2014
Annual Report

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

2014
Annual
Report

Contents

CORPORATE INFORMATION

DIRECTORS

Ms. Jiang Yan *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Zhang Fengchun
Mr. Xu Muhan *(General Manager)*
Mr. Fu Zhuoyang
Dr. Fong Yun Wah*
Mr. Wong Man Kong, Peter*
Mr. Sze, Robert Tsai To*
Mr. Chan Wing Kee*

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Mr. Wong Man Kong, Peter *(Chairman)*
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

REMUNERATION COMMITTEE

Mr. Wong Man Kong, Peter *(Chairman)*
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee
Ms. Jiang Yan

NOMINATION COMMITTEE

Ms. Jiang Yan *(Chairman)*
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Xu Muhan *(Chairman)*
Mr. Zhang Fengchun
Mr. Fu Zhuoyang
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

DLA Piper Hong Kong

REGISTERED OFFICE

12th Floor, CTS House
78-83 Connaught Road Central
Hong Kong

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited, Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Nova Scotia, Hong Kong Branch
Chong Hing Bank
Ping An Bank

FINANCIAL CALENDAR AND INVESTOR RELATION INFORMATION

Announcement of 2014 Final Results		24 March 2015
Announcement of 2014 Interim Results		20 August 2014
Announcement of 2013 Final Results		27 March 2014
Announcement of 2013 Interim Results		19 August 2013
Dividends	2014 Final	HK5 cents per share payable on 18 June 2015
	2014 Special Final	HK2 cents per share payable on 18 June 2015
	2014 Interim	HK2.5 cents per share paid on 29 September 2014
	2014 Special Interim	HK2.5 cents per share paid on 29 September 2014
	2013 Final	HK4 cents per share paid on 20 June 2014
	2013 Interim	HK2 cents per share paid on 27 September 2013
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 18 May 2015 to 20 May 2015
Annual General Meeting in 2015		20 May 2015
Closure of Register of Members for ascertaining shareholders' entitlement to the proposed final dividend and special final dividend		Period from 28 May 2015 to 1 June 2015
Listing Date		11 November 1992
Authorised Shares		7,000,000,000 shares
Issued Shares		5,627,987,525 shares (as at 31 December 2014)
Website address		irasia.com/listco/hk/ctii
Stock Code		308
Board Lot		2,000 shares
Financial Year End		31 December

MAJOR OPERATIONS

TRAVEL DESTINATION OPERATIONS

1. City travel destinations, categorized into:

1.1 City hotels

Metropark Hotel Mongkok	100%
Metropark Hotel Wanchai	100%
Metropark Hotel Kowloon	100%
Metropark Hotel Causeway Bay	100%
Metropark Hotel Macau	100%
CTS (HK) Grand Metropark Hotel Beijing	100%
Yangzhou Grand Metropark Hotel	60%
CTS H.K. Metropark Hotels Management Company Limited	100%

1.2 Theme parks

Shenzhen The World Miniature Co., Ltd.	51%
Shenzhen Splendid China Development Co., Ltd.	51%

2. Natural and Cultural Scenic Spot Destinations

CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd	51%
CTS (Ningxia) Shapotou Tourist Spot Co., Ltd.	51%
CTS (Ningxia) Shapotou Cable Car Co., Ltd.	51%
CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd.	65%
Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd.	80%

3. Leisure Resort Destinations

China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd.	100%
Xianyang Ocean Spring Resort Co., Ltd.	89.14%
CTS (Anji) Tourism Development Company Limited	80%
Chengdu Huashuiwan Sakura Hotel Company Limited	100%

4. Non-controlling Scenic Spot Investments

Huangshan Yuping Cable Car Company Ltd.	20%
Huangshan Taiping Cable Car Co., Ltd.	30%
Changsha Colorful World Company Limited	26%
Nanyue Cable Car Co. Ltd.	17%
Changchun Jingyuetan Youle Co. Ltd.	30%

TRAVEL AGENCY AND RELATED OPERATIONS

China Travel Service (Hong Kong) Limited	100%
– Travel agency business	
– Travel document business	

PASSENGER TRANSPORTATION OPERATIONS

China Travel Tours Transportation Services Hong Kong Limited	100%
Shun Tak-China Travel Shipping Investments Limited	29%

GOLF CLUB OPERATIONS

CTS Tycoon (Shenzhen) Golf Club Company Limited	100%

ARTS PERFORMANCE OPERATIONS

China Heaven Creation International Performing Arts Co., Ltd.	78%

POWER GENERATION OPERATIONS

Shaanxi Weihe Power Co., Ltd.	51%

FINANCIAL RATIOS HIGHLIGHTS

	2014	2013
Income statement ratios		
Interest coverage ratio	**72.85**	97.08
Basic earnings per share (HK cents)	**30.93**	20.40
Dividend per share (HK cents)	**12.00**	6.00
Dividend payout ratio (%)	**38.80**	29.41
Financial position ratios		
Current ratio	**3.16**	1.92
Quick ratio	**3.09**	1.87
Net assets value per share (HK$)	**2.76**	2.57
Net bank and other borrowings to equity	**(0.16)**	(0.09)
Debt-to-capital ratio (%)	**17.58**	17.58
Rate of return ratios		
Return on average equity (%)	**12.08**	8.47
Return on total capital and borrowings (%)	**11.11**	7.77
Market price ratios		
Dividend yield		
Year low (%)	**4.03**	3.39
Year high (%)	**8.43**	4.41
Price to earning ratio		
Year low (%)	**4.59**	6.67
Year high (%)	**9.60**	8.68

Formula for financial ratios:

Interest coverage ratio	(Profit before taxation + Finance costs)/Finance costs
Net assets value per share	Net assets attributable to owners of the Company/Number of shares as at the end of the reporting period
Net bank and other borrowings to equity	(Bank and other borrowings – Cash and bank balances)/Total equity
Debt-to-capital ratio	Debt/Equity attributable to owners of the Company (note 44 to consolidated financial statements)
Return on average equity	Profit for the year/Average total equity
Return on total capital and borrowings	(Profit before taxation + Finance costs)/(Total liabilities + Total equity)

FIVE YEAR FINANCIAL SUMMARY

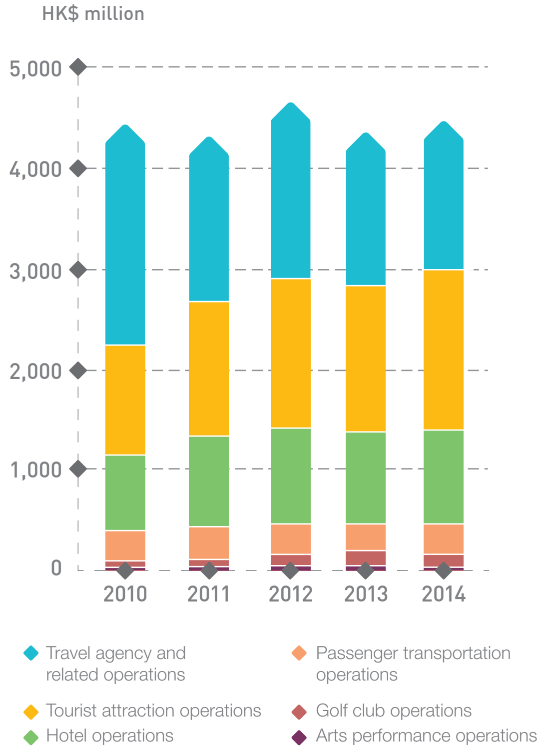
A summary of the published results and of the assets, liabilities and non–controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Results					
Revenue	**4,475,142**	4,359,918	4,668,431	4,352,882	4,464,727
Cost of sales	**(2,417,299)**	(2,275,542)	(2,515,494)	(2,253,285)	(2,544,736)
Gross profit	**2,057,843**	2,084,376	2,152,937	2,099,597	1,919,991
Other income and gains, net	**1,048,465**	194,882	198,572	335,974	204,928
Other expenses	**–**	–	–	(52,701)	(229,400)
Changes in fair value of investment properties	**70,049**	155,529	165,051	65,287	180,845
Selling and distribution costs	**(503,597)**	(587,758)	(619,761)	(619,806)	(612,340)
Administrative expenses	**(996,108)**	(992,106)	(1,034,705)	(1,040,800)	(1,203,965)
Finance income	**140,081**	107,515	94,520	59,770	37,054
Finance costs	**(30,276)**	(15,397)	(18,913)	(13,989)	(16,353)
Share of profits less losses of associates and joint ventures	**388,884**	357,362	182,077	127,192	119,651
Write back of provision for impairment of interest in an associate	**–**	175,000	–	–	–
Profit before taxation	**2,175,341**	1,479,403	1,119,778	960,524	400,411
Taxation	**(310,182)**	(225,404)	(217,973)	(179,856)	(179,407)
Profit for the year	**1,865,159**	1,253,999	901,805	780,668	221,004
Attributable to:					
Equity owners of the Company	**1,738,884**	1,151,889	803,561	695,233	155,332
Non–controlling interests	**126,275**	102,110	98,244	85,435	65,672
	1,865,159	1,253,999	901,805	780,668	221,004

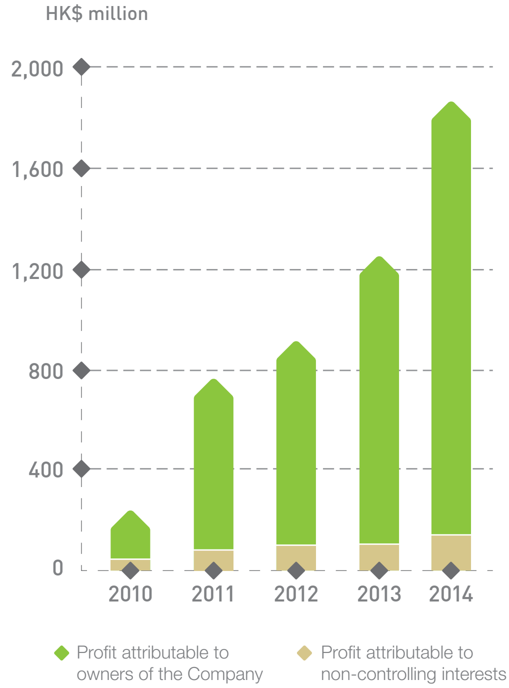
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Assets, liabilities and non-controlling interests					
Total assets	**20,950,844**	19,227,969	17,410,326	17,087,281	15,038,441
Total liabilities	**(4,318,061)**	(3,900,692)	(3,131,894)	(3,314,998)	(2,382,038)
Non-controlling interests	**(1,090,850)**	(834,012)	(807,603)	(786,152)	(621,016)
Equity attributable to owners of the Company	**15,541,933**	14,493,265	13,470,829	12,986,131	12,035,387

FINANCIAL REVIEW

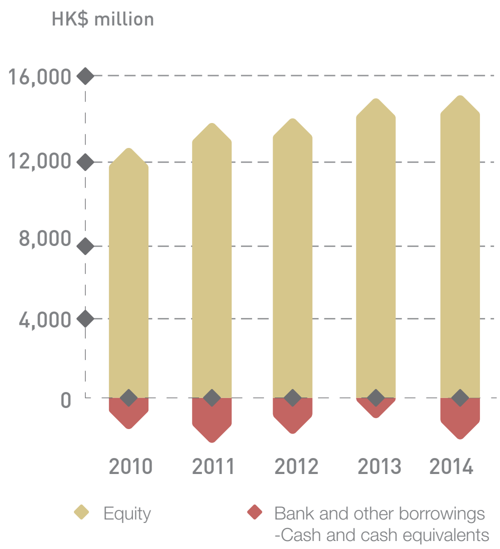
TURNOVER BY PRINCIPAL ACTIVITIES



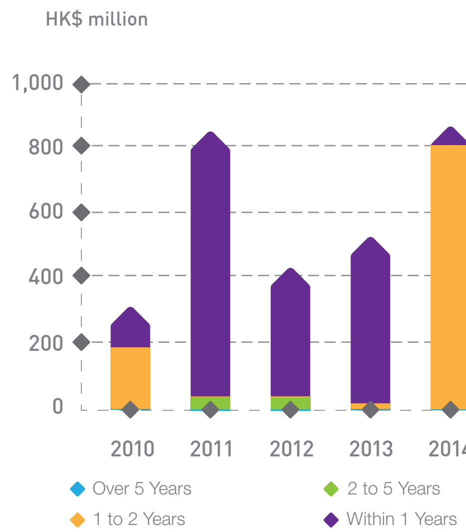
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



DEBT MATURITY PROFILE



MS. JIANG YAN *Chairman & Executive Director*

Aged 57, joined China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), the controlling shareholder of the Company, in 2003, and is currently a Director and the General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation, the ultimate controlling shareholder of the Company. Ms. Jiang is an Executive Director of the Company since 2006 and was appointed as a member of the Nomination Committee and Remuneration Committee of the Company in 2012. Ms. Jiang was also appointed as the Chairman of the Board and the Nomination Committee of the Company on 8 August 2014. Ms. Jiang has extensive experience in tourism and management of large enterprise. She was the Chairman of CTS H.K. Metropark Hotels Management Company Limited, a subsidiary of the Company and the Chairman of China CTS Asset Management Corporation, a subsidiary of China National Travel Service (HK) Group Corporation. Prior to joining CTS (Holdings), Ms. Jiang worked in State Oceanic Administration, All-China Women's Federation and The Liaison Office of the Central People's Government in HKSAR. Ms. Jiang obtained a Master's degree in Business Administration from University of South Australia.

MR. LO SUI ON *Vice Chairman & Executive Director*

Aged 64, appointed in 2000, is a Director of a number of subsidiaries of the Company. Mr. Lo has over 40 years of operation and management experience in the tourism industry. Mr. Lo is a Deputy of the Twelfth National People's Congress of the PRC, a member of The Election Committee for the Second, Third & Fourth Government of the HKSAR, the Chairman of Committee on Tourism of The Hong Kong Chinese Enterprises Association and the President of Hong Kong Association of China Travel Organisers Limited. In addition, Mr. Lo was appointed as a member of Hong Kong Tourism Board, a Director of the Travel Industry Council of Hong Kong, a member of the Tourism Strategy Group of the HKSAR Government and a member of Central Policy Unit Panel on Pan-Pearl River Delta.

MR. ZHANG FENGCHUN *Executive Director*

Aged 50, appointed in 2000, is the Chief Financial Officer of CTS (Holdings) and China National Travel Service (HK) Group Corporation, the Chairman and the General Manager of China Travel Financial Holdings Co. Ltd, a subsidiary of CTS (Holdings) and China National Travel Service (HK) Group Corporation, the Chairman of Jiaozuo City Commercial Bank and 港中旅中財股權投資管理(上海)有限公司, a Director of some of subsidiaries of the Company and the Vice Chairman of the Hong Kong Chinese Enterprises Association. Mr. Zhang is also a member of Strategy and Development Committee of the Company. He is a Certified Public Accountant in China and has extensive experience in investment planning, capital operation, financial operation and business management. Mr. Zhang graduated from the Accounting Department of Renmin University of China and obtained a Bachelor's degree in Economics in 1987. In January 2006, he graduated from the School of Economics and Management of Tsinghua University with an Executive Master's Degree of Business Administration (EMBA).

MR. XU MUHAN *Executive Director and General Manager*

Aged 54, appointed as an Executive Director and Standing Deputy General Manager in April 2008 and appointed as the General Manager in October 2009, is the Chairman of Strategy and Development Committee of the Company, the Deputy General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation, a Director of a number of subsidiaries of the Company. Mr. Xu has been the director and general manager of listed company over a long period of time and has extensive career in tourism and hospitality management. He obtained his master degree in travel and hotel management from The Hong Kong Polytechnic University and the certificate of GMP program from Cornell University.

MR. FU ZHUOYANG *Executive director*

Aged 55, appointed in November 2010, is a Deputy General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation, and the Chairman of Hong Kong China Travel Service Investment (China) Limited, a wholly owned subsidiary of CTS (Holdings). Mr. Fu is also a member of Strategy and Development Committee of the Company as well as a Director of Common Bond Investments Limited, a subsidiary of the Company. Mr. Fu has extensive experience in investment management and capital operation. Mr. Fu was the Deputy General Manager of China Travel Service (Holdings) Corporation of China and the General Manager of China National Tourism Trading & Service Corporation. Mr. Fu graduated from Xiamen University with a Bachelor of Arts degree in 1982, and graduated from Graduate School, Chinese Academy of Social Sciences in 1998.

DR. FONG YUN WAH *S.B.S., J.P.*

Independent Non-Executive Director

Aged 90, appointed as an Independent Non-Executive Director of the Company in 1998, is the Chairman of The Hip Shing Hong Group, Kam Wah Investment Co., Ltd., Fong Shu Fook Tong Foundation and Fong's Family Foundation. Dr. Fong is also the Independent Non-Executive Director of Melbourne Enterprises Limited, Director of the Real Estate Developers Association of Hong Kong and the council member of United College at the Chinese University of Hong Kong. He has been appointed as honorary professor and honorary adviser of a number of Universities in the PRC and has also served as the chairman and council member of many charitable organizations in Hong Kong. He was a member of the Election Committee for the First Government of the HKSAR and was awarded the Silver Bauhinia Star in 2000 by the Government of the HKSAR.

MR. WONG MAN KONG, PETER

B.B.S.,J.P., BSc, F.C.I.T., MRINA

Independent Non-Executive Director

Aged 66, appointed in 1998, is the Chairman of Audit Committee and Remuneration Committee of the Company as well as a member of Nomination Committee and Strategy and Development Committee of the Company. Mr. Wong has over 40 years of experience in industrial, commercial and public service. He is the Chairman of M.K. Corporation Ltd. and North West Development Ltd., as well as the Director of Hong Kong Ferry (Holdings) Co. Ltd., Glorious Sun Enterprises Limited, Sun Hung Kai & Co., Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Ltd. and MGM China Holdings Limited. Mr. Wong serves as a deputy of the Twelfth National People's Congress of the PRC. He graduated from the University of California at Berkeley in the U.S.A.

MR. SZE, ROBERT TSAI TO

Independent Non-Executive Director

Aged 74, appointed in 2005, is a member of Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee of the Company. Mr. Sze is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a partner in an international firm of accountants with which he practised for over 20 years. He is also a director of a number of Hong Kong listed companies.

MR. CHAN WING KEE *GBS, OBE, J.P.*
Independent Non-Executive Director
Aged 68, appointed in 2007, is a member of Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee of the Company, Managing Director of Yangtzekiang Garment Limited, Director of YGM Trading Limited, Director of Hong Kong Knitters Limited, as well as the Independent Non-Executive Director of China Construction Bank (Asia) Corporation Limited.

Mr. Chan is a Standing Committee Member of the 12th of The Chinese People's Political Consultative Conference and Member of the Selection Committee of Hong Kong S.A.R. He was also a Deputy of the 8th and 9th National People's Congress of China, Standing Committee Member of the 10th and 11th of The Chinese People's Political Consultative Conference, member of Hong Kong Affairs Adviser, Committee member of the Preparatory Committee of Hong Kong S.A.R., a member of Basic Law Consultative Committee both in Hong Kong and Macau, Ex-Member of the Judicial Officers Recommendation Commission of Hong Kong, Ex-Member of Commission on Strategic Development of Hong Kong S.A.R. and Ex-Chairman of Small and Medium Enterprises Committee of Hong Kong S.A.R.

Mr. Chan is the Permanent Honorary President of Chinese Manufacturers' Association of Hong Kong, Permanent Honorary Chairman of Friends of Hong Kong Association, President of Federation of Hong Kong Guangdong Community Organizations, Permanent Honorary President & Chairman of Hong Kong Federation of Overseas Chinese Associations, Honorary Chairman of Textile Council of Hong Kong, Honorary President of Federation of Hong Kong Garment Manufacturers, Honorary Chairman of Hong Kong Shippers' Council, Life Honorary President of Hong Kong Chamber of Commerce in China/Guangdong, Honorary Chairman of The Hong Kong Exporters' Association, Honorary President of The Unified Association of Kowloon West, Council Chairman of Cheng Si-yuan (China-International) Hepatitis Research Foundation, Chairman of HKTDC Mainland Business Advisory Committee, Ex-Member of Hong Kong/Japan Business Co-operation Committee, Ex-Council Member of Hong Kong Trade Development Council, Ex-Member of Textile Advisory Board and Ex-Member of Economic Council of Macau.

CHAIRMAN'S STATEMENT

JIANG YAN
Chairman & Executive Director

We are pleased to present our report to the shareholders of the Company:

BUSINESS REVIEW

In 2014, despite the complicated and changing economic situations, China's economy maintained steady development under the "new normal" and the development environment of China's tourism industry was relatively favourable. Particularly, leisure travel consumption showed a robust growth trend, highlighting the strong demand for leisure travel.

In 2014, due to the favourable external economic environment and the Company's dedicated efforts spent on its core tourism operations in recent years, the Group's core operations achieved remarkable development and the Company's overall profit recorded relatively strong growth. The Company continued to strengthen the fundamental management of its businesses, strived to increase revenue and profit and improved the performance of loss making businesses such as Ocean Spring Resorts. As a result, the operating fundamentals of the Company's businesses were further improved. The overall revenue and profit attributable to shareholders increased by 3% and 51% respectively compared to last year. Excluding non-recurring items, profit attributable to shareholders increased by 9% and attributable profit from core tourism operations was HK$615 million, an increase of 13% compared to last year.

XU MUHAN
Executive Director and General Manager

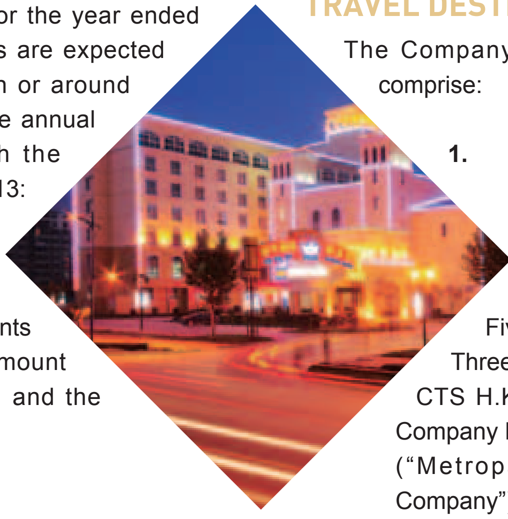
Meanwhile, the Company actively pushed forward strategy execution and achieved breakthrough in developing integrated travel destination projects, entering into famous natural and cultural scenic spots and exiting from businesses with negative or low return. Key strategic projects such as Zhuhai OSR Phase 2 and Anji Lingfeng Mountain Resort made steady progress, and the construction of supplementary facilities of tourism real estate started, paving the way for presale of tourism real estate in 2015. The joint venture in respect of the 5A rated Shapotou Scenic Spot in Ningxia was completed and brought new revenue and profit contribution. The Group continued to push forward the development of new scenic spot projects and expanded the number of potential projects in the pipeline. The joint venture CDD International Holdings Limited was established to carry on the business to create, market and sell vacation packages (including vacation ownership), which will help to enhance the development and sales of the Company's travel destinations and tourism real estate.

