



Faultless Service, Quality Life.



Annual Report
2015



香港 **中旅** 國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

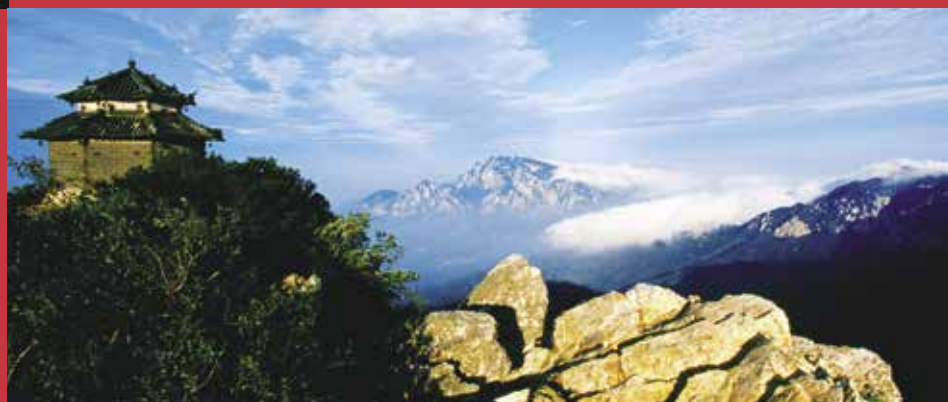
(Stock Code : 308)

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2015





CORPORATE INFORMATION

DIRECTORS

Mr. Xu Muhan (*Chairman*)
Mr. Lo Sui On (*Vice Chairman*)
Mr. Zhang Fengchun
Mr. Fu Zhuoyang
Mr. Qu, Simon Tao (*Executive Deputy General Manager*)
(*in charge of overall operation*)
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
Mr. Xu Muhan

NOMINATION COMMITTEE

Mr. Xu Muhan (*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

AUDITORS

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
Bank of Communications Co. Ltd, Hong Kong Branch
Bank of Nova Scotia, Hong Kong Branch
Ping An Bank

FINANCIAL CALENDAR AND INVESTOR RELATION INFORMATION



Announcement of 2015 Final Results	30 March 2016
Announcement of 2015 Interim Results	19 August 2015
Announcement of 2014 Final Results	24 March 2015
Announcement of 2014 Interim Results	20 August 2014
Dividends	
2015 Final	HK4.5 cents per share payable on 20 June 2016
2015 Interim	HK2.5 cents per share paid on 29 September 2015
2015 Special Interim	HK2.5 cents per share paid on 29 September 2015
2014 Final	HK5 cents per share paid on 18 June 2015
2014 Special Final	HK2 cents per share paid 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
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting	Period from 18 May 2016 to 20 May 2016
Annual General Meeting in 2016	20 May 2016
Closure of Register of Members for ascertaining shareholders' entitlement to the proposed final dividend	Period from 27 May 2016 to 31 May 2016
Listing Date	11 November 1992
Authorised Shares	7,000,000,000 shares
Issued Shares	5,549,763,525 (as at 31 December 2015)
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 Ltd	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, TRAVEL DOCUMENT 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%
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ARTS PERFORMANCE OPERATIONS

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



	2015	2014
Income statement ratios		
Interest coverage ratio	78.61	72.85
Basic earnings per share (HK cents)	24.14	30.93
Dividend per share (HK cents)	9.50	12.00
Dividend payout ratio (%)	39.35	38.80
Financial position ratios		
Current ratio	3.69	3.16
Quick ratio	2.81	3.09
Net assets value per share (HK\$)	2.78	2.76
Net bank and other borrowings to equity	(0.17)	(0.15)
Debt-to-capital ratio (%)	19	18
Rate of return ratios		
Return on average equity (%)	9.25	11.67
Return on total capital and borrowings (%)	9.02	10.53
Market price ratios		
Dividend yield		
Year low (%)	2.31	4.03
Year high (%)	4.36	8.43
Price to earning ratio		
Year low (%)	8.99	4.59
Year high (%)	16.94	9.60

Formula for financial ratios:

Interest coverage ratio	$(\text{Profit before taxation} + \text{Finance costs}) / \text{Finance costs}$
Net assets value per share	$\text{Net assets attributable to owners of the Company} / \text{Number of shares as at the end of the reporting period}$
Net bank and other borrowings to equity	$(\text{Bank and other borrowings} - \text{Cash and bank balances}) / \text{Total equity}$
Debt-to-capital ratio	$\text{Debt} / \text{Equity attributable to owners of the Company}$ (note 43 to consolidated financial statements)
Return on average equity	$\text{Profit for the year} / \text{Average total equity}$
Return on total capital and borrowings	$(\text{Profit before taxation} + \text{Finance costs}) / (\text{Total liabilities} + \text{Total equity})$

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.

