16 ⁽⁴⁾	Leases

⁽¹⁾ Effective for financial periods beginning on or after 1 January 2017

⁽²⁾ Effective for financial periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁽³⁾ Effective for financial periods beginning on or after 1 January 2018

⁽⁴⁾ Effective for financial periods beginning on or after 1 January 2019

The Group is in the process of assessing the impact of these standards, amendments and interpretations to existing standards especially for the following set out below.

HKFRS 15, “Revenue from Contracts with Customers”

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group’s financial statements.

HKFRS 16, “Leases”

HKFRS 16 will affect primarily the accounting for Group’s operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

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. A summary of details of the operating segments is as follows:

- (a) the tourist attraction operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities, hot spring resorts, other resorts and tourism property development 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;
- (e) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members of the Group’s golf club in Shenzhen, Mainland China; and
- (f) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas.

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 is 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 and 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 material non-recurring incomes or expenses, such as changes in fair value of investment properties (net of tax), net gain on disposal of subsidiaries, and net gain/(loss) on disposal of property, plant and equipment.

Segment assets include all tangible and intangible assets and current assets with the exception of interests in associates and joint ventures, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

Year ended 31 December 2016

	Continuing operations								Discontinued operations	Consolidated HK\$'000	
	Tourist attraction operations HK\$'000	Travel agency, travel document and related operations HK\$'000	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Total HK\$'000		Power generation operations HK\$'000
Segment revenue:											
Sales to external customers	1,679,425	1,198,273	753,456	274,457	99,853	60,535	4,065,999	-	4,065,999	-	4,065,999
Intersegment revenue	10,770	4,974	4,085	1,670	15	-	21,514	15,800	37,314	-	37,314
	<u>1,690,195</u>	<u>1,203,247</u>	<u>757,541</u>	<u>276,127</u>	<u>99,868</u>	<u>60,535</u>	<u>4,087,513</u>	<u>15,800</u>	<u>4,103,313</u>	<u>-</u>	<u>4,103,313</u>
Elimination of intersegment revenue							(21,514)	(15,800)	(37,314)	-	(37,314)
Revenue							<u>4,065,999</u>	<u>-</u>	<u>4,065,999</u>	<u>-</u>	<u>4,065,999</u>
Segment results	<u>123,482</u>	<u>137,490</u>	<u>110,045</u>	<u>149,546</u>	<u>(9,872)</u>	<u>1,885</u>	<u>512,576</u>	<u>(99,238)</u>	<u>413,338</u>	<u>-</u>	<u>413,338</u>
Non-controlling interests									156,195	-	156,195
Profit for the year before material non-recurring incomes or expenses									569,533	-	569,533
Changes in fair value of investment properties, net of tax									48,099	-	48,099
Net gain/(loss) on disposal of subsidiaries, net of tax									65,270	(64,815)	455
Impairment of property, plant and equipment and property under development									(116,645)	-	(116,645)
Loss on disposal of property, plant and equipment, net									(5,435)	-	(5,435)
Other income and gains									20,790	-	20,790
Share option expense									(8,549)	-	(8,549)
Profit for the year									<u>573,063</u>	<u>(64,815)</u>	<u>508,248</u>
Segment assets	8,223,026	2,899,429	4,141,374	209,002	602,209	113,010	16,188,050	2,715,751	18,903,801	-	18,903,801
Interests in associates	502,273	-	-	517,936	-	-	1,020,209	-	1,020,209	-	1,020,209
Interests in joint ventures	-	-	-	36,712	-	15,049	51,761	-	51,761	-	51,761
Intersegment receivables	1,185	763,710	405,870	5,245	-	-	1,176,010	17,230,368	18,406,378	-	18,406,378
	<u>8,726,484</u>	<u>3,663,139</u>	<u>4,547,244</u>	<u>768,895</u>	<u>602,209</u>	<u>128,059</u>	<u>18,436,030</u>	<u>19,946,119</u>	<u>38,382,149</u>	<u>-</u>	<u>38,382,149</u>
Elimination of intersegment receivables									(18,406,378)		(18,406,378)
Total assets									<u>19,975,771</u>		<u>19,975,771</u>
Segment liabilities	2,180,167	461,074	589,130	89,828	578,653	25,965	3,924,817	278,361	4,203,178	-	4,203,178
Intersegment payables	2,996,431	184,360	2,477,789	441,279	160,213	53,735	6,313,807	12,092,571	18,406,378	-	18,406,378
	<u>5,176,598</u>	<u>645,434</u>	<u>3,066,919</u>	<u>531,107</u>	<u>738,866</u>	<u>79,700</u>	<u>10,238,624</u>	<u>12,370,932</u>	<u>22,609,556</u>	<u>-</u>	<u>22,609,556</u>
Elimination of intersegment payables									(18,406,378)		(18,406,378)
Total liabilities									<u>4,203,178</u>		<u>4,203,178</u>