On exiting from businesses with negative or low return, in June 2014, the Company completed the disposal of its online travel enterprise Mangocity.com, which had been incurring losses for a long time and failed to achieve synergies, ceased to consolidate its losses going forward and recognized a one-off gain on disposal of approximately HK$420 million. At the end of 2014, the Company completed the disposal of its shareholding in Metropark Service Apartment Shanghai, whose target market was not the main market focused by the "Metropark" brand and return on asset was comparatively low, and recognized a one-off gain on disposal before taxation of approximately HK$418 million.

With the further improvement of the Company's operating fundamentals and financial position, the Company continued to buy back a total of 35,986,000 shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in 2014. Since 2011, the Company has been buying back its shares in an appropriate manner every year and 2014 is the fourth year for the Company to do so, which indicates its confidence in business development and is conducive to enhancement of shareholder value.

DIVIDENDS

The Board declared a final dividend of HK5 cents (2013: HK4 cents) per share and a special final dividend of HK2 cents (2013: Nil) per share for the year ended 31 December 2014. The dividends are expected to be paid to our shareholders on or around 18 June 2015 upon approval at the annual general meeting. Together with the interim dividend of HK2.5 cents (2013: HK2 cents) per share and the special interim dividend of HK2.5 cents (2013: Nil) for 2014, the total dividend for the full year is HK12 cents per share, which is the highest amount since the listing of the Company, and the dividend payout ratio is 39%.



RESULTS OVERVIEW

In 2014, the Company's consolidated revenue and profit attributable to shareholders were HK$4,475 million and HK$1,739 million respectively, representing a 3% and 51% increase compared to last year. Earnings per share increased by 52% to HK30.93 cents. Excluding the changes of valuation of investment properties and non-recurring items such as disposal of Mangocity.com and Metropark Service Apartment Shanghai (please refer to note 4 to the consolidated financial reports for details), attributable profit was HK$899 million, a 9% increase compared to last year. The attributable profit from core tourism operations and non-core power generation operations was HK$615 million and HK$284 million respectively, representing an increase of 13% and 3% respectively compared to last year.

The Company's financial position remained stable and healthy, and its investing and financing capabilities became stronger. As at 31 December 2014, total assets was HK$20,951 million, a 9% increase compared to last year; the equity attributable to shareholders was HK$15,542 million, a 7% increase compared to last year; cash and bank balances and wealth management products, etc. amounted to HK$5,516 million, of which cash and bank balances amounted to HK$3,327 million and deducting bank loans and other borrowings of HK$868 million, net cash was HK$2,459 million, a 71% increase compared to last year.

TRAVEL DESTINATION OPERATIONS

The Company's travel destination operations comprise:

1. City travel destinations, categorized into:

1.1 City hotels

Five hotels in Hong Kong and Macau;
Three hotels in Mainland China;
CTS H.K. Metropark Hotels Management Company Limited ("Metropark Hotels Management Company");

1.2 Theme parks

Shenzhen The World Miniature Co., Ltd. ("Window of the World");
Shenzhen Splendid China Development Co., Ltd. ("Splendid China");

2. **Natural and cultural scenic spot destinations**

   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");
   CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd ("Jigongshan Scenic Spot");
   Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd.;

3. **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 Lingfeng Mountain Resort");
   Chengdu Huashuiwan Sakura Hotel Company Limited;

4. **Non-controlling scenic spot investments**

   Huangshan Yuping Cable Car Company Ltd.;
   Huangshan Taiping Cable Car Co., Ltd.;
   Changsha Colorful World Company Limited;
   Nanyue Cable Car Co. Ltd.;
   Changchun Jingyuetan Youle Co. Ltd..

In 2014, the total revenue of travel destination operations was HK$2,549 million, an 8% increase compared to last year; and attributable profit was HK$313 million, a 14% increase compared to last year.

In 2014, revenue of hotel operations was HK$930 million, a 1% increase compared to last year; and attributable profit was HK$216 million, a 5% decrease compared to last year. The revenue of five hotels in Hong Kong and Macau increased slightly whereas profit remained flat. Affected by the macroeconomic environment and policy, the revenue of the Company's three hotels in mainland China decreased but profit increased due to effective cost control. Affected by the policy in mainland China, increased personnel and marketing expenses and a one-off trademark dispute expense, Metropark Hotels Management Company registered decreased revenue and profit.

Key operation figures

	2014	2013
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	**89**	89
Average room rate (HK$)	**930**	911
Three hotels in mainland China		
Average occupancy rate (%)	**65**	66
Average room rate (RMB)	**487**	498

At the end of 2014, the Company completed the disposal of its shareholding in Metropark Service Apartment Shanghai, whose target market was not the main market focused by the "Metropark" brand and return on asset was comparatively low, with a consideration of RMB587 million and recognized a one-off gain on disposal before taxation of approximately HK$418 million. The disposal helped the Company to improve its hotel portfolio, enhance asset liquidity and increase working capital. For details, please refer to the relevant announcement of the Company dated 12 December 2014.

Revenue of theme parks was HK$800 million, a 13% increase compared to last year; and attributable profit was HK$126 million, a 14% increase compared to last year. The increase in revenue was mainly attributable to the rise in number of visitors and ticket price brought by the launch of new projects by Window of the World and Splendid China. The two well-established theme parks continued to prosper with energy and they strengthened their marketing and festival events to drive revenue growth. Building on its entrusted management business, Splendid China started to provide management and consultation service and the revenue of management and consultation services increased by 26%.

Revenue of natural and cultural scenic spots was HK$391 million, a 42% increase compared to last year; and attributable profit was HK$9.87 million, more than 400% increase compared to last year. The growths in revenue and profit were mainly attributable to the incremental contribution from the Shapotou Scenic Spot, whose joint venture was completed in the second half of 2014, and the reduction of losses of the Jigongshan Scenic Spot due to effective cost control. The tourism resources of the Shapotou Scenic Spot are unique and its financial performance is good. The Group's investment in the Shapotou Scenic Spot brought immediate revenue and profit contribution. The Songshan Scenic Spot continued to consolidate resources, launched innovative products, completed the information project in respect of smart tourist attraction phase 1 and improved the scenic spot environment, leading to a 4% increase in revenue.

Revenue of leisure resorts was HK$428 million, an 8% decrease compared to last year; and attributable loss was HK$73 million (2013: loss of HK$104 million). Affected by the policy in mainland China and intensified market competition, revenue of Zhuhai OSR decreased and it took initiatives to stabilize sales channels, focus on developing leisure, business and individual traveller markets, and strengthened cost control to reduce losses. Xianyang

OSR adjusted its customer mix to increase revenue and reduce losses.

Attributable profit from non-controlling scenic spot investments was HK$33 million, a 10% decrease compared to last year, mainly attributable to decrease in profit contribution from Huangshan Yuping Cable Car caused by suspension of operation for upgrading work in the second half of the year.

In 2014, the number of visitors to the Company's theme parks, natural and cultural scenic spots and leisure resorts was approximately 9.74 million.

TRAVEL AGENCY AND RELATED OPERATIONS

The Company's travel agency and related operations comprise:

1. Travel agency business (China Travel Service (Hong Kong) Limited and overseas travel agencies); and

2. Travel document business.

In 2014, revenue of the travel agency and related operations was HK$1,467 million, a 3% decrease compared to last year mainly due to the cessation of consolidation of revenue from Mangocity.com; and attributable profit was HK$183 million, an 11% increase compared to last year mainly due to the improvement of operation of travel agency and the cessation of consolidation of losses from Mangocity.com.

The revenue of the travel agency business increased by 3% compared to last year, mainly due to the increase in sales agency fee, and attributable profit increased due to continued strengthening of internal control during the period.

The business volume of travel document business declined, and revenue decreased by 3% compared to last year.

Since Mangocity.com had been incurring losses for a long term and failed to achieve synergies, the Company disposed of Mangocity.com at a consideration of RMB602 million in March 2014 and completed the transaction in June 2014. The Group recognized a one-off gain on disposal of approximately HK$420 million. For details, please refer to the relevant announcement of the Company dated 27 March 2014.

SUPPLEMENTARY PRODUCTS AND SERVICES

The Group's strategy for developing travel destinations includes supplementary products and services which comprise mainly passenger transportation operations, art performance operations and golf club operations, etc..

1. **Passenger Transportation Operations**

In 2014, revenue of passenger transportation operations was HK$291 million, a slight increase of 1% compared to last year; attributable profit was HK$106 million, a significant increase of 51% compared to last year.

The bus operations served 5.23 million passengers, a 2% decrease compared to last year; revenue was HK$291 million, a slight increase of 1% compared to last year; and attributable profit was HK$38 million, a significant increase of 54% compared to last year. The benefits from closing down loss making bus routes, decrease of fuel prices and stringent cost control drove the significant profit growth.

Attributable profit from Shun Tak-China Travel increased compared to last year. During the period, the number of passengers carried and the average fare increased.

2. **Golf Club Operations**

In 2014, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK$135 million, a 2% increase compared to last year; and attributable profit was HK$0.85 million (2013: attributable profit of HK$2.13 million).

On 30 January 2015, certain committees of the Shenzhen Government issued a notice to the Golf Club and demanded it to exit from the drinking water source protection zone occupied by it. The Company formally stated to the Shenzhen Government that the Golf Club is a lawful company whose operation has been approved by the state's industry and commerce authorities and it is operating legally and is a responsible enterprise not discharging any pollutant. The Company is negotiating with the Shenzhen Government as to whether the Company could retain the golf club operations and, if the exit is required, according to the documents of State Ministries and Commissions, the Government should pay for the consideration.

3. **Arts Performance Operations**

In 2014, revenue of China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation") was HK$33.69 million, a 41% decrease compared to last year; and attributable profit was HK$3.43 million, an 127% increase compared to last year.

POWER GENERATION OPERATIONS

In 2014, attributable profit from the Company's associated company Shaanxi Weihe Power Co., Ltd. ("Weihe Power", a Sino-foreign co-operative joint venture) increased by 3% to HK$284 million, mainly due to a 7% decrease in the average coal cost compared to last year.

To focus on its core tourism operations, the Company decided to exit from the power generation operations. On 24 March 2015, the Group entered into a conditional sale and purchase agreement with CTS (Holdings) Group pursuant to which the shareholdings in the power generation operations will be sold to CTS (Holdings) Group at a consideration of RMB510 million, with an expected one-off gain on disposal of approximately HK$480 million. The Company will make up for the profit from power generation operations through organic growth of its core tourism operations, growths from development of integrated leisure resorts, mergers and acquisitions of travel destination projects or other travel projects, and the exit from loss-making operations, etc.. For details, please refer to the relevant announcement of the Company dated 24 March 2015.

SHARE BUYBACK

With the further improvement of the Company's operating fundamentals and financial position, the Company continued to buy back a total of 35,986,000 shares on the Stock Exchange in 2014 at a total consideration of approximately HK$68,257,400, with an average purchase price of approximately HK$1.90 per share. Since 2011, the Company has been buying back its shares in an appropriate manner every year and 2014

is the fourth year for the Company to do so, which indicates its confidence in business development and is conducive to enhancement of shareholder value.

MANAGEMENT ENHANCEMENT

In 2014, the Company continued to enhance management to sharpen its competitiveness to cope with the market changes.

1. **Strengthened headquarters' capability and enhanced professional operation and management capability**

   Optimized organizational structure and continued to recruit professional talents in travel project operation and management, tourism real estate planning, engineering and cost management. Accordingly, the Company's capabilities in product research and development, marketing, operation and project feasibility study, etc. were enhanced.

2. **Achieved breakthroughs in strategy execution and business exits**

   Key strategic projects such as Zhuhai OSR Phase 2 and Anji Lingfeng Mountain Resort made steady progress and paved the way for presale of tourism real estate in 2015. The joint venture in respect of the Shapotou Scenic Spot in Ningxia was completed and brought new revenue and profit contribution. The joint venture CDD International Holdings Limited was established to enhance the development and sales of the Company's travel destinations and tourism real estate. On exiting from businesses with negative or low return, the Group completed the disposals of Mangocity.com and Metropark Service Apartment Shanghai. Other exit work was in orderly progress.

3. **Strengthened sales collaboration and enhanced market innovation capability**

   The Company further consolidated its tourism resources and promoted business and product collaboration, organized travel enterprises to participate in tourism trade fairs, and jointly launched a winter leisure vacation marketing campaign and customer satisfaction survey. Joint sales units were set up by hotels and scenic spots to establish self-owned direct sale channels. The Company coordinated internal and external resources to launch a promotional campaign for Zhuhai OSR, achieving collaboration across business segments and departments. Our subsidiaries adopted innovative sales measures to drive revenue growth.

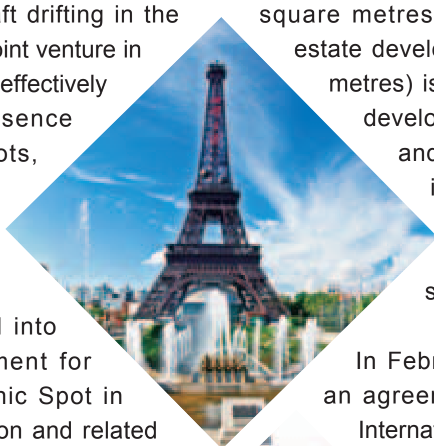
4. **Focused on travel destination strategy and strengthened market capitalization management**

   Guided by strategy, the Company focused on core tourism operations, enhanced asset return and profitability and the Company's value was recognized by the capital market gradually. Taking this opportunity, the Company strengthened its investor relations, targeted large institutional investors and participated in a large number of non-deal road shows and investor conferences. In 2014, the Company's share price surged by 65% and the market capitalization increased by more than HK$6 billion, creating tremendous shareholder value.

PROGRESS OF DEVELOPMENT PROJECTS

In accordance with its strategic plan, the Company pushed forward the development of integrated travel destination projects steadily. In the second half of 2014, the Company completed the joint venture formalities in respect of

Shapotou Scenic Spot in Ningxia, and acquired 51% equity interest in the scenic spot for an investment cost of RMB262 million. At 16 kilometres west of Zhongwei City in Ningxia, the Shapotou Scenic Spot is one of the first 5A rated tourist attractions in China, looking to the first entrance of the Yellow River to Sichuan and a must-go stop in the Eurasian Thoroughfare of and the ancient Silk Road. Featuring desert, the Yellow River, mountains and oasis with unique natural splendour and cultural heritage, it is recognized as the top brand for desert tourism in China, offering thrilling sand boarding, camel riding in the boundless desert and sheepskin raft drifting in the Yellow River. The completion of the joint venture in respect of the Shapotou Scenic Spot effectively strengthened the Company's presence in natural and cultural scenic spots, enhanced its market influence and brought new revenue and profit contribution.



In addition, the Company entered into a cooperation framework agreement for investment in the Liangshan Scenic Spot in Jining, pushed forward the negotiation and related work in respect of natural and cultural scenic spot projects in Liaoning Province and Guizhou Province.

In 2014, Zhuhai OSR made proactive efforts in land acquisition, planning and design and soft ground foundation treatment works for Zhuhai OSR Phase 2, the tourism and real estate project, and acquired an additional land of approximately 800,000 square metres. Currently, the total land area for the tourism and real estate projects of Zhuhai OSR Phase 2 is approximately 3.04 million square metres, of which approximately 950,000 square metres will be used for real estate development and all the legal formalities have been completed. The preparation for the initial development (site area of approximately 118,000 square metres and gross floor area of tourism real estate development of approximately 65,000 square metres) is now in steady progress, and the initial development is expected to complete construction and have pre-sale in 2015.

The Anji Lingfeng Mountain Resort covers a site area of approximately 920,000 square metres and comprises tourism products and tourism real estate. The tourism facilities have a total gross floor area of approximately 70,000 square metres, comprising a five-star resort hotel, supplementary tourism and commercial facilities. The tourism real estate has a total gross floor area of approximately 270,000 square metres. The project has acquired about 90,000 square metres of land for real estate development. The preparation for the initial development (site area of approximately 30,000 square metres and gross floor area of tourism real estate development of approximately 30,000 square metres) is now in steady progress, and the initial development is expected to start construction and have pre-sale in 2015. The Company is in collaboration with Club Med on the tourism facilities of the project and expects to finish the hotel design and start construction in 2015.

In February 2015, the Company entered into an agreement with US listed Diamond Resorts International, Inc. (NYSE: DRII) and Hong Kong listed Dorsett Hospitality International Limited (stock code: 2266) on establishment of a joint venture CDD International Holdings Limited to carry on the business to create, market, sell and service vacation packages and associated benefits (including vacation ownership) to customers in Asia. The Company considers that establishment of the joint venture will provide it with opportunities to develop the vacation ownership business in Asia and enhance the development and sales of the Company's travel destinations and tourism real estate.

In 2014, after the disposals of Mangocity.com and Metropark Service Apartment Shanghai, the Company's net cash increased by 71% and its investing and financing capabilities became stronger. Coupled with a comparatively low liability to asset ratio at approximately 21%, the Company will have higher flexibility to meet the capital expenditure requirements of development projects.

THE COMPANY'S DEVELOPMENT STRATEGY

At the end of 2014, the Company held a meeting to review its strategy execution and implementation over the years and optimize its strategy. Accordingly, the Company is positioned as a tourism and cultural businesses platform which focuses on tourist attractions, with a mission to offer new travel destination lifestyle to its customers. The Group will consolidate its position in city travel destinations, aggressively acquire scarce natural and cultural scenic spots, develop leisure resorts in an orderly manner, and develop supplementary products and businesses in a selective manner. The Group's new travel destinations and supplementary products and services have the following characteristics:

1. **City travel destinations**

   City travel destinations use city hotels and theme parks as core products to build an urban business and leisure lifestyle. While consolidating and developing its theme park steadily, the Company will adopt both asset-light and asset-heavy approaches in its hotel operations with a focus on asset-light approach for future development. To complement the development of hotel management services, the Company will strengthen its city flagship hotels and invest in hotels in the high four-star and low five-star range in first tier cites in mainland China and overseas cities which draw outbound travelers from China, to ensure profitability and lay down solid foundation in building cities travel destinations.

2. **Natural and cultural scenic spot destinations**

   Natural and cultural scenic spot destinations are tourist attractions with scarce natural and cultural tourism resources such as places of renown with beautiful natural scenery and favourable natural ecological conditions or famous ancient ruins and historic buildings. The Company will strengthen its mergers and acquisitions efforts, consolidate resources and create synergies, enhance scenic spot management and extend the industry chain to prolong the staying time of customers, so as to develop an integrated travel destination leisure lifestyle. Based on its investment experience over the years, the Company has set out 6 selection criteria for scenic spot resources which include uniqueness and scarcity of resources, local economic conditions, ease of access, market awareness, favourable government policy and return on investment.

3. **Leisure resort destinations**

   Leisure resort destinations are tourist attractions adjacent to city boundary with good scenery and easy access, built with quality tourism real estate with time share and exchange arrangement. Tapping on the tourism resources and network of China Travel, these resorts provide tourists and residents with extended travel services and lifetime value-added travel services and offers a leisure and vacation lifestyle.

4. **Supplementary products and services**

   The Company will consolidate resources and create synergies, use supplementary products and services such as art performance, passenger transportation, hotels and golf courses, etc. to create a high-end, high value-added and high-margin businesses and products to extend the industry chain of tourist attractions and prolong the staying time of customers, so as to develop a modem travel destination life circle.

The Company is committed to contributing to the transformation and upgrade of China's tourism industry and catering for the increasing tourist needs, seeking to build the most unique travel destination lifestyle in China.

In respect of existing businesses, the Company will adopt targeted measures such as management enhancement, innovation and upgrade of product and business to raise profitability. In addition, the Company will implement industry-leading plans and benchmarking management to increase competitiveness. Also, the Company will strengthen cost control and adopt centralized procurement and quality control to drive down costs and improve efficiency.

The Company will continue to focus on value creation and gradually exit from businesses which are incompatible with its strategy, lacking synergy, and have been loss making for a long time with no prospects of turning around, so as to maintain the Company's high asset quality to ensure favourable operation.

The Company will actively push forward reform of systems and mechanisms of enterprise and activate the development vigor of enterprise. Firstly, the Company will actively push forward diversified shareholding. At the Company level, the introduction of strategic investor will improve the Company's shareholder base and enhance the decision making process of the Board. At the subsidiary level, the introduction of outstanding private enterprises, foreign enterprises and state-owned enterprises to the Company's suitable business units through joint venture, strategic investment and mergers and acquisitions, will help the business units to acquire funding and resources, enhance capabilities, diversify investment risks and enhance project return. Secondly, under the composite resort business model of "tourism + real estate + leisure and entertainment facilities", the Company will invest in or control developed enterprises through acquisition or joint venture. The Company will also invest in high-end projects with well-received market acceptance, growth potential and good management team, so as to establish high end, high value added and high profit margin businesses and products.

Looking into 2015, the Company will focus on restructuring, transformation and process reengineering, in carrying out its key initiatives set out below to ensure its healthy and rapid development.

1. **Strengthen management and enhance operation efficiency of businesses**

The Company will continue to strengthen headquarters' capability, especially on planning and design, tender management, project construction, operation and management, investment and development, capital operations and internal collaboration. Subsidiaries will continue to undergo management enhancement, with an emphasis on project construction, benchmarking, cost control, turnaround plan to improve profitability and application of information technology, etc..

2. **Actively push forward the acquisition and development of travel destination resources**

The Company will push forward the development of key strategic projects including Zhuhai OSR Phase 2 and target to have presale of tourism real estate in 2015. Meanwhile, it is actively negotiating with industry leaders for cooperation and co-investment, so as to achieve added advantages and increase project value. The Company also aims to achieve a breakthrough in acquiring scenic spots in Provinces with abundant tourism resources such as Guangxi, Guizhou and Yunnan.

3. **Strengthen sales and marketing and enhance synergies**

   The Company will consolidate its sales and marketing resources further and lead its travel enterprises to develop joint sales promotion. The headquarters shall further strengthen its sales and marketing role, consolidate the resources of subsidiaries, re-position its branding and establish a management system of sales and marketing and customer management system, in order to improve its sales and marketing activities.