	2015 HK\$'000	2014 HK\$'000 (restated)	2013 HK\$'000 (restated)	2012 HK\$'000 (restated)	2011 HK\$'000 (restated)
RESULTS					
Continuing operations					
Revenue	4,395,389	4,475,142	4,359,918	4,668,431	4,352,882
Cost of sales	(2,391,052)	(2,417,299)	(2,275,542)	(2,515,494)	(2,253,285)
Gross profit	2,004,337	2,057,843	2,084,376	2,152,937	2,099,597
Other income and gains, net	262,360	1,048,465	194,882	198,572	335,974
Other expenses	–	–	–	–	(52,701)
Changes in fair value of investment properties	73,353	70,049	155,529	165,051	65,287
Selling and distribution costs	(536,472)	(503,597)	(587,758)	(619,761)	(619,806)
Administrative expenses	(932,331)	(996,108)	(992,106)	(1,034,705)	(1,040,800)
Finance income	129,001	140,081	107,515	94,520	59,770
Finance costs	(24,332)	(30,276)	(15,397)	(18,913)	(13,989)
Share of profits less losses of associates and joint ventures	132,947	104,562	81,835	57,735	22,824
Write back of provision for impairment of interest in an associate	–	–	175,000	–	–
Profit before taxation	1,108,863	1,891,019	1,203,876	995,436	856,156
Taxation	(239,635)	(310,182)	(225,404)	(217,973)	(179,856)
Profit for the year from continuing operations	869,228	1,580,837	978,472	777,463	676,300
Discontinued operations					
Profit for the year from discontinued operations	662,917	284,322	275,527	124,342	104,368
Profit for the year	1,532,145	1,865,159	1,253,999	901,805	780,668
Attributable to:					
Equity owners of the Company	1,352,750	1,738,884	1,151,889	803,561	695,233
Non-controlling interests	179,395	126,275	102,110	98,244	85,435
	1,532,145	1,865,159	1,253,999	901,805	780,668

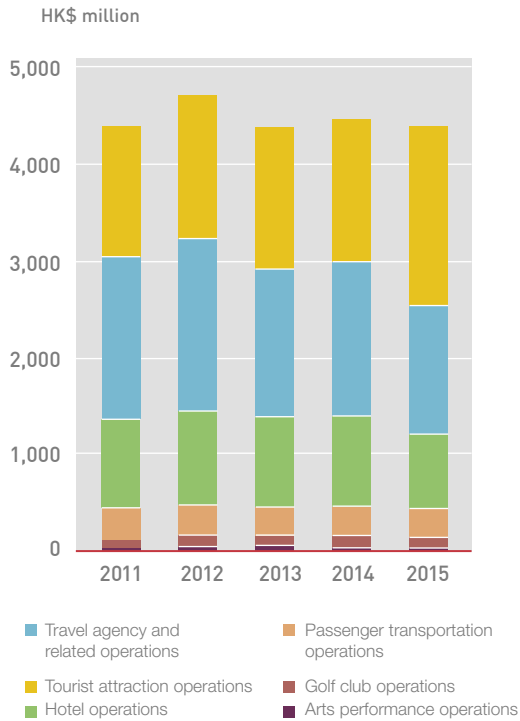


FIVE YEAR FINANCIAL SUMMARY

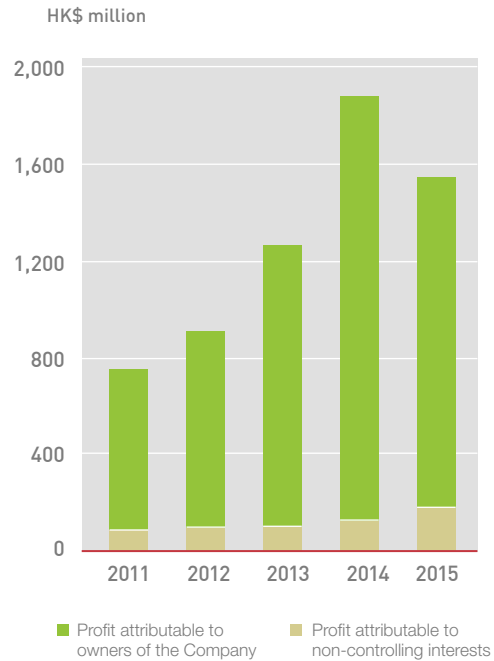
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	21,216,252	20,950,844	19,227,969	17,410,326	17,087,281
Total liabilities	(4,717,424)	(4,318,061)	(3,900,692)	(3,131,894)	(3,314,998)
Non-controlling interests	(1,093,669)	(1,090,850)	(834,012)	(807,603)	(786,152)
Equity attributable to owners of the Company	15,405,159	15,541,933	14,493,265	13,470,829	12,986,131