Year ended 31 December 2015

	Continuing operations								Discontinued operations	Consolidated HK\$'000	
	Tourist attraction operations HK\$'000	Travel agency, travel document and related operations HK\$'000	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Total HK\$'000		Power generation operations HK\$'000
Segment revenue:											
Sales to external customers	1,843,091	1,356,848	759,943	295,399	109,258	30,850	4,395,389	-	4,395,389	-	4,395,389
Intersegment revenue	11,078	5,650	3,465	1,067	-	-	21,260	20,350	41,610	-	41,610
	<u>1,854,169</u>	<u>1,362,498</u>	<u>763,408</u>	<u>296,466</u>	<u>109,258</u>	<u>30,850</u>	4,416,649	20,350	4,436,999	-	4,436,999
Elimination of intersegment revenue							(21,260)	(20,350)	(41,610)	-	(41,610)
Revenue							<u>4,395,389</u>	<u>-</u>	<u>4,395,389</u>	<u>-</u>	<u>4,395,389</u>
Segment results	<u>194,681</u>	<u>188,149</u>	<u>111,658</u>	<u>151,908</u>	<u>(3,342)</u>	<u>(1,580)</u>	<u>641,474</u>	<u>(16,311)</u>	625,163	233,546	858,709
Non-controlling interests									179,395	-	179,395
Profit for the year before material non-recurring incomes or expenses									804,558	233,546	1,038,104
Changes in fair value of investment properties, net of tax									66,599	-	66,599
Net (loss)/gain on disposal of subsidiaries, net of tax									(66)	429,371	429,305
Loss on disposal of investment property									(606)	-	(606)
Loss on disposal of property, plant and equipment, net									(4,319)	-	(4,319)
Other income and gains									3,062	-	3,062
Profit for the year									<u>869,228</u>	<u>662,917</u>	<u>1,532,145</u>
Segment assets	8,261,838	2,939,142	4,136,170	200,180	702,342	104,591	16,344,263	3,825,133	20,169,396	-	20,169,396
Interests in associates	519,187	-	-	479,692	-	-	998,879	-	998,879	-	998,879
Interests in joint ventures	-	-	-	30,005	-	17,972	47,977	-	47,977	-	47,977
Intersegment receivables	19,467	978,938	420,338	2,704	-	-	1,421,447	16,113,818	17,535,265	-	17,535,265
	<u>8,800,492</u>	<u>3,918,080</u>	<u>4,556,508</u>	<u>712,581</u>	<u>702,342</u>	<u>122,563</u>	<u>18,812,566</u>	<u>19,938,951</u>	38,751,517	-	38,751,517
Elimination of intersegment receivables									(17,535,265)		(17,535,265)
Total assets									<u>21,216,252</u>		<u>21,216,252</u>
Segment liabilities	2,005,873	466,212	504,144	87,103	609,172	17,213	3,689,717	1,027,707	4,717,424	-	4,717,424
Intersegment payables	2,779,397	392,792	2,679,380	558,571	194,634	55,998	6,660,772	10,874,493	17,535,265	-	17,535,265
	<u>4,785,270</u>	<u>859,004</u>	<u>3,183,524</u>	<u>645,674</u>	<u>803,806</u>	<u>73,211</u>	<u>10,350,489</u>	<u>11,902,200</u>	22,252,689	-	22,252,689
Elimination of intersegment payables									(17,535,265)		(17,535,265)
Total liabilities									<u>4,717,424</u>		<u>4,717,424</u>

Geographical information

(a) Revenue from external customers

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	1,493,574	1,708,257
Mainland China (including Macau)	2,202,530	2,328,809
Overseas	<u>369,895</u>	<u>358,323</u>
	<u>4,065,999</u>	<u>4,395,389</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	5,258,692	5,256,712
Mainland China (including Macau)	6,963,328	7,083,203
Overseas	<u>82,347</u>	<u>85,394</u>
	<u>12,304,367</u>	<u>12,425,309</u>

The information about the Group's non-current assets is based on the physical location of assets which exclude available-for-sale investments, 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 years ended 31 December 2016 (2015: Nil).