4. **Optimize corporate asset quality**

   The Company will undertake the following initiatives to optimize corporate asset quality: expedite product innovations and upgrades of established scenic spots, explore on innovative business models for time share hotels and real estate in leisure resorts, in order to establish high-margin, high value added and high growth businesses and enhance core competitiveness; increase its capital operations to look for mergers and acquisitions opportunities such as quality hotel groups or hotels in first tier cities, established travel conglomerates or listed companies with good earnings model, or other quality travel assets; review and classify businesses with negative or low return into different categories and adopt corresponding measures such as management enhancement, revitalization or business exits to enhance return on assets; finalize its concrete plan to exit from a hotel not meeting return requirement and some travel destination and travel service projects and execute the plan; introduce strategic investors at headquarters and subsidiary levels to improve shareholding structure and corporate governance, and to increase value of projects and the Company; given the ample working capital after exiting from businesses with negative or low return, seek to enhance the return on funds on the condition of sound risk management.

5. **Strength market capitalization management through better investor relations and share buyback**

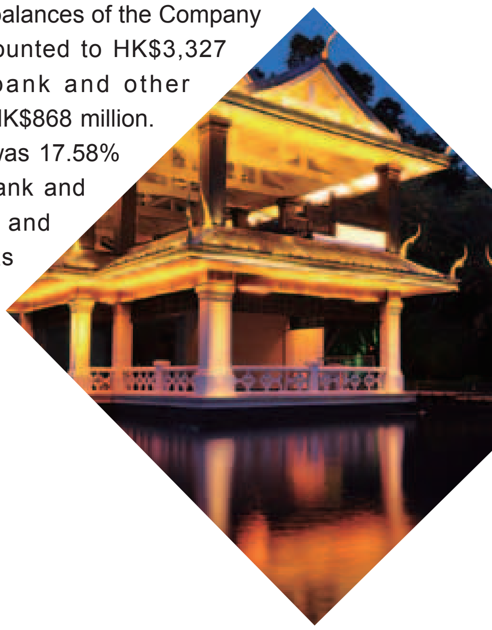
   The Company will enhance its investor relations efforts further to help investors better understand its business and development and buy back its shares at the appropriate time, in order to release its potential value through recognition by the capital market, thus increasing shareholder value.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2014, the Company and its subsidiaries had 9,638 employees. The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Company and its subsidiaries' 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 AND CAPITAL STRUCTURE

The financial position of the Company and its subsidiaries was strong. The Company and its subsidiaries generally finance its operations with internally generated cash flows and loan facilities from banks. As at 31 December 2014, the cash and bank balances of the Company and its subsidiaries amounted to HK$3,327 million whereas the bank and other borrowings amounted to HK$868 million. The debt to-capital ratio was 17.58% and the debt includes bank and other borrowings, trade and other payables, amounts due to the immediate holding company and fellow subsidiaries.



FOREIGN EXCHANGE RISK

The Company and its subsidiaries' have certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus exposes a certain level of foreign currency risk. The Company and its subsidiaries have not engaged in any particular hedging vehicles to hedge against foreign exchange risk. However, the Company and its subsidiaries will closely monitor and manage foreign currency exposure and to make use of appropriate measures when required.

CHARGE ON ASSETS

As at 31 December 2014, the Company and its subsidiaries' bank deposits of approximately HK$37 million (31 December 2013: HK$54 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Company's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

CONTINGENT LIABILITIES

As at 31 December 2014, the Company and its subsidiaries' performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2013: HK$0.3 million).

BUSINESS PROSPECTS

The world economy is recovering moderately but still in a profound correction cycle. On the other hand, China's economy is entering into the "new normal" of sustainable development, opening up a "golden era" for the tourism industry. Although The Company achieved comparatively favourable results last year, the Group will encounter more pressure and challenges from a higher starting point.

Although the complicated economic situations at home and abroad persists and there is keen competition across the industry, the business fundamentals of the Company's overall business remain steady and healthy. In addition, the Company has a healthy cash position and possesses the capabilities to invest and develop. The Company is fully confident in the prospects of future development guided under its proven strategy. In accordance with the above-mentioned strategy and the requirements of management enhancement and key priorities, the Group will strengthen strategy execution, push forward strategic projects, innovate on business models and enhance profitability, striving its best to execute the initiatives and create shareholder value.

I would like to take this opportunity to express my deepest gratitude to fellow Board members, the management and the entire staff for their hard word, contribution and achievements, and my sincere appreciation to all shareholders for their trust and support.

CORPORATE SOCIAL RESPONSIBILITY

The Company is unwaveringly dedicated to performing its responsibility as a good corporate citizen, conducting business honestly, paying applicable taxes, caring for its employees, emphasizing the long term interests of shareholders, and keenly supporting all charity, environmental protection and educational activities.

Jiang Yan
Chairman of the Board

Hong Kong, 24 March 2015

The Directors present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group's principal subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

GROUP PROFIT AND FINANCIAL AFFAIRS

The Group's profit for the year ended 31 December 2014 and the state of the Company's and the Group's financial affairs as at that date are set out in the consolidated financial statements on pages 46 to 150.

DIVIDENDS

An interim dividend of HK2.5 cents per share (2013: HK2 cents per share) and a special interim dividend of HK2.5 cents (2013: Nil) were paid on 29 September 2014. The Directors recommend the payment of a final dividend of HK5 cents per ordinary share (2013: HK4 cents per share) and a special final dividend of HK2 cents (2013: Nil) in respect of the year to shareholders whose names appear on the register of members of the Company on 1 June 2015.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are shown in note 34 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 297 & 299 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$4,034,629,000, of which HK$393,180,000 has been proposed as a final dividend and special final dividend for the year.

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

During the year, the Company repurchased a total of 35,986,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), of which 23,456,000 shares were cancelled during the year and 12,530,000 shares were cancelled on 14 January 2015. The number of issued shares as of 31 December 2014 was 5,627,987,525 shares. Particulars of the shares repurchased during the year are as follows:

Month/Year	Number of shares repurchased	Purchase price paid per share Highest	Lowest	Aggregate consideration paid
		HK$	HK$	HK$
March 2014	2,138,000	1.58	1.55	3,334,700
April 2014	11,818,000	1.60	1.52	18,636,660
May 2014	9,500,000	1.57	1.53	14,733,800
December 2014	12,530,000	2.58	2.47	31,552,260

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.

DONATIONS

During the year, the Group made charitable donations amounting to HK$441,994 (2013: HK$312,940).

SUMMARY FINANCIAL INFORMATION

A summary of the Group's results and assets and liabilities for the last five financial years, is set out on page 6 and 7. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the consolidated financial statements, respectively. Summaries of the particulars of the Group's principal hotel properties and principal investment properties are set out on pages 151 and 152, respectively. These summaries do not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Ms. Jiang Yan *(Appointed as Chairman on 8 August 2014)*
Mr. Wang Shuai Ting *(Resigned on 19 May 2014)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Zhang Fengchun
Mr. Xu Muhan *(General Manager)*
Mr. Fu Zhuoyang

Independent Non-Executive Directors:
Dr. Fong Yun Wah
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

The Company received confirmations from the Independent Non-Executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considered all the Independent Non-Executive Directors as independent.

In accordance with Article 101 of the Company's Articles of Association, Mr. Lo Sui On, Mr. Wong Man Kong, Peter and Mr. Chan Wing Kee shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of the Directors of the Company are set out on pages 9 to 11 of the annual report.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in Directors' information since the date of the 2014 Interim Report are set out below:

Name of Director	Changes
Jiang Yan	– Appointed as the General Manager of China Travel Service (Holdings) Hong Kong Ltd. ("CTS (Holdings)") and China National Travel Service (HK) Group Corporation ("China CTS (HK)") with effect from 4 September 2014.
Xu Muhan	– Resigned as a director of China Travel Service (Hong Kong) Limited ("CTSHK"), a wholly-owned subsidiary of the Company, with effect from 25 August 2014.
Chan Wing Kee	– Appointed as a member of the Strategy and Development Committee of the Company with effect from 24 March 2015.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings every year. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

COMPENSATION POLICY

The Group's compensation policy comprises basic salary, annual bonus, benefits and long term incentive award (including grant of share options under the share option scheme). The objective of the Group's compensation policy is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving a balance of short term and long term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation varies with importance of duties, giving bonus in connection with performance directly proportional to the importance of duties, so as to ensure that the Group can recruit, retain and motivate high calibre candidates required for the development of the Group and avoid excess reward. The Group reviews its compensation policy annually and engages professional intermediary if necessary so as to ensure the competitiveness of the compensation policy which, in turn, would support the business growth of the Group. No individual employee shall have the right to determine his/her own compensation.

INTERESTS IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 2.26 to the consolidated financial statements.

MANAGEMENT CONTRACTS

In 1992, the Company entered into a management service contract with CTS (Holdings), the controlling shareholder of the Company (and is therefore a connected person of the Company), pursuant to which CTS (Holdings) has undertaken to provide or procure the provision of additional Executive Directors of the Company as and when required by the Company under the terms and conditions stipulated therein. The term of the agreement is for a period of 5 years from 25 September 1992 and will continue thereafter unless it is terminated by either party giving to the other one month prior written notice. No payment has been made during the year by the Group under such agreement.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014 and up to the date of this annual report, the Group had the following connected transaction and continuing connected transactions, details of which are as follows:

Connected transaction

(1) On 27 March 2014, China Travel Online Limited, a wholly-owned subsidiary of the Company, entered into a disposal agreement with Dean Success Limited, a wholly-owned subsidiary of CTS (Holdings), pursuant to which China Travel Online Limited conditionally agreed to dispose of and Dean Success Limited conditionally agreed to acquire (i) the entire issued share capital of Mangocity.com (Investment) Limited; and (ii) the entire shareholder's loan and other indebtedness owed by Mangocity.com (Investment) Limited to China Travel Online Limited, at a consideration of RMB602 million which will be settled entirely in cash (the "Disposal").

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements thereunder. Dean Success Limited is a wholly-owned subsidiary of CTS (Holdings) which in turn is a substantial shareholder of the Company and thus a connected person of the Company. Therefore, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the independent shareholders' approval and the reporting and announcement requirements thereunder. The Disposal has been approved at the extraordinary general meeting of the Company held on 23 May 2014. For detailed information, please refer to the relevant announcements of the Company dated 27 March 2014 and 23 May 2014, and the circular of the Company dated 30 April 2014.

(2) On 24 March 2015, the Company and Add-Well Investments Limited (collectively, the "Vendors") and CTS (Holdings) (or its nominees) entered into a disposal agreement, pursuant to which, subject to the condition precedent set out therein, the Vendors agreed to sell and CTS (Holdings) (or its nominees) agreed to purchase the entire shareholding in Chadwick Developments Limited at a total consideration of RMB510 million which will be settled entirely in cash (the "Transaction").

The Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement and shareholders' approval requirements thereunder. CTS (Holdings) is the controlling shareholder of the Company and thus a connected person of the Company. Therefore, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the independent shareholders' approval and the reporting and announcement requirements thereunder. For detailed information, please refer to the relevant announcement of the Company dated 24 March 2015.

Continuing connected transactions

(i) On 6 September 2013, Shenzhen The World Miniature Co. Ltd. ("Window of the World"), a 51% owned subsidiary of the Company, Industrial and Commercial Bank of China Limited ("ICBC") and Shenzhen Overseas Chinese Town Company Limited ("Overseas Chinese Town"), which owns 49% equity interest in Window of the World, entered into an entrustment loan agreement (the "First Entrustment Loan Agreement") for an initial term of one year commencing on 6 September 2013 and ending on 5 September 2014, extendable for up to two years beyond the initial term to 5 September 2016, pursuant to which ICBC has, at the request of and acting as an agent to Window of the World, agreed to provide an entrustment loan with a maximum amount of RMB150 million to Overseas Chinese Town. On the same date, Shenzhen Splendid China Development Co. Ltd. ("Splendid China"), a 51% owned subsidiary of the Company, ICBC and Overseas Chinese Town, which owns 49% equity interest in Splendid China, entered into an entrustment loan agreement (the "Second Entrustment Loan Agreement") for an initial term of one year commencing on 6 September 2013 and ending on 5 September 2014, extendable for up to two years beyond the initial term to 5 September 2016, pursuant to which ICBC has, at the request of and acting as an agent to Splendid China, agreed to provide an entrustment loan with a maximum amount of RMB150 million to Overseas Chinese Town.

Overseas Chinese Town is a substantial shareholder of each of Window of the World and Splendid China, and is, therefore a connected person of the Company. Therefore, the transactions contemplated under the First Entrustment Loan Agreement and the Second Entrustment Loan Agreement (collectively, the "Entrustment Loan Agreements") constitute continuing connected transactions for the Company under Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the First Entrustment Loan Agreement will be aggregated with the transactions contemplated under the Second Entrustment Loan Agreement and treated as if they were one transaction. The annual cap for each year during the term of the Entrustment Loan Agreements is RMB323 million. The actual amount of the transactions for the year ended 31 December 2014 was RMB220 million. For detailed information, please refer to the announcement of the Company dated 6 September 2013.

(ii) The Group in the past entered into certain ongoing connected transactions with CTS (Holdings) and its associates (collectively, the "CTS (Holdings) Group") and China CTS (HK) and its associates (collectively, the "China CTS (HK) Group") in the following categories:

(a) Provision of Travel Permission Administration by CTSHK (note (1));

(b) Lease arrangements with the CTS (Holdings) Group as lessor (note (2));

(c) Provision of Computer Application Service Provider ("ASP") related services to the CTS (Holdings) Group (note (2));

(d) Provision of hotel management services to the CTS (Holdings) Group (note (3)); and

(e) Provision of tour group services by the Group and the China CTS (HK) Group to each other (note (4)).

Notes:

(1) On 15 May 2001, CTSHK, a wholly-owned subsidiary of the Company, entered into an agreement (the "Agency Agreement") with CTS (Holdings), a controlling shareholder of the Company (and is therefore a connected person of the Company), to document the transactions relating to the general administration services provided in Hong Kong for application for tourist visas and travel permits for entry into the PRC for a fixed term up to 30 June 2047 (the "Travel Permit Administration").

CTSHK has continued to provide the Travel Permit Administration during its ordinary and usual course of business and in accordance with the terms of the Agency Agreement. At the extraordinary general meeting held on 12 December 2012, the Company obtained independent shareholders' approval of the maximum aggregate annual value of HK$380 million, HK$403 million and HK$427 million for the Travel Permit Administration for each of the three financial years ending 31 December 2015. For detailed information, please refer to the Company's announcement dated 6 November 2012 and the circular dated 26 November 2012.

(2) The Company entered into a master agreement (the "Master Agreement") with CTS (Holdings) on 6 November 2012 to govern the continuing connected transactions referred to in (b) and (c) above for a term commenced from 1 January 2013 and ended on 31 December 2015.

As CTS (Holdings) is a substantial shareholder of the Company, members of the CTS (Holdings) Group are connected persons of the Company. For detailed information, please refer to the Company's announcements dated 6 November 2012.

(3) On 9 May 2008, the Company, as hotel manager, and CTS (Holdings), as hotel owner, entered into a hotel management services master agreement (the "HMS Master Agreement") to govern the continuous provision of hotel management services by the Group to the CTS (Holdings) Group for a term commenced from 9 May 2008, date of signing of the HMS Master Agreement, and ending on 31 December 2015. For detailed information, please refer to the announcement of the Company dated 1 November 2007 and 8 September 2011.

As the previous annual caps approved for the HMS Master Agreement are only up to the year ending 31 December 2013, the Company has set new annual caps for the HMS Master Agreement for the two years ending 31 December 2015 to comply with the Listing Rules. For detailed information, please refer to the announcement of the Company dated 9 December 2013.

(4) On 14 October 2011, the Company and China CTS (HK) entered into a tour group services master agreement in relation to the provision of tour group services by the Group and China CTS (HK) Group to each other for a term commenced on 1 January 2012 and ending on 31 December 2014 in order to benefit from the extensive coverage of the travelling network of the China CTS (HK) Group and to allocate resources more efficiently. On 19 November 2014, the Company renewed the agreement for a term commenced on 1 January 2015 and ending on 31 December 2017.

As China CTS (HK) holds the entire issued share capital of CTS (Holdings) which is a substantial shareholder of the Company, China CTS (HK) is therefore a connected person of the Company. For detailed information, please refer to the Company's announcement dated 19 November 2014.

The maximum aggregate annual consideration for the above-said continuing connected transactions for the year ended 31 December 2014 and the actual amounts of such transactions for the year ended 31 December 2014 are as follows:

	Caps for the years ended/ending 31 December				Actual amounts for the year ended 31 December
	2013	**2014**	**2015**	**2016**	**2014**
	'000	'000	'000	'000	'000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration by CTSHK	HK$380,000	HK$403,000	HK$427,000	N/A	HK$292,035
(b) Lease arrangements with the CTS (Holdings) Group as lessor	HK$20,000	HK$23,000	HK$26,500	N/A	HK$16,291
(c) Provision of ASP related services to the CTS (Holdings) Group	HK$30,000	HK$33,000	HK$36,300	N/A	HK$12,727
(d) Provision of hotel management services to the CTS (Holdings) Group	HK$24,200	RMB17,000	RMB20,000	N/A	RMB12,072
II. Continuing connected transactions with the China CTS (HK) Group					
(e) Provision of tour group services to the China CTS (HK) Group	HK$36,000	HK$43,200	HK$30,000	HK$36,000	HK$22,612
(f) Provision of tour group services by the China CTS (HK) Group to the Group	HK$120,000	HK$144,000	HK$73,000	HK$88,000	HK$51,397

(iii) On 6 November 2012, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort"), a wholly-owned subsidiary of the Company, entered into a services agreement with China CTS Asset Management Corporation ("China CTS Asset Management"), a wholly-owned subsidiary of China CTS (HK), for a term of three years commencing from 1 January 2013 and ending on 31 December 2015, where China CTS Asset Management will continue to provide the management services thereunder to CTS Scenery Resort and its subsidiaries. The continuing provision of the management services by China CTS Asset Management to CTS Scenery Resort shall constitute a continuing connected transaction for the Company under the Listing Rules. The maximum annual caps for each of the three years ending 31 December 2015 for the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries are RMB8million, RMB8.5 million and RMB9 million, respectively. The actual amount of the transactions for the year ended 31 December 2014 was RMB5,428,000. For detailed information, please refer to the Company's announcement dated 6 November 2012.

(iv) On 4 January 2010, CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("CTS (Dengfeng)") and Henan Province Songshan Scenic Spot Management Committee ("Songshan Management") entered into a franchise agreement pursuant to which CTS (Dengfeng) would be authorised to exclusively manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot from 25 December 2009 for a term of 40 years. The Company owns 51% equity interest in CTS (Dengfeng) and CTS (Dengfeng) is 49% owned by Songshan Management. Songshan Management is therefore a connected person of the Company and the transactions contemplated under the franchise agreement shall constitute continuing connected transactions for the Company under the Listing Rules. The maximum annual caps for each of the three years ending 31 December 2015 in respect of the franchise fee payable by the CTS (Dengfeng) to Songshan Management are RMB110 million, RMB126.5 million and RMB145 million, respectively. The actual amount of the transactions for the year ended 31 December 2014 was RMB89,926,000. For detailed information, please refer to the Company's announcement dated 6 November 2012.

The above continuing connected transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Directors (including the Independent Non-Executive Directors) confirm that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole; and (iii) either on normal commercial terms or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

PricewaterhouseCoopers, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers have issued their report containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2014, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares: Corporate interest	Interests in shares: Family interest	Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 31 December 2014
Ms. Jiang Yan	–	–	1,770,000	1,770,000	0.03%
Mr. Lo Sui On	–	–	1,770,000	1,770,000	0.03%
Mr. Zhang Fengchun	–	–	1,770,000	1,770,000	0.03%
Mr. Xu Muhan	–	2,000 (Note 1)	1,850,000	1,852,000	0.03%
Mr. Fu Zhuoyang	–	–	1,770,000	1,770,000	0.03%
Dr. Fong Yun Wah	50,000 (Note 2)	–	–	50,000	0.00%

Note 1: Mr. Xu Muhan is deemed to be interested in these shares of the Company held by his spouse.

Note 2: These shares are beneficially owned by certain corporations the voting power at general meetings of which Dr. Fong Yun Wah controlled one-third or more. Dr. Fong Yun Wah is taken to be interested in such shares pursuant to Divisions 7 and 8 of Part XV of the SFO.

The interests of the Directors and Chief Executives of the Company in the share option of the Company are detailed in the "Share Option Scheme" section below.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

On 4 May 2012, the Company has passed the resolution in a shareholders' meeting for the termination of the share option scheme adopted on 3 June 2002 (the "2002 Share Option Scheme") and the adoption of a new share option scheme (the "2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Outstanding share options granted under the 2002 Share Option Scheme prior to such termination shall continue to be valid, and subject to the vesting schedule, exercisable in accordance with the 2002 Share Option Scheme. Further details of the 2002 Share Option Scheme and 2012 Share Option Scheme are disclosed in note 35 to the consolidated financial statements.

The 2002 Share Option Scheme

Details of the movement in the share options granted under the 2002 Share Option Scheme during the year are set out below:

	Number of share options							
Name or category of participant	Balance as at 1 January 2014	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31 December 2014	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors								
Jiang Yan	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Xu Muhan	1,850,000	–	–	–	1,850,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fu Zhuoyang	1,770,000	–	–	–	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	8,930,000	–	–	–	8,930,000			
Other employees in aggregate	93,380,000	–	(17,410,000)	(5,580,000)	70,390,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	102,310,000	–	(17,410,000)	(5,580,000)	79,320,000			

Note 1: The vesting period of the share options is from the date of grant until the commencement of the exercise period. The options are exercisable in the following manner subject to the achievement of certain performance targets:

The proportion of options exercisable	Exercise period
First 30% of the share options	18 June 2012 to 17 June 2020
Second 30% of the share options	18 June 2013 to 17 June 2020
Remaining 40% of the share options	18 June 2014 to 17 June 2020

The accounting policies on Share Option Scheme are set out in note 2.25 to the consolidated financial statements. Since the option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.

The 2012 Share Option Scheme

No share options were granted under the 2012 Share Option Scheme during the year ended 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors or the Company's Chief Executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or any interests which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following shareholders (other than Directors or Chief Executive of the Company) had interests, directly or indirectly, and short positions in the shares and underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO:

(i) Long positions in the ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at 31 December 2014
China CTS (HK)	Interest of controlled corporation (Note)	3,231,822,728	57.42%
CTS (Holdings)	Interest of controlled corporation and beneficial owner	3,231,822,728	57.42%

Note: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS (HK). CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS (HK) is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO and the interests of China CTS (HK) in the Company duplicate the interests of CTS (Holdings).

Save as aforesaid, as at 31 December 2014, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares or debentures of the Company recorded in the register required to be kept by the Company under Section 336 of the SFO.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2014 are set out in note 32 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 4 July 2011, the Company entered into a facility agreement with a bank for an uncommitted revolving term loan facility of HK$300,000,000.

On 20 July 2011, CTSHK, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for an uncommitted facility of HK$300,000,000. The term of the credit facility has been extended to 30 June 2015.