FINANCIAL REVIEW

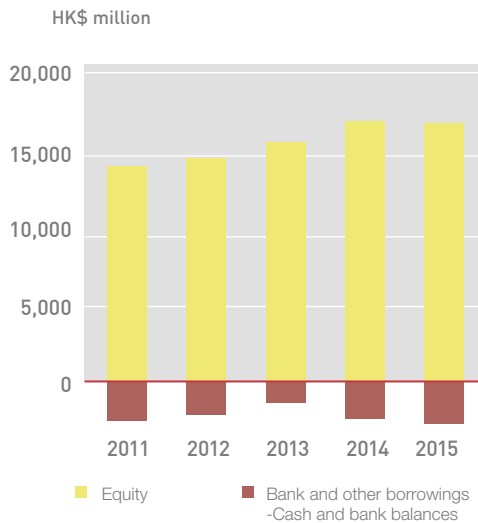
TURNOVER BY PRINCIPAL ACTIVITIES



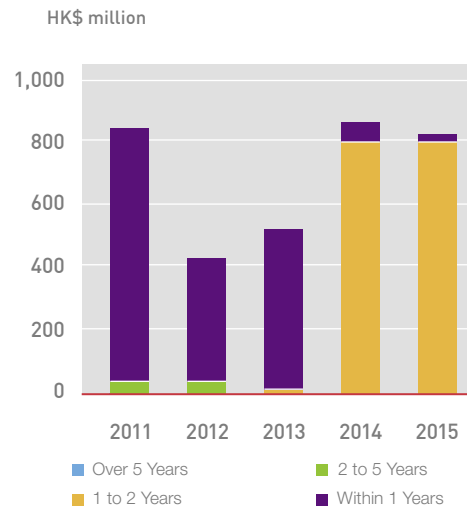
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



DEBT MATURITY PROFILE





MR. XU MUHAN *Chairman & Executive Director*

Aged 55, appointed as an Executive Director in April 2008 and Chairman of the Board in February 2016, is the Deputy General Manager of China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”) and China National Travel Service (HK) Group Corporation. He is also the Chairman of Nomination Committee, a member of Remuneration Committee, the Chairman of Strategy and Development Committee of the Company, and 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. LO SUI ON *Vice Chairman & Executive Director*

Aged 65, 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 51, 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 Bank of China Travel Service Co., Ltd. Jiaozuo and 港中旅中財股權投資管理（上海）有限公司, the Chairman of Prime Credit Limited and its subsidiary, 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. FU ZHUOYANG *Executive Director*

Aged 56, 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.

MR. QU, SIMON TAO *Executive Director and Executive Deputy General Manager (in charge of overall operation)*
Aged 52, appointed as the Deputy General Manager in May 2015, appointed as the Executive Deputy General Manager in June 2015 and appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company in February 2016. Mr. Qu is also a Director of a number of subsidiaries of the Company.

Mr. Qu has over 14 years of investment banking experience at leading investment banks in Hong Kong. He also has extensive experience in industrial and regional planning in Mainland China. Mr. Qu holds a BSc degree from Peking University, a MSc degree from Chinese Academy of Science, a Ph.D. from University of Western Ontario, and an MBA from Rotman School of Management at University of Toronto.

DR. FONG YUN WAH *S.B.S., J.P.,
Independent Non-Executive Director*

Aged 91, appointed as an Independent Non-Executive Director of the Company in 1998, is the Chairman of The Hip Shing Hong (Holdings) Co., Ltd., 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 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 67, 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 U.S.A.

MR. SZE, ROBERT TSAI TO
Independent Non-Executive Director

Aged 75, 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 69, 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, Ex-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



XU MUHAN

Chairman & Executive Director

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

BUSINESS REVIEW

In 2015, the Chinese economy continued to develop steadily under the new normal amid relatively heavy downward pressure. The environment for the development of tourism industry was relatively favorable. In particular, the national leisure tourism consumption maintained strong growth momentum, highlighting the strong demand for leisure tourism.