4 REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue, other income and gains, net, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Tourist attraction operations	1,679,425	1,843,091
Travel agency, travel document and related operations	1,198,273	1,356,848
Hotel operations	753,456	759,943
Passenger transportation operations	274,457	295,399
Golf club operations	99,853	109,258
Arts performance operations	60,535	30,850
	<u>4,065,999</u>	<u>4,395,389</u>
Other income	145,548	166,461
Other (losses)/gains, net	<u>(5,494)</u>	<u>95,899</u>
	<u>140,054</u>	<u>262,360</u>

5 FINANCE INCOME, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income:		
Bank deposits and entrustment loans	<u>120,677</u>	<u>129,001</u>
Finance income	-----120,677	-----129,001
Interest expense:		
Bank borrowings, overdrafts and other borrowings – Wholly repayable within five years	<u>(12,965)</u>	<u>(24,332)</u>
Finance costs	----- (12,965)	----- (24,332)
Finance income, net	<u>107,712</u>	<u>104,669</u>

6 OPERATING PROFIT

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	414,467	464,917
Amortisation of prepaid land lease payments	27,635	27,138
Employee benefit expenses	1,193,901	1,225,465
Minimum lease payments under operating leases:		
Land and buildings	74,882	81,805
Plant and machinery and motor vehicles	23,069	17,270
Provision for impairment of trade and other receivables, net	3,776	2,818
Provision for impairment of available-for-sale investments	258	–
Provision for impairment of property, plant and equipment	87,984	–
Provision for impairment of properties under development	28,403	–
Rental income on investment properties	(42,911)	(34,393)
Direct operating expenses of investment properties	1,660	1,591
(Gain)/loss on disposal of subsidiaries, net	(72,394)	66

7 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	48,011	51,082
Under-provision in prior years	711	–
Current – Mainland China and Macau		
Charge for the year	138,682	212,725
(Over)/under-provision in prior years	(632)	237
Overseas – Charge for the year	668	1,720
Deferred tax	17,689	(26,129)
Total tax charge for the year	205,129	239,635

8 DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend, paid, of HK2 cents (2015: HK2.5 cents) per ordinary share	108,964	138,635
Special interim dividend, paid, nil (2015: HK2.5 cents) per ordinary share	–	138,635
Final dividend, proposed, of HK1 cent (2015: HK4.5 cents) per ordinary share	54,459	247,896
Special final dividend, proposed, of HK1 cent (2015: nil) per ordinary share	<u>54,459</u>	<u>–</u>
	<u>217,882</u>	<u>525,166</u>

At a board meeting held on 29 March 2017, the Directors proposed a final dividend of HK1 cent per share and a special final dividend of HK1 cent per share. These proposed dividends are not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2016.

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:

	2016	2015
Basic earnings per share		
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	416,868	689,833
(Losses)/profit from discontinued operations attributable to equity owners of the Company (HK\$'000)	<u>(64,815)</u>	<u>662,917</u>
Profit attributable to equity owners of the Company (HK\$'000)	<u>352,053</u>	<u>1,352,750</u>
Weighted average number of ordinary shares in issue	<u>5,479,490,618</u>	<u>5,603,173,306</u>
Basic earnings per share from continuing operations (HK cents)	7.60	12.31
Basic (losses)/earnings per share from discontinued operations (HK cents)	<u>(1.18)</u>	<u>11.83</u>
	<u>6.42</u>	<u>24.14</u>

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share option is the only category of dilutive potential ordinary shares of the Company. 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. 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.