On 16 June 2014, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor entered into a facility agreement with a bank for a committed revolving loan of HK$500,000,000. The final maturity date of the credit facility is one year from the date of acceptance of the facility agreement.

Pursuant to the aforesaid facility agreements, CTS (Holdings), the controlling shareholder of the Company, is required, at all times, to be the largest shareholder of the Company with at least 40% equity interest throughout the life of the credit facilities. Breach of this specific performance obligation will constitute an event of default. Upon occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 25 June 2013, the Company, as borrower, entered into a facility agreement with a bank (the "Bank") for an uncommitted revolving credit facility to the extent of HK$100,000,000. On 27 January 2014, the Company (as borrower) entered into a facility agreement with the Bank for a committed revolving credit facility to the extent of HK$250,000,000. The final maturity date of the aforesaid committed revolving credit facility is one year from the date of acceptance of the facility agreement. On 30 December 2014, the Company (as borrower) entered into a facility agreement with the Bank for a committed revolving credit facility to the extent of HK$250,000,000. The final maturity date of the aforesaid committed revolving credit facility is one year from 27 January 2015, the starting date at which the credit facility is made available to the Company for drawdown. On 22 April 2014, the Company, as borrower, entered into a facility agreement with the Bank for a committed term loan to the extent of HK$800,000,000. The final maturity date of the credit facility is three years from the date of drawdown of the relevant facilities.

Pursuant to the aforesaid facility agreements, the Company undertakes with the Bank that CTS (Holdings) shall hold, directly or indirectly, not less than 50% of the issued share capital of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 37 to 44.

AUDITORS

The financial statements of the Company for the year ended 31 December 2014 were audited by PricewaterhouseCoopers. PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2015 annual general meeting to re-appoint them and to authorize the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Jiang Yan
Chairman

Hong Kong, 24 March 2015

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholders' values. The board of Directors of the Company (the "Board") will continue to monitor and review the Company's corporate governance practices to ensure compliance.

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2014, 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 A.5.1 specifies that the nomination committee should be chaired by the chairman of the Board or an Independent Non-Executive Director. The nomination committee of the Company does not have a chairman since 19 May 2014, the date of resignation of the former chairman, until Ms. Jiang Yan is appointed as the chairman of the Board and the nomination committee of the Company on 8 August 2014.

– 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.

THE BOARD

Composition

The Board currently comprises 9 Directors, being 5 Executive Directors and 4 Independent Non-Executive Directors. During the year ended 31 December 2014 and up to the date of this report, Mr. Wang Shuai Ting resigned as the Chairman and an Executive Director with effect from 19 May 2014 and Ms. Jiang, an existing Executive Director of the Company, appointed as the Chairman with effect from 8 August 2014. Further details of the composition of the Board are disclosed under "Corporate Information" on page 2.

The relationships among members of the Board are disclosed under "Biographies of Directors" on pages 9 to 11.

The Independent Non-Executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees, all Independent Non-Executive Directors make positive contributions to the orderly management and effective operation of the Company.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Chairman and General Manager

The Company supports the division of responsibility between the Chairman and the General Manager to ensure a balance of power and authority. The role of the Board's Chairman is to provide leadership in order to enable the Board to discharge its function effectively, while the General Manager focuses on managing and controlling the business of the Group. Their respective responsibilities are clearly defined and set out in writing. Currently, Ms. Jiang Yan serves as the Chairman of the Board and Mr. Xu Muhan serves as the General Manager.

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of the Company's shareholders ("Shareholders").

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that the Board's procedures and all applicable rules and regulations are followed. In general, each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the General Manager and senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions (including notifiable and connected transactions) entered into by the Company. The Board has the full support of the General Manager and the senior management to discharge its responsibilities.

Directors' Training

Directors are provided with monthly updates on the Company's performance and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company organized a training programme for Directors to update the Directors on the division of responsibilities between the Board and Shareholders, impact of Shanghai-Hong Kong Stock Connect on corporate governance of Hong Kong listed companies and recent amendments in the Listing Rules. During the year, the Directors participated in the following professional developments:

	Type of Trainings		
Name of Directors	**Attending seminars and/or conferences and/or forums**	**Giving talks at seminars and/or conferences and/or forums**	**Reading newspapers, journals and updates relating to the economy, general business, tourism or Director's duties and responsibilities etc.**
Executive Directors:			
Jiang Yan	√	√	√
Wang Shuai Ting*	√	–	√
Lo Sui On	√	√	√
Zhang Fengchun	√	√	√
Xu Muhan	√	√	√
Fu Zhuoyang	√	–	√
Independent Non-Executive Directors:			
Fong Yun Wah	√	–	√
Wong Man Kong, Peter	√	–	√
Sze, Robert Tsai To	√	–	√
Chan Wing Kee	√	–	√

* *Mr. Wang Shuai Ting resigned as the Chairman and an Executive Director with effect from 19 May 2014.*

Board Meetings

During the year ended 31 December 2014, the Board held four regular meetings. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board meetings and committee meetings, notice is generally given within a reasonable time.

An agenda and accompanying Board papers are sent to all Directors at least three days in advance of every Board meeting or committee meeting. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Development Committee, for overseeing particular aspects of the Company's affairs. All the Board committees are empowered by the Board under their own terms of reference.

Audit Committee

Members:

Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter *(Chairman)* Mr. Sze, Robert Tsai To Mr. Chan Wing Kee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting and internal controls, maintaining an appropriate relationship with external auditors and performing corporate governance duties.

The Audit Committee held two meetings during the year ended 31 December 2014 and reviewed the audited financial statements for the year ended 31 December 2013 and the unaudited interim financial statements for the six months ended 30 June 2014. The Audit Committee also reviewed internal audit reports, corporate governance reports, the re-appointment of external auditors, the adequacy of resources, qualifications and experience of staffs of the Company's accounting and financial reporting function and discussed with the management and external auditors the internal control system and accounting policies and practices.

The Company's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Remuneration Committee

Members:

Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter *(Chairman)* Mr. Sze, Robert Tsai To Mr. Chang Wing Kee
Executive Director:	Ms. Jiang Yan

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. It shall also make recommendations to the Board on the remuneration packages of individual Executive Director and senior management. Details of the remuneration paid to Directors and senior managements for the financial year ended 31 December 2014 are disclosed in the notes to the consolidated financial statements.

The Remuneration Committee held one meeting in 2014 and reviewed the Directors' fees, proposed bonuses of senior management and the Company's human resources management plan.

Nomination Committee

Members:

Executive Director:	Ms. Jiang Yan *(Chairman)*
Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter Mr. Sze, Robert Tsai To Mr. Chan Wing Kee

The Nomination Committee was established in June 2012 with specific terms of reference in accordance with the Code Provisions. The Nomination Committee is responsible for review the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify suitable individuals qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of Independent Non-Executive Directors.

The Board Diversity Policy of the Company was adopted on 30 August 2013, aiming to set out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for reviewing the Policy and monitoring its implementation.

The Nomination Committee held one meeting in 2014 to discuss and review the re-election of retiring Directors at the 2014 annual general meeting.

Strategy and Development Committee

Members:

Executive Directors:	Mr. Xu Muhan *(Chairman)* Mr. Zhang Fengchun Mr. Fu Zhuoyang
Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter Mr. Sze, Robert Tsai To Mr. Chan Wing Kee (appointed on 24 March 2015)

The Strategy and Development Committee was established in June 2012 with specific terms of reference which are posted on the Company's website. The Strategy and Development Committee is responsible for the study of the Company's long-term development strategic planning, major investment projects and financing plan and the provision of opinions thereon.

The Strategy and Development Committee held one meeting during the year ended 31 December 2014 and reviewed a discloseable and connected transaction, the Company's capital expenditure and financing plan, and the feasibility study report of certain investment projects.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETING

The attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Strategy and Development Committee, Annual General Meeting and Entraordinary General Meeting of the Company during the year ended 31 December 2014 are set out as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2014						
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Strategy and Development Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors:							
Jiang Yan Note 1	1/4	N/A	0/1	0/1	N/A	0/1	0/1
Wang Shuai Ting Note 2	1/1	N/A	1/1	1/1	N/A	N/A	N/A
Lo Sui On	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Zhang Fengchun	3/4	N/A	N/A	N/A	1/1	0/1	0/1
Xu Muhan	4/4	N/A	N/A	N/A	1/1	1/1	1/1
Fu Zhuoyang	2/4	N/A	N/A	N/A	0/1	0/1	0/1
Independent Non-Executive Directors:							
Fong Yun Wah	3/4	N/A	N/A	N/A	N/A	1/1	1/1
Wong Man Kong, Peter	3/4	2/2	1/1	1/1	1/1	1/1	1/1
Sze, Robert Tsai To	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Chan Wing Kee	4/4	1/2	0/1	0/1	N/A	1/1	1/1

Note 1 Ms. Jiang Yan was appointed as the Chairman of the Board and the Nomination Committee with effect from 8 August 2014.

Note 2 Mr. Wang Shuai Ting resigned as the Chairman and an executive Director with effect from 19 May 2014.

DIRECTORS' SECURITIES TRANSACTIONS

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 2014.

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the remuneration to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit and audit related services	8,456
Non-audit services	946
Total	9,402

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Directors acknowledge their responsibility for preparing the financial statements of the Company and the Group.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 45.

INTERNAL CONTROLS

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets from inappropriate use, maintaining proper accounts and ensuring compliance with regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

The internal audit department formulates the annual internal audit plan and procedures, conducts audits of the Company and its subsidiaries, associates, and jointly controlled entities to identify any irregularities and risks, develops action plans and makes recommendations to address the identified risks. The work carried out by the internal audit department will ensure the internal controls are carried out appropriately and functioning as intended. The internal audit department reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

The Board conducted a review of the Group's internal control system for the year ended 31 December 2014, including financial, operational and compliance controls and risk management functions. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee, management and both internal and external auditors. The annual review also considered the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition of Shareholders

Pursuant to Section 566-568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), Shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Procedures for directing Shareholders' enquiries to the Board

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that may have with respect to the Company. They can also send their enquiries to the Board through these means.

Procedures for putting forward proposals at Shareholders' meetings

Shareholders representing at least 2.5% of the total voting rights of all the members having a right to vote, or, at least 50 shareholders who have a relevant right to vote, may:

– put forward proposal at general meeting;

– circulate to other shareholders written statement with respect to matter to be dealt with or other business to be dealt with at general meeting.

For further details on the shareholder qualifications, and the procedures and timeline, in connection with the above, Shareholders are kindly requested to refer to Sections 580 and 615 of the Companies Ordinance (Cap 622 of the Laws of Hong Kong).

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with Shareholders and investors through various channels. In 2014, the Company held press and analyst conferences following the release of its 2013 annual results and 2014 interim results announcement. In addition, the Company arranged one-on-one meetings for analysts and investors. The Company also attended investor conferences in Hong Kong, Mainland China, Singapore and London. During the year, the Company met with over 450 analysts and investors.

The Company's website (www.irasia.com/listco/hk/ctii) offers timely access to the Company's financial information, announcements, circulars to Shareholders and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental protection, Shareholders are encouraged to elect to receive the Company's corporate communications by electronic means through the Company's website.

The annual general meeting of the Company provides a forum for communication between Shareholders and the Board. The Chairman of the Board, other members of the Board and external auditor attend the annual general meeting and answer questions from Shareholders.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Travel International Investment Hong Kong Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Travel International Investment Hong Kong Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 150, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**4,475,142**	4,359,918
Cost of sales		**(2,417,299)**	(2,275,542)
Gross profit		**2,057,843**	2,084,376
Other income and gains, net	5	**1,048,465**	194,882
Changes in fair value of investment properties		**70,049**	155,529
Selling and distribution costs		**(503,597)**	(587,758)
Administrative expenses		**(996,108)**	(992,106)
Operating profit	7	**1,676,652**	854,923
Finance income	6	**140,081**	107,515
Finance costs	6	**(30,276)**	(15,397)
Finance income, net	6	**109,805**	92,118
Share of profits less losses of			
Associates		**382,149**	352,127
Joint ventures		**6,735**	5,235
Write back of provision for impairment of interest in an associate		**–**	175,000
Profit before taxation		**2,175,341**	1,479,403
Taxation	10	**(310,182)**	(225,404)
Profit for the year		**1,865,159**	1,253,999
Attributable to:			
Equity owners of the Company		**1,738,884**	1,151,889
Non-controlling interests		**126,275**	102,110
Profit for the year		**1,865,159**	1,253,999
Earnings per share for profit attributable to equity owners of the Company (HK cents)	13		
Basic		**30.93**	20.40
Diluted		**30.87**	20.40
Dividends	12	**673,894**	338,107

The notes on pages 55 to 150 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**1,865,159**	1,253,999
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Gain on property valuation, net of tax	**1,745**	–
Share of hedging reserve of an associate	**(30,025)**	1,963
Release of exchange difference upon disposal of subsidiaries	**(94,776)**	–
Exchange differences on translation of foreign operations, net	**(24,929)**	191,405
Other comprehensive (loss)/income for the year, net of tax	**(147,985)**	193,368
Total comprehensive income for the year	**1,717,174**	1,447,367
Attributable to:		
Equity owners of the Company	**1,592,652**	1,326,559
Non-controlling interests	**124,522**	120,808
	1,717,174	1,447,367

The notes on pages 55 to 150 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**9,947,765**	9,231,146
Investment properties	15	**1,285,274**	1,859,778
Prepaid land lease payments	16	**464,583**	418,068
Goodwill	17	**1,330,151**	1,278,574
Other intangible assets	18	**185,101**	188,853
Interests in associates	20	**1,020,460**	1,092,225
Interests in joint ventures	21	**40,204**	38,503
Available-for-sale investments	22	**27,771**	23,017
Prepayments	25	**91,951**	93,583
Deferred tax assets	33	**19,632**	14,085
Total non-current assets		**14,412,892**	14,237,832
Current assets			
Inventories	23	**138,283**	143,027
Trade receivables	24	**188,336**	274,484
Deposits, prepayments and other receivables	25	**1,366,176**	1,583,487
Amount due from immediate holding company	28	**26,939**	28,297
Amounts due from fellow subsidiaries	28	**32,379**	39,186
Tax recoverable		**1,744**	7,333
Financial assets at fair value through profit or loss	26	**1,419,753**	892,868
Pledged time deposits	27	**37,317**	54,683
Cash and bank balances	27	**3,327,025**	1,966,772
Total current assets		**6,537,952**	4,990,137
Total assets		**20,950,844**	19,227,969
EQUITY			
Equity attributable to owners of the Company			
Share capital	34	**8,966,896**	563,457
Reserves		**6,575,037**	13,929,808
		15,541,933	14,493,265
Non-controlling interests		**1,090,850**	834,012
Total equity		**16,632,783**	15,327,277

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income	31	**1,039,220**	771,909
Bank and other borrowings	32	**806,142**	20,233
Deferred tax liabilities	33	**401,663**	512,894
Total non-current liabilities		**2,247,025**	1,305,036
Current liabilities			
Trade payables	29	**300,705**	377,699
Other payables and accruals	30	**1,533,198**	1,616,716
Amount due to immediate holding company	28	**4,131**	1,062
Amounts due to fellow subsidiaries	28	**26,415**	19,738
Tax payable		**144,510**	68,304
Bank and other borrowings	32	**62,077**	512,137
Total current liabilities		**2,071,036**	2,595,656
Total liabilities		**4,318,061**	3,900,692
Total equity and liabilities		**20,950,844**	19,227,969
Net current assets		**4,466,916**	2,394,481
Total assets less current liabilities		**18,879,808**	16,632,313

Jiang Yan
Director

Xu Muhan
Director

The notes on pages 55 to 150 are an integral part of the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**31 December 2014 HK$'000**	31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**3,289**	3,795
Investment property	15	**3,980**	3,816
Interests in subsidiaries	19	**6,292,290**	5,699,459
Available-for-sale investment	22	**13,949**	13,949
Total non-current assets		**6,313,508**	5,721,019
Current assets			
Deposits, prepayments, and other receivables	25	**36,552**	9,781
Amounts due from subsidiaries	19	**8,438,067**	7,366,108
Amounts due from fellow subsidiaries	28	**122**	263
Financial assets at fair value through profit or loss	26	**–**	445,162
Cash and bank balances	27	**976,640**	71,414
Total current assets		**9,451,381**	7,892,728
Total assets		**15,764,889**	13,613,747
EQUITY			
Share capital	34	**8,966,896**	563,457
Reserves	36	**4,048,596**	11,164,196
Total equity		**13,015,492**	11,727,653
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	32	**800,000**	–
Total non-current liabilities		**800,000**	–
Current liabilities			
Other payables and accruals	30	**47,497**	28,102
Amounts due to subsidiaries	19	**1,893,306**	1,598,644
Amount due to immediate holding company	28	**4,023**	1,038
Amounts due to fellow subsidiaries	28	**2,661**	6
Tax payable		**1,910**	4,120
Bank and other borrowings	32	**–**	254,184
Total current liabilities		**1,949,397**	1,886,094
Total liabilities		**2,749,397**	1,886,094
Total equity and liabilities		**15,764,889**	13,613,747
Net current assets		**7,501,984**	6,006,634
Net assets		**13,015,492**	11,727,653

Jiang Yan
Director

Xu Muhan
Director

The notes on pages 55 to 150 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity owners of the Company													
	Share capital HK$'000 (note 34)	Share premium account HK$'000	Treasury shares HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Building revaluation reserve HK$'000	Hedging reserve HK$'000	Capital reserve HK$'000	Enterprise expansion/ reserve funds[1] HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	563,457	8,357,579	-	74,602	6,429	309,218	1,963	(1,029,662)	137,609	1,116,550	4,955,520	14,493,265	834,012	15,327,277
Comprehensive income														
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,738,884	1,738,884	126,275	1,865,159
Other comprehensive income for the year:														
Items that may be reclassified subsequently to profit or loss:														
Gain on property revaluation, net of tax	-	-	-	-	-	1,745	-	-	-	-	-	1,745	-	1,745
Share of hedging reserve of an associate	-	-	-	-	-	-	(30,025)	-	-	-	-	(30,025)	-	(30,025)
Release of exchange difference upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(94,776)	-	(94,776)	-	(94,776)
Exchange differences on translation of foreign operations, net	-	-	-	-	-	-	-	-	-	(23,176)	-	(23,176)	(1,753)	(24,929)
Total other comprehensive income/(loss) for the year, net of tax	-	-	-	-	-	1,745	(30,025)	-	-	(117,952)	-	(146,232)	(1,753)	(147,985)
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,745	(30,025)	-	-	(117,952)	1,738,884	1,592,652	124,522	1,717,174
Transactions with owners														
Transfer from retained profits	-	-	-	-	-	-	-	-	8,888	(41)	(9,169)	(322)	322	-
Transition to no-par value regime on 3 March 2014	8,364,008	(8,357,579)	-	-	(6,429)	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangement	-	-	-	1,298	-	-	-	-	-	-	-	1,298	-	1,298
Repurchase of shares	-	-	(68,257)	-	-	-	-	-	-	-	-	(68,257)	-	(68,257)
Cancellation for shares repurchased	-	-	36,705	-	-	-	-	-	-	-	(36,888)	(183)	-	(183)
Exercise of share options	39,431	-	-	(10,752)	-	-	-	-	-	-	-	28,679	-	28,679
Lapse of share options	-	-	-	(15,095)	-	-	-	-	-	-	15,095	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(135,618)	(135,618)
Relating to acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	267,612	267,612
Relating to disposal of subsidiaries	-	-	-	(4,534)	-	-	-	(329)	(3,157)	(24)	8,044	-	-	-
2013 final dividend paid	-	-	-	-	-	-	-	-	-	-	(224,485)	(224,485)	-	(224,485)
2014 interim dividend paid	-	-	-	-	-	-	-	-	-	-	(280,714)	(280,714)	-	(280,714)
Total transactions with owners for the year	8,403,439	(8,357,579)	(31,552)	(29,083)	(6,429)	-	-	(329)	5,731	(65)	(528,117)	(543,984)	132,316	(411,668)
At 31 December 2014	8,966,896	-	(31,552)	45,519	-	310,963	(28,062)	(1,029,991)	143,340	998,533	6,166,287	15,541,933	1,090,850	16,632,783

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity owners of the Company													
	Share capital HK$'000 (note 34)	Share premium account HK$'000	Treasury shares HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Building revaluation reserve HK$'000	Hedging reserve HK$'000	Capital reserve HK$'000	Enterprise expansion/ reserve funds[1] HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	565,867	8,357,579	(2,233)	62,627	4,019	309,218	–	(1,029,662)	128,204	943,843	4,131,367	13,470,829	807,603	14,278,432
Comprehensive income														
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,151,889	1,151,889	102,110	1,253,999
Other comprehensive income for the year:														
Items that may be reclassified subsequently to profit or loss:														
Share of hedging reserve of an associate	–	–	–	–	–	–	1,963	–	–	–	–	1,963	–	1,963
Exchange differences on translation of foreign operations, net	–	–	–	–	–	–	–	–	–	172,707	–	172,707	18,698	191,405
Total other comprehensive income for the year, net of tax	–	–	–	–	–	–	1,963	–	–	172,707	–	174,670	18,698	193,368
Total comprehensive income for the year	–	–	–	–	–	–	1,963	–	–	172,707	1,151,889	1,326,559	120,808	1,447,367
Transactions with owners														
Transfer from retained profits	–	–	–	–	–	–	–	–	9,405	–	(9,405)	–	–	–
Equity-settled share option arrangement	–	–	–	11,975	–	–	–	–	–	–	–	11,975	–	11,975
Repurchase of shares	–	–	(33,842)	–	–	–	–	–	–	–	–	(33,842)	–	(33,842)
Cancellation for shares repurchased	(2,410)	–	36,075	–	2,410	–	–	–	–	–	(36,157)	(82)	–	(82)
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	26,254	26,254
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(120,653)	(120,653)
2012 final dividend paid	–	–	–	–	–	–	–	–	–	–	(169,450)	(169,450)	–	(169,450)
2013 interim dividend paid	–	–	–	–	–	–	–	–	–	–	(112,724)	(112,724)	–	(112,724)
Total transactions with owners for the year	(2,410)	–	2,233	11,975	2,410	–	–	–	9,405	–	(327,736)	(304,123)	(94,399)	(398,522)
At 31 December 2013	563,457	8,357,579	–	74,602	6,429	309,218	1,963	(1,029,662)	137,609	1,116,550	4,955,520	14,493,265	834,012	15,327,277

Note:

1: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to the enterprise expansion fund and reserve fund which are restricted as to use.