In 2015, despite the relatively sluggish Hong Kong and Macau inbound tourism markets, thanks to the overall favorable environment for the development of tourism industry and the Company's dedication to its core tourism operations in recent years, its core tourism operations achieved steady development and the recurring profit continued to grow. The Company continued to improve the fundamental management of its business operations, focusing on profit and efficiency enhancement as well as strengthening the governance of loss-making operations. As a result, the fundamentals of the Company's business operations were further strengthened. The Company's consolidated revenue and profit attributable to shareholders were HK\$4,395 million and HK\$1,353 million respectively, representing a 2% and 22% decrease compared with last year. Excluding non-recurring items, attributable profit was HK\$859 million, a 4% decrease compared with last year and the attributable profit from core tourism operations was HK\$625 million, a 2% increase compared with last year. The performance of the newly acquired Shapotou Scenic Spot was strong and its profit increased substantially compared with last year.



Meanwhile, the Company continued to push forward its development strategy vigorously and made certain progress in developing integrated travel destination projects, venturing into famed natural and cultural scenic spots and disposing of non-tourism operations. The Company made steady progress in the construction and development of two key strategic projects, namely Zhuhai OSR Phase 2 Project and Anji Project, and entered into the cooperation agreement with Evergrande Real Estate Group Co., Ltd. ("Evergrande Real Estate Group") to jointly develop the Zhuhai OSR Phase 2 Project and create the most distinctive leisure resort destination in Mainland China. The resort hotel and tourism real estate of Anji Lingfeng Mountain Resort ("Anji Project") were under construction and the presale of the first phase of the residential project was launched at year end. The Company actively negotiated for cooperative development projects of tourism resources in areas such as Jining in Shandong, Leshan and Mount Emei in Sichuan and signed a strategic framework agreement with Leshan government to jointly develop the tourism resources in Leshan, including Mount Emei. The cooperation project with Jining government to develop scenic spots adjacent to Qufu, Liangshan and Weishan Lake were under negotiation and the Company strived to complete the acquisition of new scenic spot projects as soon as possible. The joint venture CDD International Holdings Limited was established to carry out the business of creating, marketing and selling vacation packages, including vacation ownership, which will help to enhance the development of the Company's travel destination operations and tourism real estate.

On disposal of non-tourism business, by completing the disposal of its power generation operations on 30 June 2015, the Company was transformed into a pure tourism company and recognized a one-off net gain on disposal of approximately HK\$429 million. More importantly, the Company will strengthen its tourism investment going forward and acquire more tourism resources in China and overseas through cooperation, co-investment, mergers and acquisitions, etc. to create more value.



QU, SIMON TAO

Executive Director and Executive Deputy General Manager (in charge of overall operation)



As its operating fundamentals and financial position improved further, the Company continued to buy back a total of 117,866,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2015. Since 2011, the Company has been buying back an appropriate amount of its shares every year, which fully manifested the Company's confidence in its business development, and helped to increase shareholder value.

DIVIDENDS

The Board declared a final dividend of HK4.5 cents (2014: HK5 cents) per share for the year ended 31 December 2015. The final dividend is expected to be paid to shareholders on 20 June 2016 upon approval at the annual general meeting. Together with the interim dividend of HK2.5 cents (2014: HK2.5 cents) per share and the special interim dividend of HK2.5 cents (2014: HK2.5 cents), the total dividend for the full year is HK9.5 cents per share, and the dividend payout ratio is 39%.

RESULTS OVERVIEW

In 2015, the Company's consolidated revenue and profit attributable to shareholders were HK\$4,395 million and HK\$1,353 million respectively, representing a 2% and 22%

decrease compared with last year. Earnings per share was HK24.14 cents, a 22% decrease compared with last year. Excluding the changes of valuation of investment properties and non-recurring items such as the one-off disposal gain arising from the disposal of power generation operations (please refer to note 4 to the consolidated financial statements for details), attributable profit was HK\$859 million, a 4% decrease compared with last year. Out of which the attributable profit from core tourism operations was HK\$625 million, a 2% increase compared with last year, and the attributable profit from non-tourism power generation operations was HK\$234 million.

The Company's financial position remained stable and healthy, with strong investing and financing capabilities. As at 31 December 2015, total assets was HK\$21,216 million, a 1% increase compared with the end of last year; the equity attributable to shareholders was HK\$15,405 million, a 1% decrease compared with the end of last year; cash and bank balances and wealth management products, etc. amounted to HK\$5,659 million, of which cash and bank balances amounted to HK\$3,681 million and deducting bank loans and other borrowings of HK\$828 million, net cash was HK\$2,853 million, a 16% increase compared with the end of 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;
 - Two 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 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 2015, revenue of travel destination operations was HK\$2,603 million, a 2% increase compared with last year; and attributable profit was HK\$306 million, a 2% decrease compared with the last year. Among which, attributable profit from theme parks and natural and cultural scenic spots increased, attributable loss from leisure resorts decreased, whereas attributable profit from city hotels decreased due to factors including hotel renovations and relatively sluggish Hong Kong and Macau inbound tourism markets.