	2016	2015
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	416,868	689,833
(Losses)/profit from discontinued operations attributable to equity owners of the Company (HK\$'000)	<u>(64,815)</u>	<u>662,917</u>
Profit attributable to equity owners of the Company (HK\$'000)	<u><u>352,053</u></u>	<u><u>1,352,750</u></u>
Weighted average number of ordinary shares in issue		
Adjustments for:		
– Share options	<u>7,219,527</u>	<u>19,137,349</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>5,486,710,145</u></u>	<u><u>5,622,310,655</u></u>
Diluted earnings per share from continuing operations (HK cents)	7.60	12.27
Diluted (losses)/earnings per share from discontinued operations (HK cents)	<u>(1.18)</u>	<u>11.79</u>
	<u><u>6.42</u></u>	<u><u>24.06</u></u>

10 TRADE RECEIVABLES

The Group allows an average credit period from 30 to 90 days to its trade debtors. As the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral as security. Trade receivables are non-interest-bearing.

At 31 December 2016 and 2015, the ageing analysis of the trade receivables, based on the invoice date and net of the provision for impairment of trade receivables, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	167,789	157,070
3 to 6 months	7,602	7,382
6 to 12 months	5,293	2,903
1 to 2 years	809	5,692
Over 2 years	924	—
	<u>182,417</u>	<u>173,047</u>

11 TRADE PAYABLES

The ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	327,790	294,874
3 to 6 months	14,431	20,360
6 to 12 months	6,603	4,429
1 to 2 years	4,965	11,038
Over 2 years	26,150	19,084
	<u>379,939</u>	<u>349,785</u>

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

12 DISPOSAL OF SUBSIDIARIES

- (a) In October 2016, a wholly-owned subsidiary of the Company, CTS Scenery Resort Investment Company Limited, entered into an agreement with a third party to dispose of the entire interest of the Company's indirect wholly-owned subsidiary, Chengdu Huashuiwan China Travel Company Limited, for a consideration of HK\$65 million. The transaction was completed in November 2016 and resulting in gain of approximately HK\$11 million.
- (b) In August 2016, the Company entered into an agreement with the original shareholder of the non-controlling interests of its indirect wholly-owned subsidiary, CTS (Xinyang) Jigongshan Culture Tourism Co.,Ltd. ("CTS (Xinyang)") to dispose of the entire interest of CTS (Xinyang) for a consideration of HK\$179 million. The disposal was approved by the Board of Directors in August 2016 and the transaction was completed in December 2016 and resulting in gain of approximately HK\$61 million.

13 DISCONTINUED OPERATIONS

In March 2015, the Group entered into an agreement with its immediate holding company, China Travel Service (Holdings) Hong Kong Limited, to dispose the entire interest of its wholly-owned subsidiary, Chadwick Developments Limited for a consideration of RMB510 million (equivalent to approximately HK\$643 million and subject to future adjustments). Chadwick Developments Limited owns 51% equity interest in Shaanxi Weihe Power Co., Ltd. ("Shaanxi Weihe Power"), which is principally engaged in the operation of power generation in Mainland China and is 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 Shaanxi Weihe Power was classified as discontinued operation in the consolidated financial statements. The disposal was completed in June 2015 which resulted in a net gain of approximately HK\$429 million, while the share of profit of the investment in Shaanxi Weihe Power for the year ended 2015 was approximately HK\$234 million. As at 31 December 2016, the net loss on contingent consideration was approximately HK\$65 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2016, the Company's consolidated revenue and profit attributable to shareholders were approximately HK\$4,070 million and HK\$350 million respectively, representing a 7% and 74% decrease compared with last year. Profit attributable to the operating tourism business was approximately HK\$410 million, representing a 34% decrease compared with last year. Decrease in profit attributable to shareholders was mainly attributable to no contribution from power generation operation disposed last year which also contributed a one-off net gain for 2015 results, impairment loss for project Xianyang Ocean Spring Resort, a decrease in interest income, and an exchange loss arising from depreciation of Renminbi against Hong Kong dollar.

The Company's financial position remained stable and healthy, with strong investing and financing capabilities. As at 31 December 2016, total assets was approximately HK\$19,976 million, a 6% decrease compared with the end of last year; the equity attributable to shareholders was approximately HK\$14,673 million, a 5% decrease compared with the end of last year; cash and bank balances and wealth management products, etc. amounted to approximately HK\$4,787 million, of which cash and bank balances amounted to approximately HK\$3,937 million and after deducting bank loans and other borrowings of approximately HK\$99 million, net cash was approximately HK\$3,838 million, a 35% increase compared with the end of last year.