The notes on pages 55 to 150 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Profit before taxation	**2,175,341**	1,479,403
Adjustments for:		
Finance costs	**30,276**	15,397
Finance income	**(140,081)**	(107,515)
Gain on disposal of subsidiaries, net	**(837,750)**	(578)
(Gain)/loss on disposal of property, plant and equipment, net	**(26,328)**	13,674
Income from financial assets at fair value through profit or loss	**(47,399)**	(33,432)
Depreciation	**484,089**	452,654
Amortisation of prepaid land lease payments	**24,624**	25,820
Amortisation of other intangible assets	**3,306**	3,277
Provision for/(write back of provision for) impairment of interest in an associate	**3,410**	(175,000)
Provision for impairment of trade and other receivables, net	**6,590**	2,705
Changes in fair value of investment properties	**(70,049)**	(155,529)
Share of profits of associates	**(382,149)**	(352,127)
Share of profits of joint ventures	**(6,735)**	(5,235)
Equity-settled share option expense	**1,298**	11,975
Foreign exchange differences on translation of intercompany balances, net	**–**	(38,524)
Exchange gain on return of capital from an associate	**(13,150)**	(11,405)
	1,205,293	1,125,560
Decrease/(increase) in inventories	**2,709**	(37,891)
Decrease/(increase) in trade receivables, deposits, prepayments and other receivables	**67,159**	(177,392)
(Increase)/decrease in amounts due from associates	**(15,500)**	11,798
Increase in amounts due from joint ventures	**(4,530)**	(25)
Decrease in amount due from immediate holding company	**1,963**	4,775
Decrease in amounts due from fellow subsidiaries	**2,204**	5,715
(Decrease)/increase in trade payables, other payables and accruals	**(190,431)**	25,178
(Decrease)/increase in amounts due to associates	**(217)**	5,134
(Decrease)/increase in amounts due to joint ventures	**(1,712)**	10,938
Increase in amounts due to fellow subsidiaries	**7,488**	10,950
Increase in deferred income, net of sales tax	**333,049**	296,156
Cash generated from operations	**1,407,475**	1,280,896
Hong Kong, PRC and Macau profits taxes paid	**(226,682)**	(201,771)
Overseas taxes (paid)/refunded	**(636)**	389
Net cash flows from operating activities	**1,180,157**	1,079,514

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from investing activities		
Finance income received	**140,081**	107,515
Dividends received from associates and joint ventures	**348,964**	306,403
Return of capital from an associate	**51,503**	44,704
Purchases of property, plant and equipment	**(1,340,245)**	(1,234,742)
Proceeds from disposal of property, plant and equipment	**58,544**	2,208
Investment in a joint venture	**–**	(2,544)
Acquisition of subsidiaries	**56,102**	–
Disposal of subsidiaries	**1,350,503**	–
Decrease/(increase) in entrustment loan receivables	**340,967**	(137,693)
Proceeds upon disposal of financial assets at fair value through profit or loss	**4,722,428**	4,393,309
Additions to financial assets at fair value through profit or loss	**(5,202,897)**	(4,941,945)
Decrease/(increase) in pledged time deposits	**16,580**	(25,005)
(Increase)/decrease in non-pledged time deposits with original maturity of more than three months when acquired	**(755,352)**	31,621
Net cash flows used in investing activities	**(212,822)**	(1,456,169)
Cash flows from financing activities		
Finance cost paid	**(30,276)**	(15,397)
Dividends paid	**(505,199)**	(282,174)
Exercise of share option	**28,679**	–
Dividends paid to non-controlling shareholders	**(135,618)**	(120,653)
Contribution from non-controlling shareholders	**–**	26,254
New bank loans	**2,954,482**	2,407,875
Repayment of bank loans	**(2,586,407)**	(2,312,852)
Repurchase of shares	**(68,440)**	(33,924)
Net cash flows used in financing activities	**(342,779)**	(330,871)
Net increase/(decrease) in cash and cash equivalents	**624,556**	(707,526)
Cash and cash equivalents at beginning of year	**1,837,062**	2,521,226
Effect of foreign exchange rate changes, net	**(20,303)**	23,362
Cash and cash equivalents at end of year	**2,441,315**	1,837,062
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**3,327,025**	1,966,772
Deposits of non-cash and cash equivalents	**(885,710)**	(129,710)
Cash and cash equivalents	**2,441,315**	1,837,062

The notes on pages 55 to 150 are an integral part of 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 and related operations
- Hotel operations
- Passenger transportation operations
- Golf club operations
- Arts performance operations
- Power generation 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 (HK) Group Corporation ("China CTS (HK)"), a PRC state-owned enterprise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by revaluation of investment properties and financial assets at fair value through profit or loss, which have been measured at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 3 to the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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 1 January 2014.

HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives
Amendments to HKFRSs 10,12 and HKAS 27	Consolidation for Investment Entities
HK(IFRIC) – Int 21	Levies

The adoption of the new HKFRSs 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

At the date of authorisation of these consolidated financial statements, the following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

HKAS 19 (Amendment) [(1)]	Defined Benefit Plans
Amendments to HKAS 16 and HKAS 38 [(2)]	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41 [(2)]	Property, Plant and Equipment and Agriculture
HKAS 27 (Amendment) [(2)]	Separate Financial Statements
HKFRS 10 and HKAS 28 (amendment) [(2)]	Consolidated Financial Statements and Investments in Associates
HKFRS 9 [(4)]	Financial Instruments
Amendment to HKFRS 11 [(2)]	Joint Arrangements
HKFRS 14 [(2)]	Regulatory Deferred Accounts
HKFRS 15 [(3)]	Revenue from Contracts with Customers
Annual Improvement 2010 -2012 Cycle [(1)]	Amendments to a number of HKFRSs issued in January 2014
Annual Improvement 2011 - 2013 Cycle [(1)]	Amendments to a number of HKFRSs issued in January 2014
Annual Improvement 2012 - 2014 Cycle [(2)]	Amendments to a number of HKFRSs issued in October 2014

(1) Effective for financial periods beginning on or after 1 July 2014
(2) Effective for financial periods beginning on or after 1 January 2016
(3) Effective for financial periods beginning on or after 1 January 2017
(4) Effective for financial periods beginning on or after 1 January 2018

The Group is in the process of assessing the impact of these standards, amendments and interpretations to existing standards and it is not certain whether there will be a material impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expenses as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised either in profit or loss or as a credit or debit to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2.4 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

2.5 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.6 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person;

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is controlled or jointly controlled by a person identified in (a); and

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates accordingly.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful lives or principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Hotel properties	Over the shorter of the lease terms and 75 years
Buildings	Over the shorter of the lease terms and 40 years
Scenic spots establishments	3.5% to 19%
Others:	
Leasehold improvements	4.5% to 20%
Furniture, fixtures and equipment	6% to 33.3%
Motor vehicles	11.1% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is written off upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, hotel properties and scenic spots establishments under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or other assets when appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation.

2.9 Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The Group’s other intangible assets represent ticketing operation rights, trademarks, passenger service licences and quota.

Ticketing operation rights are stated at cost less any impairment losses and are amortised on the straight-line basis over the life of the operation for 40 years. The amortisation period and the amortisation method are reviewed at least at each financial year end.

The useful life of trademarks, passenger service licences and quota are assessed to be indefinite as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group. They are not amortised and are tested for impairment annually or when events or changes in circumstances indicate a potential impairment at the cash-generating unit level. They are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at lower of fair value of leased property or present value of minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, and are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.11 Investments and other financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, and unquoted financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to immediate holding company and fellow subsidiaries, and bank and borrowings.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.15 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis; and option pricing models.

2.16 Derivative financial instruments and hedge accounting

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedge accounting (Continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the consolidated income statement.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is based on estimated sales value less any estimated selling expenses, or the net realisable value as estimated by the Directors.

2.18 Properties under development

Properties under development comprise leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

2.19 Deferred income

Deferred income includes the proceeds received and receivable on the sale of membership of the Group's golf club. Such income is deferred and amortised on the straight-line basis over the tenure of the relevant membership periods and is recognised in the consolidated income statement.

For the deferred income which relates to government grants, details are set out in the accounting policy for "Government grants" in note 2.23 to the consolidated financial statements.

2.20 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.22 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset or property development project, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments or in the periods which the property sales incur.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Government grants (Continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” in note 2.13 to the consolidated financial statements. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.24 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of travel-related services, resort-related services, hotel services and passenger transportation services when the services have been rendered;

(c) from the rendering of tour services, when the services have been rendered;

(d) income related to scenic spots operations, when the admission tickets are sold;

(e) income from the sale of golf club memberships, on the straight-line basis over the expected life of membership;

(f) income from arts performances, when the relevant performance shows have been held;

(g) rental income, on a straight-line basis over the lease terms;

(h) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(i) dividend income, when the shareholders’ right to receive payment has been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the consolidated financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the current and prior years by the employees and carried forward.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group has been operating a defined contribution retirement benefit scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. The Prior Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the Prior Scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer's contributions. The Prior Scheme is still operating at the end of the reporting period and up to the date of approval of the consolidated financial statements.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central retirement benefit scheme.

For overseas subsidiaries, which participate in the local government benefit schemes, are required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes. The Group's contributions to the aforesaid defined contribution retirement schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective territories and are charged to the income statement as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The capitalisation rate is based on the actual cost of the related borrowings.

2.28 Foreign currencies

These consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, associates and joint ventures are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group assesses whether goodwill is impaired at least on an annual basis and where there is impairment indicator. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17 to the consolidated financial statements.

Depreciation

The net book value of the Group's property, plant and equipment as at 31 December 2014 was HK$9,947,765,000 (2013: HK$9,231,146,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 to 75 years depending on the fixed assets' category. The policy on depreciation is detailed in note 2.7 to the consolidated financial statements. The estimated useful life reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Any change in this estimation may have a material impact on the Group's results.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 33 to the consolidated financial statements.

Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 15.

The principal assumptions for the Group's estimation of the fair value include those related to current market prices for similar properties and identifiable assets and liabilities in the same location and condition, appropriate discount rates, expected future economic outflows and inflows and future maintenance costs associated with the properties and identifiable assets and liabilities. Further details are included in notes 15 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Estimation uncertainty (Continued)

Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to change, resulting in impairment or improvement in their abilities to make payments, either additional provision or reversal of previously made provision may be required.

Impairment of property, plant and equipment and other assets

At each balance sheet date, the Group performs an impairment assessment of property, plant and equipment and other assets if necessary.

Management judgement is required in the area of asset impairment, particularly in assessing whether (a) an event has occurred that may affect asset values; (b) the carrying value of an asset can be supported by the net present value of future cash flows from the assets using estimated cash flow projections; and (c) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumption in the cash flows projections, could significantly affect the Group's reported financial condition and results of operations.

On 30 January 2015, Shenzhen Government authorities issued a notice to CTS Tycoon (Shenzhen) Golf Club Company Limited, a wholly owned subsidiary, and demanded it to exit from the drinking water source protection zone as occupied by its golf club operations. The subsidiary has also been asked to reinstate the area according to the original plan and demolish and close down the construction thereon. The exit work should be completed on or before 15 May 2015. The Group is under negotiation with the Shenzhen Government as to whether to exit, and, if the demanded exit is unavoidable, the consideration of the exit.

With the aforesaid uncertainties, the Group engaged external lawyer and valuer to ascertain if the exit is legally enforceable, and if exit, the considerations for all the assets and the incidental costs the Group could be entitled. Based on the current circumstances, the legal opinion and the external valuation, the directors are of the opinion that there is no impairment of the assets of this subsidiary and all the incidental costs, if exit, are claimable.

Acquisition of a business

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities. The fair value of assets and liabilities are determined by reference to market prices or by using financial models, any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities will impact the carrying amount of these assets and liabilities.

4 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 and resorts hotel which comprise hot spring centers, hotels and leisure and entertainment facilities located in Mainland China;

(b) the travel agency and related operations segment engages in the provision of travel agency 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;

(f) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas; and

(g) the power generation operations segment engages in the generation of electricity in Mainland China.

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), provision/write back of provision for impairment of interest in an associate, 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.

4 OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities includes all trade and other payables, 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.

Certain comparative figures in the operating segment information have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2014 and 2013, and on the Group's profits for the year ended 31 December 2014 and 2013.

Year ended 31 December 2014

	Tourist attraction operations HK$'000	Travel agency and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:										
Sales to external customers	1,619,143	1,466,573	930,149	290,947	134,643	33,687	-	4,475,142	-	4,475,142
Intersegment revenue	14,327	8,490	5,784	919	150	26	-	29,696	22,646	52,342
	1,633,470	1,475,063	935,933	291,866	134,793	33,713	-	4,504,838	22,646	4,527,484
Elimination of intersegment revenue								(29,696)	(22,646)	(52,342)
Revenue								4,475,142	-	4,475,142
Segment results	96,311	182,700	216,450	105,549	849	3,431	284,322	889,612	9,497	899,109
Changes in fair value of investment properties, net of tax										62,742
Gain on disposal of subsidiaries, net of tax										751,008
Gain on disposal of property, plant and equipment, net										26,328
Other income and gains										3,107
Impairment of interest in an associate										(3,410)
Taxation										310,182
Non-controlling interests										126,275
Profit before taxation										2,175,341

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014 (Continued)

	Tourist attraction operations HK$'000	Travel agency and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment assets	8,337,604	2,801,472	4,504,888	147,600	729,547	121,317	-	16,642,428	3,247,752	19,890,180
Interests in associates	136,252	-	-	406,635	-	-	477,573	1,020,460	-	1,020,460
Interests in joint ventures	-	-	-	28,227	-	11,977	-	40,204	-	40,204
Intersegment receivables	9,293	835,167	761,093	5,651	-	-	-	1,611,204	13,680,819	15,292,023
	8,483,149	3,636,639	5,265,981	588,113	729,547	133,294	477,573	19,314,296	16,928,571	36,242,867
Elimination of intersegment receivables										(15,292,023)
Total assets										20,950,844
Segment liabilities	1,584,979	454,646	614,841	79,288	605,499	21,420	-	3,360,673	957,388	4,318,061
Intersegment payables	2,716,884	42,255	2,840,592	601,318	220,070	58,281	-	6,479,400	8,812,623	15,292,023
	4,301,863	496,901	3,455,433	680,606	825,569	79,701	-	9,840,073	9,770,011	19,610,084
Elimination of intersegment payables										(15,292,023)
Total liabilities										4,318,061
Other segment information:										
Share of profits less losses of										
Associates	31,863	(1,406)	-	67,370	-	-	284,322	382,149	-	382,149
Joint ventures	-	-	-	5,608	-	1,127	-	6,735	-	6,735
Capital expenditure#	1,502,908	13,494	87,915	1,440	43,870	2,134	-	1,651,761	968	1,652,729
Depreciation and amortisation	274,531	35,538	138,093	18,183	42,350	1,850	-	510,545	1,474	512,019
Provision for impairment losses/ (write back of provision for impairment) recognised in the income statement, net	6,963	55	3,043	-	-	(61)	-	10,000	-	10,000

\# Capital expenditure consists of additions to and acquisition of subsidiaries under property, plant and equipment and prepaid land lease payments.

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Tourist attraction operations HK$'000	Travel agency and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:										
Sales to external customers	1,448,153	1,511,507	922,678	289,203	131,470	56,907	–	4,359,918	–	4,359,918
Intersegment revenue	14,322	7,289	6,420	1,139	286	–	–	29,456	21,549	51,005
	1,462,475	1,518,796	929,098	290,342	131,756	56,907	–	4,389,374	21,549	4,410,923
Elimination of intersegment revenue								(29,456)	(21,549)	(51,005)
Revenue								4,359,918	–	4,359,918
Segment results	45,270	164,572	227,904	69,777	2,130	1,509	275,527	786,689	35,040	821,729
Changes in fair value of investment properties, net of tax										122,730
Gain on disposal of subsidiaries, net of tax										578
Loss on disposal of property, plant and equipment, net										(13,674)
Other income and gains										45,526
Write back of provision for impairment of interest in an associate										175,000
Taxation										225,404
Non-controlling interests										102,110
Profit before taxation										1,479,403

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013 (Continued)

	Tourist attraction operations HK$'000	Travel agency and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment assets	7,033,892	3,349,194	4,865,690	156,280	709,946	141,939	–	16,256,941	1,840,300	18,097,241
Interests in associates	123,551	8,179	–	391,910	–	–	568,585	1,092,225	–	1,092,225
Interests in joint ventures	–	–	–	27,619	–	10,884	–	38,503	–	38,503
Intersegment receivables	3,815	1,310,397	569,193	100	–	–	–	1,883,505	12,285,112	14,168,617
	7,161,258	4,667,770	5,434,883	575,909	709,946	152,823	568,585	19,271,174	14,125,412	33,396,586
Elimination of intersegment receivables										(14,168,617)
Total assets										19,227,969
Segment liabilities	1,146,714	754,902	642,293	74,106	639,702	47,327	–	3,305,044	595,648	3,900,692
Intersegment payables	2,597,507	553,476	3,066,223	645,684	246,914	57,621	–	7,167,425	7,001,192	14,168,617
	3,744,221	1,308,378	3,708,516	719,790	886,616	104,948	–	10,472,469	7,596,840	18,069,309
Elimination of intersegment payables										(14,168,617)
Total liabilities										3,900,692
Other segment information:										
Share of profits less losses of										
Associates	34,787	(3,211)	–	45,024	–	–	275,527	352,127	–	352,127
Joint ventures	–	–	–	5,014	–	221	–	5,235	–	5,235
Write back of provision for impairment of interest in an associate	–	–	–	175,000	–	–	–	175,000	–	175,000
Capital expenditure#	1,237,441	166,506	54,228	19,297	14,562	3,180	–	1,495,214	1,585	1,496,799
Depreciation and amortisation	262,878	44,398	104,597	24,243	42,301	2,095	–	480,512	1,239	481,751
Provision for impairment losses/ (write back of provision for impairment) recognised in the income statement, net	703	1	2,106	–	–	(105)	–	2,705	–	2,705

Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

4 OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Hong Kong	**1,866,475**	1,840,507
Mainland China (including Macau)	**2,273,252**	2,188,549
Overseas	**335,415**	330,862
	4,475,142	4,359,918

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

	2014 HK$'000	2013 HK$'000
Hong Kong	**5,154,593**	5,640,954
Mainland China (including Macau)	**9,140,502**	8,485,536
Overseas	**70,394**	74,240
	14,365,489	14,200,730

The information about the Group's non-current assets is based on the physical location of assets which exclude available-for-sale investments 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 2014 (2013: Nil).

5 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:

	2014 HK$'000	2013 HK$'000
Revenue		
Tourist attraction operations	**1,619,143**	1,448,153
Travel agency and related operations	**1,466,573**	1,511,507
Hotel operations	**930,149**	922,678
Passenger transportation operations	**290,947**	289,203
Golf club operations	**134,643**	131,470
Arts performance operations	**33,687**	56,907
	4,475,142	4,359,918
Other income		
Income from financial assets at fair value through profit or loss	**47,399**	33,432
Gross rental income	**35,654**	31,173
Government grants received#	**39,714**	25,428
Commission income	**7,740**	15,934
Management fee income	**6,746**	4,868
Others	**30,152**	27,187
	167,405	138,022
Gains, net		
Foreign exchange differences, net	**16,982**	69,956
Gain on disposal of subsidiaries, net	**837,750**	578
Gain/(loss) on disposal of property, plant and equipment, net	**26,328**	(13,674)
	881,060	56,860
	1,048,465	194,882

Various government grants have been received in respect of developing the online internet business, promoting the tourist industry and organising performances that promoted the Chinese traditional culture.

6 FINANCE INCOME, NET

	2014 HK$'000	2013 HK$'000
Interest income:		
Bank deposits and entrustment loans	**140,081**	107,515
Finance income	**140,081**	107,515
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	**(30,276)**	(15,397)
Finance costs	**(30,276)**	(15,397)
Finance income, net	**109,805**	92,118

7 OPERATING PROFIT

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

	2014 HK$'000	2013 HK$'000
Depreciation	**484,089**	452,654
Amortisation of prepaid land lease payments	**24,624**	25,820
Amortisation of other intangible assets	**3,306**	3,277
Auditors' remuneration	**8,860**	8,448
Employee benefit expenses (including Directors' remuneration (note 8)):		
Wages and salaries	**1,200,860**	1,169,773
Equity-settled share option expense	**1,298**	11,975
Retirement benefit scheme contributions*	**93,477**	91,295
Total employee benefit expenses	**1,295,635**	1,273,043

7 OPERATING PROFIT (Continued)

	2014 HK$'000	2013 HK$'000
Minimum lease payments under operating leases:		
Land and buildings	**84,673**	84,548
Plant and machinery and motor vehicles	**22,179**	14,965
Provision for impairment of trade and other receivables, net	**6,590**	2,705
Rental income on investment properties less direct operating expenses HK$1,167,000 (2013: HK$989,000)	**(33,404)**	(30,184)

* At 31 December 2014, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2013: Nil).

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year is as follows:

	2014 HK$'000	2013 HK$'000
Fees:		
Executive Directors	**1,361**	1,569
Independent Non-Executive Directors	**1,400**	1,400
	2,761	2,969
Other emoluments:		
Executive Directors:		
Equity-settled share option expense	**90**	991
	2,851	3,960

Certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details are set out in note 35 to the consolidated financial statements. The fair value of such options which has been recognised in the consolidated income statement over the vesting period was determined as at the date of grant, and the amount is included in the above Directors' remuneration disclosures.

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent Non-Executive Directors

	2014 HK$'000	2013 HK$'000
Fees:		
Dr. Fong Yun Wah	350	350
Mr. Wong Man Kong, Peter	350	350
Mr. Sze, Robert Tsai To	350	350
Mr. Chan Wing Kee	350	350
	1,400	1,400

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2013: Nil).

(b) Executive Directors

	Fees HK$'000	Equity-settled share option expense HK$'000	Total Remuneration HK$'000
2014			
Ms. Jiang Yan	276	18	294
Mr. Wang Shuai Ting*	125	–	125
Mr. Lo Sui On	240	18	258
Mr. Zhang Fengchun	240	18	258
Mr. Xu Muhan	240	18	258
Mr. Fu Zhouyang	240	18	258
	1,361	90	1,451

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive Directors (Continued)

	Fees HK$'000	Equity-settled share option expense HK$'000	Total Remuneration HK$'000
2013			
Ms. Jiang Yan	240	164	404
Mr. Wang Shuai Ting*	330	–	330
Mr. Lo Sui On	240	164	404
Mr. Fang Xiaorong**	39	164	203
Mr. Zhang Fengchun	240	164	404
Mr. Xu Muhan	240	171	411
Mr. Fu Zhouyang	240	164	404
	1,569	991	2,560

* Resigned on 19 May 2014
** Retired on 1 March 2013

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

Mr. Xu Muhan is also the Chief Executive of the Company and his emoluments disclosed above include those services rendered by him as Chief Executive.