In 2015, revenue of hotel operations was HK\$760 million, an 18% decrease compared with last year; and attributable profit was HK\$112 million, a 48% decrease compared with last year. The revenue and attributable profit of five hotels

in Hong Kong and Macau decreased considerably due to factors including hotel renovations at Mongkok and Macau Metropark Hotels, a strong Hong Kong dollar and loosened visa restrictions drawing tourists to other destinations including Japan and South Korea. Overnight visitor arrivals to Hong Kong will likely to be under some pressure in the short term. In the long term, Hong Kong remains an attractive international tourist destination and new supply of hotel rooms in Hong Kong remains limited, thus creating favorable conditions for the long term sustainable development of the Hong Kong hotel market.

Revenue and attributable profit of the Company's hotels in Mainland China declined due to the disposal of Metropark Shanghai Service Apartment at the end of last year. Excluding the effects of the disposal, revenue of the Company's hotels in Mainland China was basically flat and profit increased slightly. Revenue of Metropark Hotels Management Company decreased due to unfavorable market conditions whereas attributable profit increased due to effective cost control and the fact that there was a one-off trademark compensation expense last year.

Key operation figures

	2015	2014
Five hotels in Hong Kong and Macau		
Average occupancy rate (%)	80	89
Average room rate (HK\$)	811	930
Two hotels in Mainland China		
Average occupancy rate (%)	57	56
Average room rate (RMB)	443	465

Revenue of theme parks was HK\$814 million, a 2% increase compared with last year; and attributable profit was HK\$139 million, a 10% increase compared with last year. The increase in revenue was mainly attributable to the increase in per capita spending brought by the launch of new projects by Window of the World and Splendid China and the ticket price increase last year. Both theme parks continued to enrich the content of their entertainment attractions, and through enhanced marketing efforts and well-executed festival events, remained as vibrant as ever. Profit of Window of the World reached a new high.

Revenue of natural and cultural scenic spots was HK\$630 million, a 61% increase compared with last year; and attributable profit was HK\$49 million, an approximate four times increase compared with last year. The significant growth in revenue and profit was mainly attributable to the contribution of Shapotou Scenic Spot. Revenue and profit of Songshan Scenic Spot also increased.



Revenue of leisure resorts was HK\$398 million, a 7% decrease compared with last year; and attributable loss was HK\$26 million (2014: loss of HK\$73 million). Revenue of Zhuhai OSR decreased due to policy effect and intensified market competition whereas attributable loss decreased due to the recognition of land appreciation net profit of HK\$96 million (actual land appreciation net profit was higher than what the Company had expected in the announcement dated 30 November 2015 because the expenses used in the calculation of land appreciation tax was higher than expected) arising from the formation of joint venture company with Evergrande Real Estate Group to develop Zhuhai OSR Phase 2 Project. Xianyang OSR adjusted its customer mix and signed a new contract with a big corporate client to spur visitors and revenue growth and further reduce losses.

Attributable profit of non-controlling scenic spot investments was HK\$32 million, a 2% decrease compared with last year. The operations of Huangshan Yuping Cable Car were suspended for upgrade work since October last year and resumed in June 2015.

In 2015, the number of visitors to the Company's theme parks, natural and cultural scenic spots and leisure resorts was approximately 12.13 million.

TRAVEL AGENCY, TRAVEL DOCUMENT AND RELATED OPERATIONS

The Company's travel agency, travel document and related operations comprise:

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

In 2015, revenue of the travel agency, travel document and related operations was HK\$1,357 million, a 7% decrease compared with last year mainly due to the completion of disposal of Mangocity.com last year; and attributable profit was HK\$188 million, a 3% increase compared with last year mainly due to the cessation of consolidation of losses from Mangocity.com.

The overall business volume of travel document business declined, resulting in decreased revenue, but due to proper cost control, the profit was similar to that of last year.

SUPPLEMENTARY PRODUCTS AND SERVICES

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

1. Passenger Transportation Operations

In 2015, revenue of passenger transportation operations was HK\$295 million, a 2% increase compared with last year; and attributable profit was HK\$152 million, a 44% increase compared with last year.

China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries served 5.19 million passengers, a 1% decrease compared with last year; revenue was HK\$295 million, a 2% increase compared with last year mainly due to an increase in bus fare in Guangzhou route; and attributable profit was HK\$55 million, a 44% increase compared with last year mainly due to higher revenue and lower fuel price.