DIVIDENDS

The Board declared a final dividend of HK1 cent (2015: HK4.5 cents) per share and a special final dividend of HK1 cent per share (2015: nil) for the year ended 31 December 2016. The final dividend and the special final dividend are expected to be paid to shareholders on 23 June 2017 upon approval at the annual general meeting. Together with the 2016 interim dividend of HK2 cents (2015: HK2.5 cents) per share, the total dividend for the full year is HK4 cents per share, and the dividend payout ratio is 62%.

CORE PRINCIPAL OPERATIONS AND OPERATION FIGURES

(I) Travel Destination Operations

1. Business overview

Business categories	Company name
City hotels	Five hotels in Hong Kong and Macau Two hotels in Mainland China 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 spot destinations	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("Songshan Company") CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd ("Shapotou Scenic Spot") CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd ("Jigongshan Company"), which has been sold. Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd ("Lu Shan Xiu Feng Cable Car")
Leisure resort destinations	China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd ("Zhuhai OSR") Xianyang Ocean Spring Resort Co., Ltd ("Xianyang OSR") CTS (Anji) Tourism Development Company Limited ("Anji Company") Chengdu Huashuiwan Sakura Hotel Company Limited ("Sakura Hotel"), which has been sold.
Non-controlling scenic spot investments	Huangshan Yuping Cable Car Company Ltd ("Huangshan Yuping Cable Car") Huangshan Taiping Cable Car Co., Ltd Changsha Colorful World Company Limited Nanyue Cable Car Co. Ltd. Changchun Jingyuetan Youle Co. Ltd.

2. *Key Operation Figures*

In 2016, revenue of travel destination operations was approximately HK\$2,430 million, a 7% decrease compared with last year; and attributable profit was approximately HK\$230 million, a 24% decrease compared with last year.

In 2016, revenue of hotel operations was approximately HK\$750 million and attributable profit was approximately HK\$110 million, which were similar to last year. As some hotels in Hong Kong and Macau were renovated, the average occupancy rate rose to 86%. Results of hotels in Hong Kong and Macau was slightly affected by the reduced room rate caused by relatively sluggish economy and drop in the number of inbound tourists, as well as increased depreciation expense resulting from the hotel renovation. The average occupancy rate of Beijing Metropark Hotel increased compared with last year, causing an increase in catering revenue. Revenues and profits also rose compared with last year. Moreover, the Company has disposed of Yangzhou Metropark Hotel in February 2017 with a gain on disposal of HK\$28 million. The overall results of hotel operations remained flat.

Revenue of theme parks was approximately HK\$760 million, a 6% decrease compared with last year; and attributable profit was approximately HK\$110 million, a 20% decrease compared with last year. The number of visitors to theme parks was reduced due to the fact that tourists were less willing to travel resulting from the bad weather in the first half of the year. Window of the World and Splendid China continued to enrich products and expand business to regain vitality. Window of the World launched a new project “Trespasser” and made a new firework show that achieved good market responses. Meanwhile, prominent growth in student market was achieved resulting from strengthening of marketing efforts. Splendid China intensified festival planning, implemented precision marketing, enriched folklore products and expedited performance improvement. Splendid China introduced a series of new products, and the new performance “Legend of Desert” was successfully shown which build a new image for the park and attracted more visitors. Theme park business contributed significantly to the Company’s tourist attraction business.

Revenue of natural and cultural scenic spots was approximately HK\$580 million, an 8% decrease compared with last year; and attributable profit was approximately HK\$40 million, representing a 19% decrease compared with last year. Songshan Company made breakthroughs in entering into an investment framework agreement with local government during the year to acquire 591 mu of land parcels. In the meantime, Songshan Company recorded a year-on-year increase of 8% in visitors and increase in revenue and profit, which was attributable to its efforts to enhance renovation and marketing, improve competitiveness of scenic spots and strengthen the management of tourists’ vehicles. Affected by bad weather and the new project being under construction, Shapotou Scenic Spot recorded a decrease in number of visitors and a worse results compared to last year. During the year, the Company has disposed of Jigongshan Company with a gain on disposal of HK\$61 million. The asset structure of the Company was further optimized after disposal of a loss-making entity.