9 FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year did not include directors of the Company (2013: Nil). Details of the remuneration of the five highest paid individuals for the year are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**11,096**	8,960
Equity-settled share option expense	**35**	287
Retirement benefit scheme contributions	**418**	544
	11,549	9,791

9 FIVE HIGHEST PAID INDIVIDUALS (Continued)

The emoluments fell within the following bands:

	Number of employees	
	2014	2013
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**5**	2
	5	5

Share options were granted to the five highest paid individuals in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above disclosures.

10 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014 HK$'000	2013 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**73,265**	75,557
Underprovision/(overprovision) in prior years	**568**	(1,412)
Current – Mainland China and Macau		
Charge for the year	**231,140**	120,917
Overprovision in prior years	**(138)**	(366)
Overseas – Charge for the year	**677**	1,721
Deferred tax	**4,670**	28,987
Total tax charge for the year	**310,182**	225,404

10 TAXATION (Continued)

A reconciliation of the tax expense of the Group applicable to profit before tax at the applicable tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2014 **HK$'000**	2013 HK$'000
Profit before taxation	**2,175,341**	1,479,403
Tax at the applicable tax rate	**425,849**	314,538
Lower tax rates for specific provinces or enacted by local authority	**(51,408)**	(9,591)
Adjustments in respect of current tax of previous periods	**430**	(1,778)
Profit attributable to associates and joint ventures	**(86,320)**	(85,398)
Income not subject to tax	**(78,199)**	(74,893)
Expenses not deductible for tax	**59,200**	53,599
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries, associates and joint ventures	**29,349**	16,670
Tax losses utilised from previous periods	**(12,385)**	(17,720)
Tax losses not recognised	**23,666**	29,977
Tax charge at the Group's effective rate	**310,182**	225,404

The share of tax attributable to associates and joint ventures amounting to HK$74,631,000 (2013: HK$74,622,000), and HK$1,159,000 (2013: HK$727,000) respectively, is included in "Share of profits less losses of associates and joint ventures" in the consolidated income statement.

11 PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The consolidated profit attributable to equity owners of the Company for the year ended 31 December 2014 includes a profit of HK$1,836,035,000 (2013: HK$528,798,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend, paid, of HK2.5 cents (2013: HK2 cents) per ordinary share	**140,357**	112,724
Special interim dividend, paid, of HK2.5 cents (2013: Nil) per ordinary share	**140,357**	–
Final dividend, proposed, of HK5 cents (2013: HK4 cents) per ordinary share	**280,743**	225,383
Special final dividend, proposed, of HK2 cents (2013: Nil) per ordinary share	**112,337**	–
	673,894	338,107

At a board meeting held on 24 March 2015, the Directors proposed a final dividend of HK5 cents per share and a special final dividend of HK2 cents 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 2015.

13 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

	2014 HK$'000	2013 HK$'000
Basic earnings per share		
Profit attributable to equity owners of the Company	**1,738,884**	1,151,889
Weighted average number of ordinary shares in issue	**5,622,261,004**	5,645,780,144
	HK30.93 cents	HK20.40 cents

13 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY (Continued)

Diluted earnings per share

Diluted earnings per share in year 2014 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.

	2014 HK$'000
Profit attributable to equity owners of the Company	1,738,884
Weighted average number of ordinary shares in issue	5,622,261,004
Adjustments for:	
– Share options	11,517,591
Weighted average number of ordinary shares for diluted earnings per share	5,633,778,595
	HK30.87 cents

Diluted earnings per share was equal to the basic earnings per share for the year ended 31 December 2013 as the exercise price of the outstanding share options granted by the Company was higher than the average market price of the shares of the Company and they thus were anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establishments HK$'000	Construction in progress HK$'000	Other fixed assets HK$'000	Total HK$'000
Net book value						
31 December 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	5,748,093	3,061,047	1,480,958	1,855,048	2,760,649	14,905,795
Accumulated depreciation and impairment	(2,120,784)	(921,636)	(935,827)	–	(1,696,402)	(5,674,649)
	3,627,309	2,139,411	545,131	1,855,048	1,064,247	9,231,146
At 1 January 2014	3,627,309	2,139,411	545,131	1,855,048	1,064,247	9,231,146
Additions	–	16,136	10,744	1,134,610	145,721	1,307,211
Acquisition of subsidiaries	–	24,469	80,316	37,349	93,488	235,622
Disposal of subsidiaries	–	–	–	(250,546)	(40,865)	(291,411)
Disposals and write-off	–	(16,040)	(7,229)	–	(8,946)	(32,215)
Depreciation	(109,146)	(84,524)	(40,254)	–	(250,165)	(484,089)
Transfers	(1,447)	3,774	82,922	(98,442)	11,746	(1,447)
Exchange adjustments	(2,709)	(10,170)	(254)	(682)	(3,237)	(17,052)
At 31 December 2014	3,514,007	2,073,056	671,376	2,677,337	1,011,989	9,947,765
At 31 December 2014:						
Cost	5,740,849	3,079,652	1,674,017	2,677,337	2,834,709	16,006,564
Accumulated depreciation and impairment	(2,226,842)	(1,006,596)	(1,002,641)	–	(1,822,720)	(6,058,799)
	3,514,007	2,073,056	671,376	2,677,337	1,011,989	9,947,765

Accumulated impairment losses amounted to HK$336,684,000 as at 31 December 2014 and 31 December 2013.

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establishments HK$'000	Construction in progress HK$'000	Other fixed assets HK$'000	Total HK$'000
Net book value						
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	5,698,205	2,986,786	1,413,215	617,940	2,568,954	13,285,100
Accumulated depreciation and impairment	(1,991,384)	(800,156)	(878,871)	–	(1,532,306)	(5,202,717)
	3,706,821	2,186,630	534,344	617,940	1,036,648	8,082,383
At 1 January 2013	3,706,821	2,186,630	534,344	617,940	1,036,648	8,082,383
Additions	–	4,859	18,767	1,344,376	125,608	1,493,610
Disposals and write-off	–	(17,266)	(232)	–	(15,712)	(33,210)
Depreciation	(102,991)	(84,610)	(30,350)	–	(234,703)	(452,654)
Transfers	–	3,611	5,963	(135,418)	125,844	–
Exchange adjustments	23,479	46,187	16,639	28,150	26,562	141,017
At 31 December 2013	3,627,309	2,139,411	545,131	1,855,048	1,064,247	9,231,146
At 31 December 2013:						
Cost	5,748,093	3,061,047	1,480,958	1,855,048	2,760,649	14,905,795
Accumulated depreciation and impairment	(2,120,784)	(921,636)	(935,827)	–	(1,696,402)	(5,674,649)
	3,627,309	2,139,411	545,131	1,855,048	1,064,247	9,231,146

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Net book value				
At 1 January 2014	**1,264**	**1,520**	**1,011**	**3,795**
Additions	**–**	**499**	**468**	**967**
Depreciation	**(360)**	**(778)**	**(335)**	**(1,473)**
At 31 December 2014	**904**	**1,241**	**1,144**	**3,289**
At 31 December 2014:				
Cost	**2,599**	**4,611**	**1,754**	**8,964**
Accumulated depreciation	**(1,695)**	**(3,370)**	**(610)**	**(5,675)**
	904	**1,241**	**1,144**	**3,289**
At 1 January 2013	1,620	1,619	670	3,909
Additions	3	622	499	1,124
Depreciation	(359)	(721)	(158)	(1,238)
At 31 December 2013	1,264	1,520	1,011	3,795
At 31 December 2013:				
Cost	2,602	6,382	2,303	11,287
Accumulated depreciation	(1,338)	(4,862)	(1,292)	(7,492)
	1,264	1,520	1,011	3,795

The Group's land included in hotel properties and land and building with net carrying amounts as listed below is situated in Hong Kong and is held under the following lease terms:

	2014 HK$'000	2013 HK$'000
Leases of over 50 years	**1,947,589**	1,979,133
Leases of between 10 to 50 years	**415,089**	426,875
	2,362,678	2,406,008

At 31 December 2014, included in the Group's land and buildings amounting to HK$465,791,000 (2013: HK$460,078,000) were certain buildings of which the Group was in the progress of applying the certificate of buildings as at the end of the reporting period.

At 31 December 2014, certain of the Group's buildings with net carrying amounts of HK$Nil (2013: HK$9,013,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

15 INVESTMENT PROPERTIES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At fair value				
At 1 January	**1,859,778**	1,668,577	**3,816**	3,207
Net gain from fair value adjustments	**70,049**	155,529	**164**	501
Transfer from property, plant and equipment	**3,402**	–	**–**	–
Disposal	**(646,121)**	–	**–**	–
Exchange adjustments	**(1,834)**	35,672	**–**	108
At 31 December	**1,285,274**	1,859,778	**3,980**	3,816

The Group's and the Company's investment properties are held under the following lease terms:

	Hong Kong	**Outside Hong Kong**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
2014			
Group:			
Leases of over 50 years	**461,500**	**–**	**461,500**
Leases of between 10 to 50 years	**168,000**	**655,774**	**823,774**
	629,500	**655,774**	**1,285,274**
Company:			
Leases of between 10 to 50 years	**–**	**3,980**	**3,980**

	Hong Kong	Outside Hong Kong	Total
	HK$'000	HK$'000	HK$'000
2013			
Group:			
Leases of over 50 years	413,600	646,121	1,059,721
Leases of between 10 to 50 years	183,800	616,257	800,057
	597,400	1,262,378	1,859,778
Company:			
Leases of between 10 to 50 years	–	3,816	3,816

15 INVESTMENT PROPERTIES (Continued)

The following table analyses the investment properties of the Group and the Company carried at fair value, using a valuation technique with significant unobservable inputs.

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Recurring fair value measurements				
Hong Kong:				
– Commercial properties	**629,500**	597,400	**–**	–
Outside Hong Kong:				
– Commercial properties	**655,774**	1,262,378	**3,980**	3,816
	1,285,274	1,859,778	**3,980**	3,816

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Group and the Company measure their investment properties at fair value. The investment properties were revalued on 31 December 2014 by RHL Appraisal Ltd., an independent professionally qualified valuer, at HK$1,285,274,000 (2013: HK$1,859,778,000) and HK$3,980,000 (2013: HK$3,816,000), respectively. For all investment properties, their current use equates to the highest and best use.

The Group assigns a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the team:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements by comparing with the prior year valuation report;
- Holds discussions with the independent valuer.

The fair value of investment properties are determined by direct comparison approach, on the market basis assuming sale with immediate vacant possession and taking reference to their respective existing states and comparable sales evidence. The valuations take into account the characteristics of the properties including the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristics will result in a higher fair value measurement.

15 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value

At 31 December 2014 and 31 December 2013, the range of premium/(discount) used in the direct comparison approach is as follows:

	2014 **Range of premium/(discount)**
Hong Kong	**-20% to 10%**
Outside Hong Kong	**-30% to -4%**

	2013 Range of premium/(discount)
Hong Kong	-12% to 29%
Outside Hong Kong	-38% to -5%

16 PREPAID LAND LEASE PAYMENTS

	Group	
	2014 **HK$'000**	2013 HK$'000
At 1 January	**443,888**	456,520
Acquisition of subsidiaries	**5,819**	–
Disposal of subsidiaries	**(38,239)**	–
Addition	**104,077**	3,189
Amortisation	**(24,624)**	(25,820)
Transfer to investment property	**(213)**	–
Exchange adjustments	**(1,854)**	9,999
At 31 December	**488,854**	443,888
Current portion included in deposits, prepayments and other receivables	**(24,271)**	(25,820)
Non-current portion	**464,583**	418,068

The leasehold land is situated outside Hong Kong and is under the following lease terms as at the reporting date:

	Macau **HK$'000**	**Elsewhere** **HK$'000**	**Total** **HK$'000**
2014			
Leases of between 10 to 50 years	**80,166**	**408,688**	**488,854**
2013			
Leases of between 10 to 50 years	88,602	355,286	443,888

17 GOODWILL

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January		
Cost	**1,584,707**	1,584,707
Accumulated impairment	**(306,133)**	(306,133)
Net book amount	**1,278,574**	1,278,574
Year ended 31 December		
Acquisition of subsidiaries	**51,577**	–
At 31 December		
Cost	**1,636,284**	1,584,707
Accumulated impairment	**(306,133)**	(306,133)
Net book amount	**1,330,151**	1,278,574

On 14 April 2014, the Company entered into investment cooperation agreement to acquire 51% of interest of CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and 51% of interest of CTS (Ningxia) Shapotou Cable Car Co., Ltd. (Note 37). The goodwill arising from this acquisition is calculated at HK$51,577,000. Both newly acquired entities are principally engaged in tourist attraction operations. The entire amount of goodwill has been allocated to the tourist attraction operations cash-generating units.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, for impairment testing.

- Travel agency and related operations
- Tourist attraction operations

Travel agency and related operations cash-generating unit

The recoverable amount of the travel agency and related operations cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13% (2013: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

Tourist attraction operations cash-generating unit

The recoverable amount of the tourist attraction cash-generating unit was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% (2013: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

17 GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Tourist attraction operations cash-generating unit (Continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Travel agency and related operations		Tourist attraction operations		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Carrying amount of goodwill	**1,244,769**	1,244,769	**85,382**	33,805	**1,330,151**	1,278,574

Key assumptions were used in the value-in-use calculation of the travel agency and related operations and tourist attraction operations cash-generating units for the years ended 31 December 2014 and 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates - The discount rate used is before tax and reflects specific risks relating to the travel agency and related operations and tourist attraction operations cash-generating units, respectively.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

18 OTHER INTANGIBLE ASSETS

Group

	Ticketing Operation rights HK$'000	Trademarks HK$'000	Passenger service licences and quota HK$'000	Total HK$'000
Net book value				
At 1 January 2014	**120,457**	**34,291**	**34,105**	**188,853**
Amortisation	**(3,306)**	**–**	**–**	**(3,306)**
Exchange adjustments	**(446)**	**–**	**–**	**(446)**
At 31 December 2014	**116,705**	**34,291**	**34,105**	**185,101**
At 31 December 2014:				
Cost	**132,739**	**34,291**	**34,105**	**201,135**
Accumulated amortisation	**(16,034)**	**–**	**–**	**(16,034)**
	116,705	**34,291**	**34,105**	**185,101**
At 1 January 2013	119,690	34,291	34,105	188,086
Amortisation	(3,277)	–	–	(3,277)
Exchange adjustments	4,044	–	–	4,044
At 31 December 2013	120,457	34,291	34,105	188,853
At 31 December 2013:				
Cost	133,544	34,291	34,105	201,940
Accumulated amortisation	(13,087)	–	–	(13,087)
	120,457	34,291	34,105	188,853

Amortisation of HK$3,306,000 for the year ended 31 December 2014 (2013: HK$3,277,000) is included in administrative expenses in the consolidated income statement.

19 INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**6,697,262**	6,100,280
Capital contribution in respect of employee share-based compensation	**168,740**	172,891
	6,866,002	6,273,171
Less: Impairment for investment costs	**(573,712)**	(573,712)
	6,292,290	5,699,459
Amounts due from subsidiaries - current portion	**9,100,067**	8,272,549
Less: Impairment for amounts due from subsidiaries	**(662,000)**	(906,441)
	8,438,067	7,366,108
Amounts due to subsidiaries - current portion	**(1,893,306)**	(1,598,644)

The amounts due from and to subsidiaries are unsecured and repayable on demand.

Particulars of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

Material non-controlling interests

The total non-controlling interest for the period is HK$1,090,850,000, of which HK$322,828,000 is for Shenzhen The World Miniature Co., Ltd. ("Window of the World"), HK$191,437,000 is for Shenzhen Splendid China Development Co., Ltd. ("Splendid China"), and HK$150,055,000 is attributed to CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("CTS (Dengfeng)"). The non-controlling interests in respect of other subsidiaries are not material.

19 INTERESTS IN SUBSIDIARIES (Continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Window of the World		Splendid China		CTS (Dengfeng)	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Non current assets	**398,420**	444,988	**323,037**	303,164	**97,351**	97,218
Current assets	**394,174**	320,274	**139,259**	159,303	**353,744**	343,584
Non current liabilities	**(1,268)**	–	**–**	–	**–**	–
Current liabilities	**(127,543)**	(131,960)	**(66,897)**	(63,195)	**(228,869)**	(185,074)
Net assets	**663,783**	633,302	**395,399**	399,272	**222,226**	255,728

Summarised income statement

	Window of the World		Splendid China		CTS (Dengfeng)	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Revenue	**597,720**	516,414	**247,186**	232,671	**267,000**	257,794
Profit after taxation and total comprehensive income	**201,016**	167,061	**44,973**	47,084	**30,613**	38,947
Total comprehensive income attributable to non-controlling interests	**98,498**	81,860	**22,037**	23,071	**15,001**	19,084
Dividends paid to non-controlling interests	**(82,584)**	(78,560)	**(23,276)**	(19,178)	**(29,448)**	(22,153)

19 INTERESTS IN SUBSIDIARIES (Continued)

Summarised cash flows

	Window of the World		Splendid China		CTS (Dengfeng)	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Net cash flows generated from operating activities	**251,329**	231,882	**80,399**	61,528	**34,574**	46,444
Net cash flows used in investing activities	**(67,221)**	(87,956)	**(10,747)**	(21,582)	**(44,598)**	(61,707)
Net cash flows (used in)/ generated from financing activities	**(168,539)**	(160,327)	**(47,502)**	(39,139)	**(16,447)**	88,244
Net increase/(decrease) in cash and cash equivalents	**15,569**	(16,401)	**22,150**	807	**(26,471)**	72,981
Cash and cash equivalents at end of year	**194,393**	179,366	**42,126**	19,958	**121,476**	148,544

The financial information above is the amount before inter-company eliminations.

20 INTERESTS IN ASSOCIATES

	Group	
	2014 HK$'000	2013 HK$'000
Share of net assets	**1,076,781**	1,145,136
Provision for impairment	**(56,321)**	(52,911)
	1,020,460	1,092,225

20 INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates, all of which are held indirectly through subsidiaries, are as follows:

Name	Particulars of paid up capital	Place of incorporation/ operations	Percentage of equity and profit sharing attributable to the Group		Principal activities
			2014	2013	
All China Express Limited#	Ordinary shares of HK$1 each	Hong Kong	**30**	30	Passenger transportation
Changsha Colorful World Company Limited#	RMB100,000,000	PRC/Mainland China	**26**	26	Scenic spot operations
Huangshan Taiping Cable Car Co. Ltd.#	US$6,975,000	PRC/Mainland China	**30**	30	Cable car operations
Huangshan Yuping Cable Car Company Ltd.#	RMB19,000,000	PRC/Mainland China	**20**	20	Cable car operations
Qmango Holdings Limited#	Ordinary shares and preference shares of US$0.001 each	British Virgin Islands ("BVI")/ Mainland China	**–**	51	Sale of travel related products
Shun Tak – China Travel Shipping Investments Limited	Ordinary shares of US$1 each	("BVI")/ Hong Kong	**29**	29	Shipping operations
Shaanxi Weihe Power Co., Ltd. ("Shaanxi Weihe Power")	RMB1,800,000,000	PRC/Mainland	**51**	51	Generation and sale of electricity

Not audited by PricewaterhouseCoopers, Hong Kong or another member firm of the PricewaterhouseCoopers global network.

(a) The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

(b) Although the Group holds more than 50% of the equity shares of Shaanxi Weihe Power, the Group only exercises significant influence through number of representatives on board of this associate.

20 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information for associates

Set out below are the summarised financial information for material associates which are accounted for using the equity method.

	Shaanxi Weihe Power		Other associates in aggregate		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Non current assets	**446,360**	447,528	**1,283,608**	1,426,757	**1,729,968**	1,874,285
Current assets	**1,526,139**	1,449,302	**1,431,253**	1,161,261	**2,957,392**	2,610,563
Non current liabilities	**(906,810)**	(649,362)	**(706,193)**	(514,712)	**(1,613,003)**	(1,164,074)
Current liabilities	**(25,926)**	(29,259)	**(86,161)**	(218,618)	**(112,087)**	(247,877)
Net assets	**1,039,763**	1,218,209	**1,922,507**	1,854,688	**2,962,270**	3,072,897
Revenue	**2,811,675**	2,764,161	**3,544,148**	3,152,892	**6,355,823**	5,917,053
Profit after taxation	**557,493**	540,249	**403,596**	299,233	**961,089**	839,482
Other comprehensive income	**–**	–	**(103,535)**	6,768	**(103,535)**	6,768
Total comprehensive income	**557,493**	540,249	**300,061**	306,001	**857,554**	846,250
Dividends received from associate	**(321,230)**	(328,804)	**(22,620)**	–	**(343,850)**	(328,804)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to share of net assets of its interest in associates

	Shaanxi Weihe Power		Other associates in aggregate		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Net assets						
At 1 January	**1,218,209**	1,287,656	**1,854,688**	1,598,936	**3,072,897**	2,886,592
Profit for the year	**557,493**	540,249	**403,596**	299,233	**961,089**	839,482
Other comprehensive (loss)/income	**–**	–	**(103,535)**	6,768	**(103,535)**	6,768
Exchange adjustments	**(106,076)**	(31,519)	**(141,381)**	39,276	**(247,457)**	7,757
Disposal	**–**	–	**(12,861)**	–	**(12,861)**	–
Dividend	**(629,863)**	(578,177)	**(78,000)**	(89,525)	**(707,863)**	(667,702)
At 31 December	**1,039,763**	1,218,209	**1,922,507**	1,854,688	**2,962,270**	3,072,897
Share of net assets	**530,279**	621,287	**546,502**	523,849	**1,076,781**	1,145,136

21 INTERESTS IN JOINT VENTURES

	Group	
	2014 **HK$'000**	2013 HK$'000
Share of net assets	**40,204**	38,503

(a) The following amounts represent the Group's 50% share of the assets and liabilities and income and results of the joint venture. They are included in the consolidated statement of financial position and consolidated income statement:

	2014 **HK$'000**	2013 HK$'000
Non-current assets	**20,663**	17,584
Current assets	**47,947**	42,009
Non-current liabilities	**(18,976)**	(21,090)
Net assets	**49,634**	38,503
Revenue	**58,528**	54,934
Expenses	**(50,634)**	(48,972)
Taxation	**(1,159)**	(727)
Profit after taxation and total comprehensive income	**6,735**	5,235
Dividends received from joint ventures	**(5,000)**	(6,000)

Particulars of the principal joint venture are as follows:

Name	**Particulars of paid up capital**	**Place of incorporation/ operations**	**Percentage of equity and profit sharing attributable to the Group**		**Principal activities**
			2014	2013	
Macao CTS Passenger Road Transport Company Limited#	MOP5,000,000	Macau	**50**	50	Passenger transportation

Not audited by PricewaterhouseCoopers, Hong Kong or another member firm of the PricewaterhouseCoopers global network.