Attributable profit of our associate company Shun Tak-China Travel Shipping Investments Limited grew as higher average fare and lower average fuel price offset a small drop in the number of passengers.



2. Golf Club Operations

In 2015, revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK\$109 million, a 19% decrease compared with last year mainly due to the request for the golf course to exit the water protection zone; and attributable loss was HK\$3.34 million (2014: profit of HK\$0.85 million).

3. Arts Performance Operations

In 2015, revenue of China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation") was HK\$31 million, an 8% decrease compared with last year; and attributable loss was HK\$1.58 million (2014: profit of HK\$3.43 million).

POWER GENERATION OPERATIONS

In 2015, attributable profit of the Company's associated company Shaanxi Weihe Power Co., Ltd. was HK\$234 million.

To focus on its core tourism operations, the Company announced on 24 March 2015 to dispose of the power generation operations to CTS (Holdings) at a consideration of RMB510 million. The Company completed the disposal of the power generation operations on 30 June 2015 and recognized a one-off net gain on disposal of approximately HK\$429 million (The actual gain on disposal, calculated in accordance with the Post-Completion Consideration Adjustment Mechanism, was smaller than what the Company had expected in the announcement dated 24 March 2015 because the expected gain on disposal was calculated based on the net asset value of the power generation operations as at 31 January 2015. As the power generation operations continued to be profitable from 31 January 2015 to 30 June 2015, the net asset value of the power generation operations as at the completion of the disposal was larger than net asset value of the power generation operations as at 31 January 2015. Therefore the actual gain on disposal was smaller).

The Company will strive to fill the earnings gap following the disposal of the power generation operations by ways of organic growth of its core travel operations, development of integrated leisure resorts, acquisitions of travel destination



projects and other travel projects, and disposals of loss making operations, etc.

PROGRESS ON KEY INITIATIVES

In 2015, the Company focused on four aspects "enhancing the operation of existing businesses", "facilitating the development of new business", "promoting external development and exploration" and "strengthening headquarters' capability", in carrying out key initiatives including governance of loss-making businesses, increasing revenue and reducing costs, investment and development, enhancing asset return, improving management and control, and facilitating operational collaboration, etc.

1. Enhancing the operation of existing businesses

The Company enhanced the operational management of its existing business operations and strengthened the governance of its loss-making businesses such as the two OSRs and as a result, the recurring profits of its core tourism operations continued to grow. During the year, the disposal of the non-tourism power generation operations was completed while initiatives to exit from businesses with low or negative return were underway and they will help to improve asset return. The Company had also taken steps to reduce costs and enhance efficiency, including undertaking energy management projects at the two OSRs to pursue further reduction in energy cost. Centralized procurement had been adopted for existing business operations, coupled with open tender and

procurement for engineering projects, which resulted in effective reduction of procurement costs. After exit from businesses with low or negative return, the Company was in a stronger financial position and made an effort to enhance the return on its surplus funds and recorded growth in financial income and wealth management income during the year.

2. Facilitating the development of new businesses

The Company made steady progress in the construction and development of two key strategic projects, namely Zhuhai OSR Phase 2 Project and Anji Project. The Zhuhai OSR Phase 2 Project has a land area of approximately 2.77 million sq.m., of which approximately 1.82 million sq.m. are for tourism use and 0.95 million sq.m. are for residential and commercial use. On 30 November 2015, the Company entered into the cooperation agreement with Evergrande Real Estate Group to jointly develop the Zhuhai OSR Phase 2 Project and create the most distinctive leisure resort destination in Mainland China. It is expected that such collaborative efforts will expedite the pace of development and bring in benefits quickly.

The Anji Project has a land area of approximately 0.92 million sq.m. The gross floor area of its five-star leisure resort hotel and supplementary tourism and commercial facilities was approximately 70,000 sq.m. while the gross floor area of its tourism real estate



was approximately 270,000 sq.m. The leisure resort hotel of the Anji Project, which is in collaboration with Club Med, started construction in August and is scheduled to open in the second half of 2017. The presale of the first phase of the residential project was launched at year end.

Following the completion of the joint venture of Shapotou Scenic Spot in the second half of last year, Shapotou Scenic Spot started the development of an extension project, the Tourist Service Centre. The total investment of the project is approximately RMB200 million and the project comprises a ticketing office, a transportation centre, commercial facilities and a themed hotel of approximately 100 guest rooms, the development of which are expected to enhance the service level and capacity of the scenic spot. Currently the construction of the main structure of the Tourist Service Centre and the transportation centre has been completed and they are expected to commence operation in the second half of 2016.