Revenue of leisure resort destinations was approximately HK\$340 million, a 15% decrease compared with last year; and attributable loss was approximately HK\$70 million, an increase compared with last year. During the year, Zhuhai OSR strived to improving management, enriching marketing campaigns and optimizing organization structure, which succeeded in reducing cost but did not effectively improve operation. Zhuhai OSR experienced a year-on-year decrease in revenue and recorded a loss. The loss was mainly due to the fact that no contribution from appreciation of land under phase II project which contributed a revenue of approximately HK\$100 million last year. Xianyang OSR recorded a decrease in number of visitors and revenue. There were 188 units of high-end flats constructed under phase 1 of Anji tourism real estate project, 41 of which were subscribed during the year, thus achieving pre-sale condition, and relevant revenue is expected to be recognized after completion of construction in 2017. During the year, the Company completed the disposal of Sakura Hotel, generating a gain on disposal of approximately HK\$11 million.

Attributable profit of non-controlling scenic spot investments was approximately HK\$40 million, a 19% increase compared with last year. Substantial increase in attributable profit was due to the resumption of operations of Huangshan Yuping Cable Car in June last year that were suspended for upgrade work in October 2014.

(II) Travel Agency, Travel Document and Related Operations

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

In 2016, revenue of the Company's travel agency, travel document and related operations was approximately HK\$1,200 million, a 12% decrease compared with last year; and attributable profit was approximately HK\$140 million, a 27% decrease compared with last year. Decrease in revenue was mainly due to the fact that China Travel Service (Hong Kong) Company Limited has changed the sales of Shun Tak tickets from contract into agency since April of last year, resulting in the relevant revenue being recorded in net amount instead of gross amount. The revenue and profits of travel document business declined compared with last year in that home return permit business was not in the peak years of renewal and Taiwan Compatriot Permit business was impacted by the policy of arrival visa.

(III) Supplementary Products and Services

The Company's travel destination strategy includes development of supplementary products and services which mainly comprises of passenger transportation operations, art performance operations and golf club operations.

1. *Passenger Transportation Operations*

In 2016, revenue of passenger transportation operations was approximately HK\$270 million, a 7% decrease compared with the same period last year; and attributable profit was approximately HK\$150 million, a 2% decrease compared with last year.

Impacted by the decline in number of individual visitors, China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries served 5.07 million passengers, a 2% decrease compared with last year. The number of passengers served by the cross-border long-distance coaches and All China Express Buses fell by 3% and 4% respectively, which impacted the revenue. Although fuel cost was reduced due to reduced fuel price, net profit fell approximately 18% compared with last year due to increase in depreciation expenses resulting from successive replacement of vehicles since last year.

Attributable profit of our associate Shun Tak-China Travel Shipping Investments Limited increased due to decrease in fuel price and maintenance cost.

2. *Golf Club Operations*

In 2016, revenue of CTS Tycoon (Shenzhen) Golf Club (the "Golf Club") was approximately HK\$100 million, a 9% decrease compared with last year mainly due to the request for the golf course to exit the occupied water protection zone. The number of golfers dropped by 12% compared with last year and the relevant revenue dropped by 25% year on year.

3. *Arts Performance Operations*

In 2016, revenue of China Heaven Creation International Performing Arts Co, Ltd was approximately HK\$60 million, a 96% increase compared with last year mainly due to the additional five arts performance consulting projects during the year, leading to a turnaround to profit for the year.

Share Buyback

The Company continued to buy back a total of 107,112,000 shares of the Company on The Stock Exchange of Hong Kong Limited in 2016, with an average purchase price of approximately HK\$2.43 per share. Since 2011, the Company has been buying back an appropriate amount of its shares every year and 2016 is the sixth year for the Company do so, which indicates its confidence in business development and is conducive to enhancement of shareholder value.

DEVELOPMENT STRATEGY

Adhering to the strategic positioning of tourism destination and based on the three large travel destinations, which include city travel destination, leisure resort destination and natural and cultural scenic spot destination, the Company aims at becoming “an investor, developer and operator of top-tier travel destinations”. The Company will strive to strategically invest in or merge with relevant leading enterprises and seek for new tourism business.