(b) There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

22 AVAILABLE-FOR-SALE INVESTMENTS – GROUP AND COMPANY

The investments consist of equity securities which are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted equity investments, whose fair values cannot be measured reliable, have been stated at cost less accumulated impairment.

23 INVENTORIES

	Group	
	2014 **HK$'000**	2013 HK$'000
Food and beverages	**17,574**	17,528
Spare parts and consumables	**2,176**	2,348
General merchandise and properties under development	**118,533**	123,151
	138,283	143,027

24 TRADE RECEIVABLES

	Group	
	2014 **HK$'000**	2013 HK$'000
Trade receivables	**203,470**	286,951
Less: provision for impairment	**(15,134)**	(12,467)
	188,336	274,484

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.

24 TRADE RECEIVABLES (Continued)

At 31 December 2014 and 2013, 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:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 3 months	**163,426**	221,675
3 to 6 months	**13,673**	35,257
6 to 12 months	**4,995**	9,039
1 to 2 years	**6,008**	8,513
Over 2 years	**234**	–
	188,336	274,484

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**12,467**	10,651
Provision for impairment, net	**3,647**	2,705
Receivables written off during the year as uncollectible	**(762)**	(801)
Exchange adjustments	**(218)**	(88)
At 31 December	**15,134**	12,467

The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

As at 31 December 2014, trade receivables of HK$24,910,000 (2013: HK$52,809,000) were past due but not impaired. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The ageing analysis of these trade receivables, based on the invoice date, is as follows:

24 TRADE RECEIVABLES (Continued)

	Group	
	2014	2013
	HK$'000	HK$'000
Over 3 months up to 6 months	**13,673**	35,257
Over 6 months and up to 12 months	**4,995**	9,039
Over 1 year and to 2 years	**6,008**	8,513
Over 2 years	**234**	–
	24,910	52,809

As at 31 December 2014, trade receivables of HK$15,134,000 (2013: HK$12,467,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Over 3 months and up to 6 months	**–**	–
Over 6 months and up to 12 months	**194**	408
Over 1 year and up to 2 years	**2,195**	5,583
Over 2 years	**12,745**	6,476
	15,134	12,467

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables.

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		Group		Company	
	Notes	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Deposits, prepayments and other receivables		**559,771**	444,407	**36,492**	9,721
Entrustment loan receivables					
– non-controlling shareholders	(a)	**278,880**	254,378	**–**	–
– others	(b)	**443,673**	814,011	**–**	–
Amounts due from non-controlling shareholders	(c)	**120,050**	123,725	**–**	–
Amounts due from associates	(d)	**51,168**	40,494	**60**	60
Amount due from a joint venture	(d)	**4,585**	55	**–**	–
		1,458,127	1,677,070	**36,552**	9,781
Less: non-current portion prepayment		**(91,951)**	(93,583)	**–**	–
		1,366,176	1,583,487	**36,552**	9,781

None of the above assets is past due. Management has monitored above balances including amounts due from non-controlling shareholders (note c) and concluded that no risk on recoverability.

The carrying amounts of the Group's deposits, prepayments and other receivables approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Notes:

(a) The Group entered into entrustment loan arrangements with the non-controlling shareholders of Splendid China and Windows of the World, which are the Company's 51% owned subsidiaries, with RMB70 million and RMB150 million withdrawn, respectively, as at 31 December 2014. The entrustment loans are unsecured, repayable by the non-controlling shareholders upon one month notice from the Group, and bear interest at the 1-year PBOC Base Lending Rate less 10% per annum.

(b) The Group also entered into several entrustment loan arrangements with certain PRC companies during the year. The entrustment loans are unsecured and bear interest ranging from 5.4% to 7.5% per annum. These loans are 1-year period and repayable between March 2015 and September 2015 (31 December 2013: repayable between March 2014 and October 2014).

(c) The balances include the amount due from a non-controlling shareholder of CTS (Dengfeng), a 51% owned subsidiary of the Company, of HK$105,114,000 (2013: HK$108,879,000), which is unsecured and bears interest at the 5.52% per annum.

(d) The balances are unsecured, interest free and repayable on demand.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company had certain investments with certain financial institutions, which are classified as financial assets at fair value through profit or loss. The investments based on respective contracts have maturity dates within 1 year.

Their notional amount approximate their fair values and as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within 1 year	**1,419,753**	892,868	**–**	445,162

The following hierarchy is used for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The following table presents the Group's and the Company's financial assets that are measured at fair value at 31 December 2014. The investment properties that are measured at fair value are disclosed in note 15.

Group

	2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**–**	**1,419,753**	**–**	**1,419,753**

	2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	892,868	–	892,868

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Company

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**

	2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	–	445,162	–	445,162

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

Changes in fair value of financial assets at fair value through profit or loss are recorded in other income and gains, net (note 5) in the consolidated income statement.

27 CASH AND BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,130,964**	1,346,316	**976,640**	71,414
Time deposits	**2,233,378**	675,139	**–**	–
	3,364,342	2,021,455	**976,640**	71,414
Less: Pledged time deposits:				
– Pledged for a short term bank loan (note 32)	**–**	(1,068)	**–**	–
– Pledged for credit facilities and bank guarantees	**(37,317)**	(53,615)	**–**	–
	(37,317)	(54,683)	**–**	–
	3,327,025	1,966,772	**976,640**	71,414

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Maximum exposure to credit risks	**3,353,059**	2,009,138	**976,587**	71,368

The Group has pledged bank deposits to banks to secure: (a) a short term bank loan; (b) certain credit facilities granted by suppliers to the Company's subsidiaries; and (c) certain bank guarantees given in lieu of utility and rental deposits.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,388,387,000 (2013: HK$1,526,694,000). The RMB is not freely convertible into other currencies. However, under "Mainland China's Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Provisions", the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and one year, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28 BALANCES WITH IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The balances with immediate holding company and fellow subsidiaries of the Group and the Company mainly represent receivables and payables which are of trade nature.

Except for the balances with immediate holding company regarding the provision of travel permit administration services which is repayable within three business days in the month following the transactions, the remaining balances with immediate holding company and the balances with fellow subsidiaries are unsecured, interest-free and repayable on demand.

The ageing analysis of the balances with immediate holding company and fellow subsidiaries is as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Amount due from immediate holding company				
Within 1 year	**24,500**	25,384	**–**	–
1 to 2 years	**2,303**	2,784	**–**	–
Over 2 years	**136**	129	**–**	–
	26,939	28,297	**–**	–
Amounts due from fellow subsidiaries				
Within 1 year	**31,878**	38,799	**122**	127
1 to 2 years	**350**	375	**–**	127
Over 2 years	**151**	12	**–**	9
	32,379	39,186	**122**	263

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The above balances do not contain impaired assets.

	Group 2014	Group 2013	Company 2014	Company 2013
Amount due to immediate holding company				
Within 1 year	**4,131**	1,062	**4,023**	1,038
	4,131	1,062	**4,023**	1,038
Amounts due to fellow subsidiaries				
Within 1 year	**26,415**	18,995	**2,661**	6
1 to 2 years	**–**	734	**–**	–
Over 2 years	**–**	9	**–**	–
	26,415	19,738	**2,661**	6

29 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:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 3 months	**256,067**	323,979
3 to 6 months	**15,420**	22,087
6 to 12 months	**5,126**	13,680
1 to 2 years	**10,964**	9,584
Over 2 years	**13,128**	8,369
	300,705	377,699

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

30 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables and accruals	**927,916**	992,165	**14,183**	12,014
Accrued employee benefits	**335,837**	341,237	**22,765**	16,088
Receipts in advance	**178,194**	198,820	**10,549**	–
Amounts due to the non-controlling shareholders	**17,376**	8,624	**–**	–
Amount due to an associate	**73,875**	75,870	**–**	–
	1,533,198	1,616,716	**47,497**	28,102

Other payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

Amount due to an associate is unsecured, interest free and repayable on demand.

31 DEFERRED INCOME

Deferred income primarily represents deferred revenue and government grant income.

32 BANK AND OTHER BORROWINGS

	Notes	2014 Contractual interest rate per annum(%)	2014 Maturity	2014 HK$'000	2013 Contractual interest rate (%)	2013 Maturity	2013 HK$'000
Group							
Current							
Bank loans – unsecured	(i)	7.2-7.315	2015	25,354	COF+0.75	2014	174,184
Bank loans – unsecured		–	–	–	HIBOR+1.00	2014	80,000
Bank loans – unsecured		1.975	2015	469	HIBOR+0.90	2014	220,000[1]
Bank loans – unsecured		1-Year PBOC Benchmark loan interest rate	2015	12,676[2]	1-Year PBOC Benchmark loan interest rate	2014	12,719[2]
Other borrowings – unsecured	(ii)	1-Year PBOC Benchmark loan interest rate	On demand	22,310	1-Year PBOC Benchmark loan interest rate	On demand	22,894
Other loans – unsecured		Interest-free	On demand	1,268	Interest-free	On demand	1,272
Bank loans – secured	(iii)	–	–	–	EURIBOR+0.12	2014	1,068
				62,077			512,137
Non-current							
Bank loan – unsecured		1.5818	2017	800,000	1-year PBOC Benchmark loan interest rate	2015	12,719[2]
Bank loan – unsecured		1.975	2020	2,185	1.975	2020	3,557
Other borrowings – unsecured		Interest-free	2015-2024	3,957	Interest-free	2014-2024	3,957
				806,142			20,233
Total bank and other borrowings – Group				868,219			532,370
Company							
Current							
Bank loans – unsecured	(i)	–	–	–	COF+0.75	2014	174,184
Bank loans – unsecured		–	–	–	HIBOR+1.00	2014	80,000
				–			254,184
Non-current							
Bank loan – unsecured		1.5818	2017	800,000	–	–	–
Total bank and other borrowings – Company				800,000			254,184

Notes:

(i) COF represented the rate, as conclusively determined by the lender, to be that which express a percentage rate per annum the cost of the lender of funding the relevant advance for the relevant interest period from whatever source it may select.

(ii) The Group's other borrowings represent borrowings from the non-controlling shareholders of Yangzhou Grand Metropole Hotel Co., Ltd. ("Yangzhou Grand Metropole Hotel"), a 60% owned subsidiary of the Group.

(iii) As at 31 December 2014, the Group's short term bank loan is secured by the Group's bank deposits amounting to HK$Nil (2013: HK$1,068,000).

1 The loans are supported by corporate guarantees given by the Company.

2 The loan is supported by corporate guarantees given by the parent company. Further details are contained in note 43(b)(i).

32 BANK AND OTHER BORROWINGS (Continued)

The bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
US dollar	**–**	174,184	**–**	174,184
Hong Kong dollar	**803,957**	303,957	**800,000**	80,000
Renminbi	**61,608**	49,604	**–**	–
Euro dollar	**–**	1,068	**–**	–
Japanese Yen	**2,654**	3,557	**–**	–
	868,219	532,370	**800,000**	254,184

	Group		Company	
	2014	2013	**2014**	2013
Analysed into:				
Bank loans :				
Within 1 year	**38,499**	487,971	**–**	254,184
Between 1 and 2 years	**800,469**	13,787	**800,000**	–
Between 2 and 5 years	**1,407**	1,602	**–**	–
Over 5 years	**309**	887	**–**	–
	840,684	504,247	**800,000**	254,184
Other borrowings:				
Within 1 year	**23,578**	24,166	**–**	–
Between 2 and 5 years	**2,166**	2,166	**–**	–
Over 5 years	**1,791**	1,791	**–**	–
	27,535	28,123	**–**	–
Total bank and other borrowings	**868,219**	532,370	**800,000**	254,184

32 BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the Group's current and floating rate borrowings approximate their fair values. The carrying amount and fair values of the Group's non-current fixed rate and interest free borrowings are as follows:

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Bank loan – unsecured	**2,185**	3,557	**2,039**	3,376
Other borrowings – unsecured	**3,957**	3,957	**3,753**	3,790
	6,142	7,514	**5,792**	7,166

The fair values of the above borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates, based on the borrowing rates of HIBOR+1% per annum and Japan prime lending rate+0.675% per annum and are within level 2 of the fair value hierarchy in both 2013 and 2014.

33 DEFERRED TAX

The analysis of the Group's deferred tax assets and deferred tax liabilities is as follows:

	2014 HK$'000	2013 HK$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**19,326**	13,619
Deferred tax assets to be recovered within 12 months	**306**	466
	19,632	14,085

	2014 HK$'000	2013 HK$'000
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**400,216**	508,594
Deferred tax liabilities to be settled within 12 months	**1,447**	4,300
	401,663	512,894

33 DEFERRED TAX (Continued)

The movements in deferred tax liabilities and assets during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities

	Depreciation allowances in excess of related depreciation HK$'000	Surplus on revaluation of properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2014	**116,977**	**131,150**	**254,331**	**10,436**	**512,894**
Deferred tax charged/(credited) to the income statement during the year	**5,546**	**9,209**	**(4,538)**	**–**	**10,217**
Exchange realignment	**(531)**	**(1,157)**	**(673)**	**–**	**(2,361)**
Disposal	**(17,476)**	**(101,611)**	**–**	**–**	**(119,087)**
At 31 December 2014	**104,516**	**37,591**	**249,120**	**10,436**	**401,663**
At 1 January 2013	108,321	102,236	256,650	10,436	477,643
Deferred tax charged to the income statement during the year	3,607	25,687	863	–	30,157
Exchange realignment	5,049	3,227	(3,182)	–	5,094
At 31 December 2013	116,977	131,150	254,331	10,436	512,894

33 DEFERRED TAX (Continued)

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2014	**(13,619)**	**(466)**	**(14,085)**
Deferred tax (credited)/charged to the income statement during the year	**(5,707)**	**160**	**(5,547)**
At 31 December 2014	**(19,326)**	**(306)**	**(19,632)**
At 1 January 2013	(12,330)	(585)	(12,915)
Deferred tax (credited)/charged to the income statement during the year	(1,289)	119	(1,170)
At 31 December 2013	(13,619)	(466)	(14,085)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balance of the Group for financial reporting purposes:

	2014 HK$'000	2013 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(19,632)**	(14,085)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**401,663**	512,894
	382,031	498,809

The Group has tax losses arising in Hong Kong of HK$92,063,000 (2013: HK$91,277,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$643,550,000 (2013: HK$1,006,375,000) and overseas of HK$18,001,000 (2013: HK$12,275,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34 SHARE CAPITAL

Shares

	2014 Number of shares	**2014** HK$'000	2013 Number of shares	2013 HK$'000
Authorised (note a):				
Ordinary shares of HK$0.10 each (note b)	**–**	**–**	7,000,000,000	700,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**5,634,573,525**	**563,457**	5,658,669,525	565,867
Shares cancelled upon repurchase of own shares (note c)	**(23,456,000)**	**–**	(24,096,000)	(2,410)
Transition to no-par regime on 3 March 2014 (note d)	**–**	**8,364,008**	–	–
Share issued upon share option scheme	**16,870,000**	**39,431**	–	–
At 31 December	**5,627,987,525**	**8,966,896**	5,634,573,525	563,457

Note a: Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

Note b: In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Note c: During 2014, the Company repurchased a total of 35,986,000 of its own ordinary shares through the Stock Exchange. Of these repurchased shares 23,456,000 shares were cancelled prior to year end 31 December 2014. The consideration paid (excluding transaction costs) to acquire these cancelled shares of HK$36,705,160 was deducted from equity. Subsequent to end of the reporting period the remaining 12,530,000 repurchased shares were cancelled on 14 January 2015. The highest price and lowest price paid were HK$2.58 per share and HK$1.52 per share respectively.

Note d: In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

35 SHARE OPTION SCHEME

On 4 May 2012, the Company has terminated the expiring share option scheme adopted on 3 June 2002 (the "2002 Share Option Scheme") and adopted a new share option scheme (the "2012 Share Option Scheme").

The Company operates the 2002 Share Option Scheme and the 2012 Share Option Scheme for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses; providing additional incentives to employees, officers and Executive Directors of the Group; and promoting the long term financial success of the Company by aligning the interests of option holders to those of the shareholders.

Eligible participants of the 2002 Share Option Scheme include the Company's Directors and employees of the Group, eligible participants of the 2012 Share Option Scheme include the Company's Directors and employees of the Group, as well as any advisers, consultants, suppliers, customers and agents of the Group. The 2012 Share Option Scheme became effective on 4 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company. The maximum number of shares issuable under the share options to each eligible participant in the 2012 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme and the 2012 Share Option Scheme at any time during a period to be notified by the Company's board of Directors to each grantee and, in any event, such period of time shall not exceed a period of 10 years from the date of grant of the relevant option.

The offer of a grant of share options of the 2002 Share Option Scheme and the 2012 Share Option Scheme may be accepted within 28 days from date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The subscription price of the share options of the 2002 Share Option Scheme and the 2012 Share Option Scheme is determinable by the Directors, but may not be less than the highest of (i) the closing price of the shares of the Company (the "Shares") as stated in the Stock Exchange's daily quotation sheet at the date of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

35 SHARE OPTION SCHEME (Continued)

During the year, the following share options were outstanding under the 2002 Share Option Scheme, no share option was granted under the 2012 Share Option Scheme:

	2014 Weighted average exercise price HK$ per share	**2014** Number of options '000	2013 Weighted average exercise price HK$ per share	2013 Number of options '000
At 1 January	**1.70**	**102,310**	1.70	121,360
Forfeited during the year	**1.70**	**(5,580)**	1.70	(19,050)
Exercised during the year	**1.70**	**(17,410)**	1.70	-
At 31 December		**79,320**		102,310

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014 Number of options '000	**Exercise price#** HK$ per share	**Exercise period**
23,797	1.70	18 June 2012 – 17 June 2020
23,797	1.70	18 June 2013 – 17 June 2020
31,726	1.70	18 June 2014 – 17 June 2020
79,320		

2013 Number of options '000	Exercise price# HK$ per share	Exercise period
30,690	1.70	18 June 2012 – 17 June 2020
30,690	1.70	18 June 2013 – 17 June 2020
40,930	1.70	18 June 2014 – 17 June 2020
102,310		

The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

35 SHARE OPTION SCHEME (Continued)

The Group recognised a share option expense of HK$1,298,000 for the year ended 31 December 2014 (2013: HK$11,975,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	3.52%
Expected volatility (%)	47.14%
Risk-free interest rate (%)	2.44%
Expected life of options (year)	10
Weighted average share price (HK$ per share)	1.7

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

36 RESERVES

Company

	Share premium account HK$'000	Treasury shares HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	8,357,579	(2,233)	4,019	62,627	2,515,119	10,937,111
Profit for the year and total comprehensive income for the year	–	–	–	–	528,798	528,798
Equity-settled share option arrangements	–	–	–	11,975	–	11,975
Repurchase of shares	–	(33,842)	–	–	–	(33,842)
Cancellation of shares	–	36,075	2,410	–	(36,157)	2,328
2012 final dividend paid	–	–	–	–	(169,450)	(169,450)
2013 interim dividend paid	–	–	–	–	(112,724)	(112,724)
At 31 December 2013 and at 1 January 2014	**8,357,579**	**–**	**6,429**	**74,602**	**2,725,586**	**11,164,196**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,836,035**	**1,836,035**
Transition to no-par value regime on 3 March 2014	**(8,357,579)**	**–**	**(6,429)**	**–**	**–**	**(8,364,008)**
Equity-settled share option arrangements	**–**	**–**	**–**	**1,298**	**–**	**1,298**
Repurchase of shares	**–**	**(68,257)**	**–**	**–**	**–**	**(68,257)**
Cancellation of shares	**–**	**36,705**	**–**	**–**	**(36,888)**	**(183)**
Exercise of share options	**–**	**–**	**–**	**(10,752)**	**–**	**(10,752)**
Lapse of share options	**–**	**–**	**–**	**(15,095)**	**15,095**	**–**
Relating to disposal of subsidiaries	**–**	**–**	**–**	**(4,534)**	**–**	**(4,534)**
2013 final dividend paid	**–**	**–**	**–**	**–**	**(224,485)**	**(224,485)**
2014 interim dividend paid	**–**	**–**	**–**	**–**	**(280,714)**	**(280,714)**
At 31 December 2014	**–**	**(31,552)**	**–**	**45,519**	**4,034,629**	**4,048,596**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.25 to the consolidated financial statements. The amount will either be transferred to the share capital when related options are exercised, or be transferred to retained profits should the related options lapsed.

37 BUSINESS COMBINATION

On 14 April 2014, the Company entered into investment cooperation agreements to acquire the 51% of interest of CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. for RMB237 million (HK$299 million) and 51% interest of CTS (Ningxia) Shapotou Cable Car Co., Ltd. for RMB25 million (HK$31 million) (together "Shapotou Group").

Both newly acquired entities are principally engaged in tourist attraction operations within Shapotou Scenic Spot in the Ningxia Hui Nationality Autonomous Region Spot in the PRC.

The fair values of the identifiable assets and liabilities of Shapotou Group as at the date of business combination were as follows:

	Fair values of assets and liabilities HK$'000
Cash and cash equivalents	386,215
Leasehold land and land use rights	5,819
Property, plant and equipment	235,622
Deferred tax assets	13
Available-for-sales investments	5,097
Inventories	912
Trade and other receivables	65,964
Trade and other payables	(100,873)
Deferred income	(2,145)
Borrowings	(50,476)
Total identifiable net assets	546,148
Non-controlling interest	(267,612)
Goodwill (note 17)	51,577
Satisfied by cash	330,113
Net cash flows from acquisitions of subsidiaries	
Cash and cash equivalents in subsidiaries acquired	386,215
Purchase consideration settled in cash	(330,113)
Acquisitions of subsidiaries, net of cash acquired	56,102

Acquisition-related costs of HK$60,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

Shapotou Group has contributed HK$112,279,000 to the Group's revenue and profit of HK$13,247,000 to the Group's consolidated result for the year ended 31 December 2014. If Shapotou Group had been consolidated from 1 January 2014, the consolidated revenue and profit of the Group would have increased by HK$193,609,000 and HK$51,311,000 respectively.

38 DISPOSAL OF SUBSIDIARIES

(a) On 27 March 2014, the Company entered into an agreement with its fellow subsidiary, Dean Success Limited, a subsidiary of the Company's immediate holding company, CTS (Holdings), to dispose of the entire interest of its indirect wholly-owned subsidiary, Mangocity.com (Investment) Limited for a consideration of RMB602 million. The disposal was approved by the shareholders on 23 May 2014.