At the same time, the Company actively negotiated for cooperative development projects of tourism resources in areas such as Jining in Shandong, Leshan and Mount Emei in Sichuan and signed a strategic framework agreement with Leshan government to jointly develop the tourism resources in Leshan, including Mount Emei. The cooperation project with Jining government to develop scenic spots adjacent to Qufu, Liangshan and Weishan Lake were under negotiation and the Company strived to complete the acquisition of new scenic spot projects as soon as possible.

3. Promoting external development and exploration

In February 2015, the Company, together with US listed Diamond Resorts International, Inc. and Dorsett Hospitality International Limited in Hong Kong, established a joint venture CDD International Holdings Limited to carry out the business of creating, marketing and selling vacation packages, including vacation ownership, which will help to enhance the development of the Company's travel destination

operations and tourism real estate. The management team of CDD International Holdings Limited has come on board and has been actively conducting pre-opening work to integrate internal and external tourism resources, and explore the implementation of the exchangeable tourism real estate business model and the establishment of the exchangeable tourism real estate platform.

The Company also pushed forward diversified shareholding by facilitating the introduction of strategic investors at both the company and subsidiary levels, adding vibrancy and momentum to the enterprise's development through shareholding reform. In 2015, CTS (Holdings) and GUOXIN International Investment Corporation Limited ("GUOXIN") established a joint venture company and CTS (Holdings) injected 20.10% shares of the Company and other assets into the joint venture company in return for 60% shares in the joint venture company, whereas GUOXIN injected cash into the joint venture company in return for 40% shares in the joint venture company. This transaction made our shareholder base more diversified. In addition, the Company has successfully entered into the cooperation agreement with Evergrande Real Estate Group to jointly develop the Zhuhai OSR Phase 2 Project. In the meantime, the Company coordinated internal sales collaboration and launched "The Grand Treasure Hunt" promotional campaign in its tourist attractions in the second half of the year.



4. **Strengthening headquarters' capability**

The Company continued to improve its corporate structure and recruit professional talents of top quality to enhance management and control and operational collaboration and promote internal sharing of sales and marketing experiences.

5. **Enhancing investor relations and strength market capitalisation management**

The Company made great efforts to enhance investor relations and established close connection with the capital market through various activities such as post-results press conference and investor/analyst briefings, non-deal road shows in Hong Kong, Mainland China and Singapore, investor conferences and one-on-one meetings. As a result, investors and analysts developed a better understanding of the strategy and development of the Company and their confidence in the Company was strengthened. Currently, a number of leading securities companies have issued research reports on the Company.

As its operating fundamentals and financial position improved further, the Company continued to buy back a total of 117,866,000 shares of the Company on the Stock Exchange in 2015 at a total consideration of approximately HK\$313.21 million, with an average purchase price of approximately HK\$2.66 per share. Since the beginning of 2016, the Company continued to buy back a total of 49,654,000 shares of the Company on the Stock Exchange at a total consideration of approximately HK\$132.84 million, with an average purchase price of approximately HK\$2.68 per share.

Since 2011, the Company has been buying back an appropriate amount of its shares every year, which fully manifested the Company's confidence in its business development, and helped to increase shareholder value.



THE COMPANY'S DEVELOPMENT STRATEGY

With a mission to offer new travel destination lifestyle to its customers and adopting the strategic positioning as China's leading investor, developer and operator of travel destinations, the Company will focus on the development of natural and cultural scenic spot destinations, expedite on the network development of city travel destinations, develop leisure resorts in a prudent and orderly manner, seize opportunities to develop new types of travel destinations, and make strategic investments in businesses having strong synergies with our core business as opportunities arise.

1. 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 extend 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.

The Company will explore the successful model of transformation from sight-seeing scenic spot to leisure scenic spot, aggressively acquire national scenic spot destinations and complete the establishment of a national network of scenic spot destinations.

2. City travel destinations

With core products of hotels and theme parks, the city travel destinations aim to offer an urban business and leisure lifestyle. Window of the World and Splendid China will maintain their appeal and profitability, develop tourist attraction management service further and establish an asset-light expansion approach. The Company will take advantage of the cooperation opportunities arising from international brands' venturing into the Chinese market to gain more room for development. In addition, the Company will explore business restructuring and integration opportunities to unlock the value of its existing businesses. The hotel operations will seek expansion opportunities through restructuring and integration.

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 and lifetime value-added travel services and offer a leisure and vacation lifestyle.

The Company will explore new business model, improve the operation of the Zhuhai OSR Phase 1 Project and develop core products; focus on development of leisure resorts with core products; engage in overseas mergers and acquisitions targeting leisure resort chains; and adopt a prudent approach to developing new tourism real estate projects.