The Company will push forward the execution of development strategy vigorously, expedite the expansion of potential projects, focus on development in southwestern region with rich resources in scenic spots and South China region with affluent economy and high demand for leisure consumption, expedite new business development and strategic layout in Yangtze river delta area and Beijing-Tianjin-Hebei region, seize quality scenic spots resources in PRC to contribute to the Company’s sustainable development. Moreover, the Company will improve existing tourism business through increasing investment in existing scenic spots. The Company will develop the management of asset-light business in due time by virtue of its brand value “China Travel” and substantial experience in scenic spots operation and development.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2016, the Group had 8,969 employees. The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group’s employees are periodically reviewed by the management. Apart from the retirement benefit and in-house training programs, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 31 December 2016, the cash and bank balances of the Group amounted to approximately HK\$3,937 million whereas the bank and other borrowings amounted to approximately HK\$99 million. The debt-to-capital ratio was 17% and the debt includes bank and other borrowings, trade and other payables, amounts due to the holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

The Group has certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus exposes a certain level of foreign currency risk. The Group has not engaged in any particular hedge against foreign exchange risk. The Group will closely monitor and manage foreign currency exposure and to make use of appropriate measures when required.

CHARGE ON ASSETS

As at 31 December 2016, the Group's bank deposits of approximately HK\$60 million (31 December 2015: HK\$58 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As at 31 December 2016, certain of the Group's buildings with net carrying amounts of approximately HK\$1,916,000 (31 December 2015: HK\$1,862,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2015: HK\$0.3 million).

BUSINESS PROSPECTS

At present, macro-economic condition remains stable and tourism industry is upgraded as a national strategic pillar industry. As tourism industry flourishes, enterprises face more development and expansion opportunities. In December 2016, the strategic reorganization in respect of the merger of China International Travel Service Group Corporation into China National Travel Service Group Corporation, the controlling shareholder of the Company, was completed and provided a strong brand effect for the development of tourism business of the Company. The Company established a regional development team to focus on quality scenic spots resources and new business development. The Company's management team was further adjusted and enriched and the stock option incentive has infused new vigor. The Company laid a solid foundation for development in recent years, possessed sufficient cash and fostered a number of enthusiastic, capable and determined professionals. With increasing management responsibility and favorable internal factors for development, opportunities faced by the Company outweigh challenges.

The Company will make full effort to strengthen the execution of strategy in accordance with its overall development plan, enhance the management of existing businesses, actively explore new business and innovate business models, optimize product portfolio, explore to its largest extent in broadening source of income, reduce costs and improve efficiency to bring a more favourable return to shareholders.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an 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 PricewaterhouseCoopers on the preliminary announcement.

DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK1 cent per share (2015: HK4.5 cents per share) and a special final dividend of HK1 cent per share (2015: nil) for the year ended 31 December 2016.

Subject to shareholders' approval with regard to the proposed payment of the final dividend and the special final dividend at the forthcoming annual general meeting to be held on Wednesday, 24 May 2017, the proposed dividends are expected to be paid on Friday, 23 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017 (both dates inclusive), for the purposes of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 May 2017.

For the purposes of ascertaining shareholders' entitlement to the proposed final dividend and special final dividend, the Register of Members of the Company will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017 (both dates inclusive). In order to qualify for the proposed final dividend and special final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 31 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 107,112,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which were cancelled during the year. The number of issued shares as of 31 December 2016 was 5,445,901,525 shares. Particulars of the shares repurchased during the year are as follows:

Month/Year	Number of shares repurchased	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January 2016	40,350,000	2.85	2.53	108,563,140
February 2016	9,304,000	2.69	2.52	24,279,680
April 2016	9,050,000	2.37	2.27	21,011,540
May 2016	15,404,000	2.22	2.16	33,739,340
June 2016	28,876,000	2.20	2.15	63,160,740
November 2016	4,128,000	2.20	2.17	9,037,600

The Directors consider that the repurchases of shares will enhance shareholder value in the long term. Save as disclosed above, neither the Company nor any of its subsidiaries purchased or sold and the Company did not redeem any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Group is committed to maintain high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholder value. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance.

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2016, except for the following deviations:

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

- Code Provision A.4.1 specifies that Non-Executive Directors should be appointed for a specific term, subject to re-election. Although the Company’s Non-Executive Directors do not have a specific term of appointment, pursuant to the Company’s articles of association (the “Articles”), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that such requirements are sufficient to meet the underlying objective and spirit of the relevant Code Provisions.
- Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management on the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the final results of the Company for the year ended 31 December 2016.

PUBLICATION OF 2016 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 2016 Annual Report will be available on the HKExnews and the Company websites, and despatched to the shareholders of the Company in due course.

By Order of the Board
Zhang Fengchun
Chairman

Hong Kong, 29 March 2017

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

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