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

	HK$'000
Assets	
Property, plant and equipment	286,233
Prepaid land lease payments	38,239
Investments in associates	6,454
Inventories	2,625
Trade receivables	65,772
Deposits, prepayments and other receivables	22,146
Amount due from immediate holding company	2,467
Amounts due from fellow subsidiaries	4,603
Amount due from an associate	4,827
Cash and bank balances	94,089
Liabilities	
Deferred income	(65,317)
Trade payables	(39,234)
Other payables and accruals	(105,299)
Amounts due to fellow subsidiaries	(811)
Tax payable	(823)
Net assets	315,971
Exchange reserve	(11,436)
Direct cost of disposal	1,510
Gain on disposal of a subsidiary	419,500
Total consideration	725,545
Satisfied by cash	725,545
Net cash flows arising from the disposal	
Cash consideration received	725,545
Cash and cash equivalents disposed of	(94,089)
Direct cost of disposal	(1,510)
	629,946

38 DISPOSAL OF SUBSIDIARIES (Continued)

(b) On 12 December 2014, the Company's subsidiary, Allied Well Holdings Ltd. entered into an agreement with Assets Dynasty Limited, a third party, to dispose of the entire interest of the Company's indirect wholly-owned subsidiary, Ruskin Overseas Ltd. for a consideration of RMB587 million.

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

	HK$'000
Assets	
Investment property and property, plant and equipment	651,299
Inventories	321
Trade receivables	977
Deposits, prepayments and other receivables	296
Cash and bank balances	6,042
Liabilities	
Trade payables	(30)
Other payables and accruals	(6,771)
Amount due to intermediate holding company	(83,345)
Bank loan	(82,147)
Deferred tax liabilities	(94,991)
Net assets	391,651
Exchange reserve	(83,340)
Direct cost of disposal	14,135
Gain on disposal of a subsidiary	418,333
Total consideration	740,779
Satisfied by cash	740,779
Net cash flows arising from the disposal	
Cash consideration received	740,779
Cash and cash equivalents disposed of	(6,042)
Direct cost of disposal	(14,180)
	720,557

39 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration/ operations	Nominal value of paid up capital	Percentage of equity interest attributable to the Company 2014	2013	Principal activities
Agencia De Viagens E Turismo Grand, Limitada	Macau	MOP1,300,000	**100**	100	Travel and air ticketing agency
Aldington International Ltd. [4]	Western Samoa	10 ordinary shares of US$1 each	**100**	100	Investment holding
Beijing CTS (Hong Kong) Grand Metropark Hotel Co., Ltd. [3,4]	PRC/Mainland China	US$12,000,000	**100**	100	Property investment holding and hotel operations
Chadwick Developments Limited [5]	Hong Kong	1,000 ordinary shares of HK$1 each 10,000 non-voting deferred shares of HK$1 each	**100**	100	Investment holding
China Heaven Creation International Performing Arts Co., Ltd. ("China Heaven") [3,4,5]	PRC/Mainland China	RMB29,640,000	**78**	78	Production of arts performances
China Travel (HK & Macau Tour) Management Hong Kong Limited	Hong Kong	500,000 ordinary shares of HK$1 each	**100**	100	Tour operations
China Travel Advertising Hong Kong Limited	Hong Kong	10 ordinary shares of HK$100 each 5,000 non-voting deferred shares of HK$100 each	**100**	100	Provision of printing and advertising agency services
China Travel Air Service Hong Kong Limited	Hong Kong	10 ordinary shares of HK$100 each 10,000 non-voting deferred shares of HK$100 each	**100**	100	Air ticketing agency
China Travel and Trading (Deutschland) GmbH [4]	Germany	EUR380,000	**100**	100	Travel and air ticketing agency

39 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
China Travel Express Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100**	100	Passenger transportation
China Travel Hi-Tech Computer Hong Kong Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	**100**	100	Trading of computer equipment, provision of computer services and investment holding
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. [2,5]	PRC/Mainland China	US$231,000,000	**100**	100	Hot spring resort operations
China Travel Service (Australia) Pty Ltd. [4]	Australia	AUD3,319,932	**100**	100	Travel and air ticketing agency
China Travel Service (Canada) Inc. [4]	Canada	CAD3,162,750	**100**	100	Travel and air ticketing agency
China Travel Service (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK$100 each 1,000,000 non-voting deferred shares of HK$100 each	**100**	100	Tour operations, PRC entry permit handling agency, investment holding and travel agency
China Travel Service (Korea) Co., Ltd. [4]	Korea	KRW500,000,000	**100**	100	Travel and air ticketing agency
China Travel Service (N.Z.) Limited	New Zealand	NZD30,000	**100**	100	Travel and air ticketing agency
China Travel Service (U.K.) Ltd. [4]	United Kingdom	486,000 ordinary shares of GBP1 each 1,072,000 redeemable preference shares of GBP1 each	**100**	100	Travel and air ticketing agency

39 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
China Travel Tours Transportation Services Hong Kong Limited	Hong Kong	2 ordinary shares of HK$100 each 5,000 non-voting deferred shares of HK$100 each	**100**	100	Passenger transportation
Chengdu Huashuiwan Sakura Hotel Company Limited [3,4]	PRC/Mainland China	RMB21,547,000	**100**	100	Resort operations
CTS H.K. Metropark Hotels Management Company Limited	Hong Kong	HK$100,001	**100**	100	Hotel management
CTS (Dengfeng) [1,5]	PRC/Mainland China	RMB100,000,000	**51**	51	Tourist attraction operations
CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd. ("CTS (Xinyang)") [1,5]	PRC/Mainland China	RMB257,140,000	**65**	65	Tourist attraction operation
北京港中旅維景國際酒店管理有限公司 (前稱：港中旅酒店管理有限公司)[3,4]	PRC/Mainland China	HK$5,000,000	**100**	100	Hotel management
CTS Scenery Resort Investment Company Limited [2,4]	PRC/Mainland China	RMB132,250,000	**100**	100	Investment in and management of resort hotels and scenic spots
CTS Tycoon (Shenzhen) Golf Club Company Limited [2]	PRC/Mainland China	RMB326,000,000	**100**	100	Golf club operations
Glading Development Limited	Hong Kong	2 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	**100**	100	Property investment holding and hotel operations
Guangdong CTS(HK) & Jinhuang Transportation Ltd. [2,4]	PRC/Mainland China	HK$30,000,000	**100**	100	Passenger transportation

39 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
Hotel Metropole Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1 each 100 non-voting deferred shares of US$1 each	**100**	100	Property investment holding and hotel operations
Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd. [3,4]	PRC/Mainland China	RMB3,800,000	**80**	80	Cable car operations
Kinetic Profit Real Estate (Shanghai) Co., Ltd. [3]	PRC/Mainland China	US$5,000,000	**–**	100	Property investment holding and hotel operations
Mart Harvest Limited	Hong Kong	2 ordinary shares of HK$1 each 100 non-voting deferred shares of HK$1 each	**100**	100	Property investment holding
Metrocity Hotel Limited	BVI/ Hong Kong	1 ordinary share of US$1 each 100 non-voting deferred shares of US$1 each	**100**	100	Property investment holding and hotel operations
Mutual Great (Hong Kong) Limited [5]	Hong Kong	1 ordinary share of HK$1 each	**100**	100	Investment holding
New Bus Holdings Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**80**	80	Passenger transportation
Splendid China[1,5]	PRC/Mainland China	RMB184,000,000	**51**	51	Tourist attraction operations
Window of the World[1,5]	PRC/Mainland China	US$29,500,000	**51**	51	Tourist attraction operations

39 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of paid up capital	Percentage of equity interest attributable to the Company 2014	2013	Principal activities
Singa China Travel Service Pte. Limited [4]	Singapore	SG$6,740,000	**100**	100	Travel and air ticketing agency
Sociedade De Fomento Predial Fu Wa (Macau), Limitada	Macau	MOP200,000	**100**	100	Property investment holding and hotel operations
Triumph King Limited	Hong Kong	2 ordinary shares of HK$1 each 100 non-voting deferred shares of HK$1 each	**100**	100	Property investment holding
U.S. China Travel Service, Inc. [4]	United States of America	US$6,471,639	**100**	100	Travel and air ticketing agency
Well Done Enterprises Inc.	BVI/ Hong Kong	1 ordinary share of US$1	**100**	100	Property investment holding and hotel operations
Xianyang Ocean Spring Resort Co., Ltd. [1]	PRC/Mainland China	RMB301,000,000	**89.14**	83.72	Hot spring resort operations
Yangzhou Grand Metropole Hotel [3]	PRC/Mainland China	RMB44,000,000	**60**	60	Property investment holding and hotel operations
北京港中旅數碼科技有限公司 [2,4]	PRC/Mainland China	HK$3,900,000	**100**	100	Travel agency management and software system development
深圳市港中旅快綫運輸有限公司 [3,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation and investment holding

39 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of paid up capital	Percentage of equity interest attributable to the Company 2014	2013	Principal activities
芒果網有限公司 [2,4]	PRC/Mainland China	RMB519,595,000	–	100	Sale of travel-related products through an electronic platform
珠海市港中旅快線有限公司 [2,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation
CTS (Anji) Tourism Development Co., Ltd. [1,5]	PRC/Mainland China	USD82,834,661	**80**	80	Tourist attraction operations
珠海海泉灣博派會展服務有限公司 [3]	PRC/Mainland China	RMB6,000,000	**60**	60	Conference and exhibition operations
CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. [1,5]	PRC/Mainland China	RMB192,117,800	**51**	–	Tourist attraction operations
CTS (Ningxia) Shapotou Cable Car Co., Ltd. [1,5]	PRC/Mainland China	RMB8,100,000	**51**	–	Tourist attraction operations

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The English names of certain subsidiaries referred to in the Consolidated Financial Statement represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

1 Sino-foreign equity joint ventures

2 Registered as wholly-foreign-owned enterprises under PRC law

3 Registered as limited liability companies under PRC law

4 Not audited by PricewaterhouseCoopers, Hong Kong or another member firm of the PricewaterhouseCoopers global network

5 Directly owned by the Company

40 CONTINGENT LIABILITIES

At the end of the reporting period, material contingent liabilities not provided for in the consolidated financial statements were as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Corporate guarantees given to banks granted to subsidiaries in lieu of utility and rental deposits	**–**	–	**1,758**	1,758
Corporate guarantees given to banks in connection with credit facilities granted to subsidiaries	**–**	–	**937,008**	1,302,804
Counter guarantees given to the parent company for corporate guarantees in favour of banks in connection with credit facilities granted to a subsidiary	**–**	–	**12,676**	25,438
Performance bond given to a customer for due performance of a sales contract	**300**	300	**–**	–
	300	300	**951,442**	1,330,000

As at 31 December 2014, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company and the parent company were utilised to the extent of approximately HK$51,443,150 (2013: HK$550,000,000).

41 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its certain property, plant and equipment and investment properties (notes 14 and 15) under operating lease arrangements. Leases for investment properties are negotiated for terms ranging from one to ten years, and those for certain property, plant and equipment for terms ranging from one to five years. The terms of the leases for investment properties generally require the tenants to pay security deposits.

At 31 December 2014, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Investment properties:		
Within one year	**71,308**	60,449
In the second to fifth years, inclusive	**128,985**	95,194
After five years	**13,084**	3,073
	213,377	158,716
Equipment and motor vehicles:		
Within one year	**2,190**	3,016
In the second to fifth years, inclusive	**–**	2,782
	2,190	5,798

(b) As lessee

At 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2014 **HK$'000**	2013 HK$'000
Land and buildings#:		
Within one year	**46,964**	48,598
In the second to fifth years, inclusive	**50,209**	35,358
Later than five years	**67,761**	72,116
	164,934	156,072
Plant and machinery and motor vehicles:		
Within one year	**–**	1,578
In the second to fifth years, inclusive	**–**	1,477
	–	3,055

Other than disclosed above, certain lease payments will be subject to further negotiation and reach an agreement between both parties after the expiry of the existing payment term.

42 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2014	2013
	HK$'000	HK$'000
Land and buildings:		
Contracted, but not provided for	**841,210**	354,608
Authorised, but not contracted for	**–**	229,893
	841,210	584,501
Leasehold improvements:		
Contracted, but not provided for	**14,983**	17,936
Authorised, but not contracted for	**–**	25,438
	14,983	43,374
Scenic spots:		
Contracted, but not provided for	**519,585**	607,091

43 RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

In addition to those related party balances and transactions disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	2014	2013
	HK$'000	HK$'000
Travel-related income from (a)		
– immediate holding company [(#)]	**296,370**	302,153
– fellow subsidiaries	**36,303**	38,372
– associates	**52,267**	50,849
– other related parties	**6,080**	7,255
Hotel-related income from (a)		
– immediate holding company	**1,657**	2,479
– fellow subsidiaries	**2,844**	1,762
Management income from (b)		
– fellow subsidiaries	**18,014**	19,634
– associates and joint ventures	**9,943**	8,373
Rental income from (c)		
– immediate holding company	**1,318**	2,531
– associates	**38,814**	39,111
Travel-related expense paid to (a)		
– fellow subsidiaries	**(58,548)**	(58,757)
– associates	**(3,304)**	(4,222)
– other related party	**(2,429)**	(3,716)
Management expense paid to (b)		
– fellow subsidiaries	**(10,512)**	(9,441)
Rental expenses paid to (c)		
– immediate holding company	**(15,143)**	(14,040)
– associates	**(5,212)**	(5,711)

\# The travel permit administration income was determined in accordance with the terms of an agency agreement entered into between the parties and was charged at 45% of the gross fee revenue from travel permit applications.

43 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

Notes:

(a) Travel-related and hotel-related income and expenses are entered into in the normal course of business based on terms mutually agreed by the parties.

(b) Management income and expense are charged at rates in accordance with relevant contracts.

(c) Rental income and expenses are charged in accordance with respective tenancy agreements.

(b) Other transactions with related parties

(i) On 26 January 2011, China Heaven, a 78% owned subsidiary of the Group, applied for a RMB30 million loan from the Export-Import Bank of China. Under the loan agreement, China CTS (HK) provided a credit guarantee in favour of the bank to secure the repayment obligations of China Heaven.

On the same date, the Company provided a counter guarantee to China CTS (HK) for the amount of the loan drawn down from the loan agreement together with any interest, penalty, compensation and other related fees and expenses which may be payable by China CTS (HK) contemplated under the credit guarantee provided by China CTS (HK) to the bank.

(ii) On 6 September 2013, a 1 year (auto roll for another 2 years) entrustment loan arrangement of RMB 300 million was entered into between Window of the World and Splendid China, 51% owned subsidiaries of the Company, Shenzhen Overseas Chinese Town Co., Ltd., a state-owned enterprise, and a bank. The interest rate is 10% below 1 year loan interest rate set by the People's Bank of China. As at the end of the current reporting period, the arrangement remained effective with RMB220 million withdrawn. The balance is included in deposits, prepayments and other receivables.

(iii) On 13 April 2011 and 29 December 2011, entrustment loan arrangements were entered into between Shaanxi Weihe Power, Shaanxi Qinlong Electric Power Co., Ltd., which was a substantial shareholder of Shaanxi Weihe Power, and a bank. Total borrowing amounted to approximately RMB150 million as at 31 December 2014 and 2013.

(iv) On 4 January 2010, Henan Province Songshan Scenic Spot Management Committee entered into a franchise agreement pursuant to which CTS (Dengfeng) will be authorized to exclusively manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot from 25 December 2009 for a term of 40 years and Songshan Management received franchise fee in exchange.

(v) On 29 September 2010, Henan Jigongshan Culture Tourism Group Limited, a shareholder of CTS (Xinyang), Xinyang Jigongshan Scenic Spot Management Committee ("Jigongshan Management"), and Henan Province Jigongshan National Nature Reserve Management Committee ("Jigongshan Reserve Management") entered into a franchise agreement with the Company pursuant to which CTS (Xinyang) will be authorised to exclusively manage and operate the ticket sales, sales proceeds collection of the Jigongshan Scenic Spot and Boerdeng Forestry Park Scenic Spot from the date of its incorporation for a term of 40 years, and Jigongshan Management and Jigongshan Reserve Management received franchise fee in exchange.

43 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 8 is as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**13,915**	10,638
Equity-settled share option expense	**127**	1,341
Total compensation paid to key management personnel	**14,042**	11,979

(d) Commitments with related parties

(i) On 6 May 2012, a subsidiary of the Group entered into an operating land lease arrangement as a lessee with its non-controlling shareholder, which will remain effective until 2032.

(ii) On 25 December 2009, a subsidiary of the Group entered into an operating land lease arrangement as a lessee with a local government authority with a leasing period of 20 years.

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities mainly comprise available-for-sale investments, trade and other receivables, financial assets at fair value through profit or loss, pledged time deposits, cash and bank balances, trade payables, other payables and accruals, and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2014			
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**300,705**	**–**	**–**	**300,705**
Other payables and accruals	**1,533,198**	**–**	**–**	**1,533,198**
Amount due to immediate holding company	**4,131**	**–**	**–**	**4,131**
Amounts due to fellow subsidiaries	**26,415**	**–**	**–**	**26,415**
Bank and other borrowings	**69,777**	**814,630**	**311**	**884,718**
	1,934,226	**814,630**	**311**	**2,749,167**

	2013			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	377,699	–	–	377,699
Other payables and accruals	1,616,716	–	–	1,616,716
Amount due to immediate holding company	1,062	–	–	1,062
Amounts due to fellow subsidiaries	19,738	–	–	19,738
Bank and other borrowings	522,676	16,064	2,169	540,909
	2,537,891	16,064	2,169	2,556,124

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2014			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Other payables and accruals	47,497	–	–	47,497
Amounts due to subsidiaries	1,893,306	–	–	1,893,306
Amounts due to immediate holding company	4,023	–	–	4,023
Amounts due to fellow subsidiaries	2,661	–	–	2,661
Bank and other borrowings	–	814,630	–	814,630
	1,947,487	814,630	–	2,762,117

	2014			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
The maximum utilised amount of the guarantees given to banks in connection with banking facilities granted to subsidiaries	38,767	–	–	38,767
The maximum utilised amount of the counter guarantee given to the parent company for corporate guarantees in favour of bank in connection with credit facilities granted to a subsidiary	12,676	–	–	12,676
	51,443	–	–	51,443

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2013			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Other payables and accruals	28,102	–	–	28,102
Amounts due to subsidiaries	1,598,644	–	–	1,598,644
Amount due to immediate holding company	1,038	–	–	1,038
Amounts due to fellow subsidiaries	6	–	–	6
Bank and other borrowings	254,184	–	–	254,184
	1,881,974	–	–	1,881,974

	2013			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
The maximum utilised amount of the guarantees given to banks in connection with banking facilities granted to subsidiaries	524,562	–	–	524,562
The maximum utilised amount of the counter guarantee given to the parent company for corporate guarantees in favour of bank in connection with credit facilities granted to a subsidiary	25,438	–	–	25,438
	550,000	–	–	550,000

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Group. The Group manages the credit risk by setting up a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, it is the Group's policy to review regularly the recoverable amount of trade receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, amounts due from associates, joint ventures, immediate holding company and fellow subsidiaries, other receivables, available-for-sale investments and financial assets at fair value through profit or loss, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the consolidated financial statements.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity except for retained profits.

	Increase in RMB rate %	**Increase in profit before tax HK$'000**
2014		
If Hong Kong dollar weakens against RMB	**5**	**122,628**
If Hong Kong dollar weakens against RMB	**10**	**245,256**
2013		
If Hong Kong dollar weakens against RMB	5	77,831
If Hong Kong dollar weakens against RMB	10	155,661

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents and bank loans. The Group does not use financial derivatives to hedge against the interest rate risk.

At 31 December 2014, it is estimated that a general increase/decrease in 1% of the borrowing rate, with all other variables held constant, would decrease/increase the Group's profit before tax by approximately HK$8,630,000 (2013: HK$5,271,000). Similarly, it is estimated that a general increase/decrease in 0.5% of the savings rate, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$16,822,000 (2013: HK$10,107,000).

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the end of the reporting period.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group prices its products and services commensurately with the level of risk and secures access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. The debt includes bank and other borrowings, trade and other payables and accruals, amounts due to immediate holding company and fellow subsidiaries. Capital represents equity attributable to equity owners of the Company.

During 2014, the Group's strategy, which remained unchanged from that of 2013, was to maintain the debt-to-capital ratio at the lower end of the range from 10% to 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

	2014 **HK$'000**	2013 HK$'000
Trade payables	**300,705**	377,699
Other payables and accruals	**1,533,198**	1,616,716
Amount due to immediate holding company	**4,131**	1,062
Amounts due to fellow subsidiaries	**26,415**	19,738
Bank and other borrowings	**868,219**	532,370
Debt	**2,732,668**	2,547,585
Capital	**15,541,933**	14,493,265
Debt-to-capital ratio	**17.58%**	17.58%

45 EVENTS AFTER THE DATE OF APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

On 24 March 2015, the Company entered into an agreement with its immediate holding company, CTS (Holdings), to dispose of the entire interest of its wholly-owned subsidiary, Chadwick Developments Limited for a consideration of RMB510 million (subject to future adjustments). The estimated gain on disposal is approximately HK$480 million (subject to future adjustments). Chadwick Developments Limited owns 51% equity interest in Shaanxi Weihe Power, which is principally engaged in the operation of electricity generation in Mainland China.

PARTICULARS OF PRINCIPAL HOTEL PROPERTIES

31 December 2014

Location	**Attributable interest of the Group**	**Lease term**
CTS (HK) Grand Metropark Hotel Beijing No. 338 Guanganmen Nei Street, Xicheng District, Beijing, PRC	100%	Medium
Metropark Hotel Causeway Bay Hong Kong 148 Tung Lo Wan Road, Causeway Bay, Hong Kong	100%	Long
Metropark Hotel Kowloon Hong Kong 75 Waterloo Road, Kowloon, Hong Kong	100%	Long
Metropark Hotel Macau 199 Rua de Pequim, Macau	100%	Medium
Metropark Hotel Mongkok Hong Kong 22 Lai Chi Kok Road, Mongkok, Kowloon, Hong Kong	100%	Medium
Metropark Hotel Wanchai Hong Kong 41-49 Hennessy Road, Wanchai, Hong Kong	100%	Long
Ocean Spring Hotel Pingsha Town, Jinwan District, Zhuhai City, Guangdong Province, PRC	100%	Medium
Xianyang Ocean Spring Hotel Middle of Century Boulevard, Xian Yang, Shaanxi Province, PRC	89.14%	Medium
Yangzhou Grand Metropole Hotel No. 1 Wenchang West Road (also known as No. 559 Wenchang Middle Road), Yangzhou City, Jiangsu Province, PRC	60%	Medium

PARTICULARS OF PRINCIPAL INVESTMENT PROPERTIES

31 December 2014

Location	Use	Lease term
Portions of Basement Levels 2 and 3, 1st to 9th, 11th, 12th Floor CTS (HK) Grand Metropark Hotel Beijing No. 338 Guanganmen Nei Street, Xicheng District, Beijing, PRC	Carpark/ Shop/Office	Medium
The Whole of Ground Floor with its Flat Roof, China Travel Building, No. 77 Queen's Road Central, Hong Kong	Shop	Long

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(Stock Code : 308)