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 extend the staying time of customers, so as to develop a modern travel destination life circle.

The Company will focus on natural and cultural scenic spot destinations, city travel destinations, leisure resort destinations, and new types of travel destinations and make strategic investment in supplementary businesses with strong synergy through capital operations.

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

In respect of existing business operations, 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 overcome weaknesses in its development. Also, the Company will strengthen cost control and adopt centralised procurement, quality control and cost control to reduce costs and improve efficiency.

The Company will continue to focus on value creation and gradually dispose of assets and 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 favorable operation.

The Company will actively push forward reform of systems and mechanisms of enterprise and activate the development vigor of enterprise. 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.

KEY INITIATIVES IN 2016

In 2016, the Company will continue to focus on structural enhancement, transformation and process reengineering in its work. After the disposal of its power generation operations, the Company will strengthen its tourism investment and carry out the following key initiatives to ensure its healthy and rapid development:

1. Enhancing the operation of existing businesses to enhance results

The Company will focus on the governance of the Zhuhai OSR Phase 1 Project and improve its operation through various means such as optimising business model, creating innovative products, renovating facilities and enhancing service quality, with an ultimate aim to turnaround its business and make it a core product of the Company's leisure resort products. Faced with the challenges of market slowdown, the Hong Kong and Macau hotels will strengthen their sales and marketing efforts, control costs to improve profitability and continue to implement asset enhancement program in an orderly manner. The Company will continue to adjust its asset structure, actively pursue the opportunities of exit from businesses with low or negative return including some hotel, travel destination and travel service projects, and aim for achieving a breakthrough within this year. In addition, the Company will continue its efforts in cost control, efficiency enhancement and centralised procurement.

2. Facilitating the development of new projects and businesses to enhance results

The Company will actively push forward the development of the Zhuhai OSR Phase 2 Project and aim to launch presale of its tourism real estate and bring in cash flow in the second half of 2016. It will also strengthen the sales effort of tourism real estate of the Anji Project, enrich its product portfolio and actively seek partners to acquire funding, enhance

capabilities, diversify investment risks and enhance project return. The Tourist Service Centre of Shapotou Scenic Spot, which is expected to commence operation in the second half of 2016, will have to deliver results to promote the continuous rapid growth of Shapotou Scenic Spot. The Company will actively push forward the planning, design and construction of the Songshan Tourism Town Project and the planning for expansion of the Shapotou Scenic Spot in order to establish the Company's scenic spot brand and facilitate the quality enhancement and upgrade of existing scenic spots. The Company also aims to achieve a breakthrough in acquiring scenic spot projects in areas such as Jining in Shandong, Leshan and Mount Eme in Sichuan.

3. Strengthening capital operations and promoting external development to enhance results

The Company will strengthen its capital operations to promote profit growth. It will actively seek hotel expansion opportunities through restructuring and integration; seek opportunities for tapping into leisure resorts with core products at home and overseas through various approaches such as mergers and acquisitions and broaden the existing development model of leisure resort destinations; focus on travel destinations and make strategic investment in supplementary businesses with strong synergy. In addition, the Company will push forward the development and operation of CDD International Holdings Limited to integrate internal and external tourism resources, and establish a system of exchangeable tourism real estate and implement it gradually. The Company will also continue to negotiate for the introduction of strategic investors at both the company and subsidiary levels.

4. Strengthening headquarters' capability and overall innovative capability

The Company will continue to enhance its corporate structure and control mechanism, recruit professional talents and focus on strengthening its strategy execution capability to promote the rapid development of the Company. It will strengthen innovations in product, management and business model to enhance results.

5. Enhancing investor relations and market capitalisation management

The Company will enhance its investor relations efforts further to help the capital market better understand its development strategy and operation, reinforce capital market confidence in the Company and unlock the intrinsic value of the Company. Meanwhile, the Company will buy back its shares at the appropriate time to increase shareholder value.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2015, the Group had 10,059 employees. The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from the retirement benefit and in-house training programs, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 31 December 2015, the cash and bank balances of the Group amounted to HK\$3,681 million whereas the bank and other borrowings amounted to HK\$828 million. The debt-to-capital ratio was 19% 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 Group has certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus is exposed to a certain level of foreign currency risk. The Group has entered into foreign exchange swap to partially hedge against RMB exchange rate risk and volatility. The Group will closely monitor and manage foreign currency exposure and to make use of appropriate measures when required.

CHARGE ON ASSETS

As at 31 December 2015, the Group's bank deposits of approximately HK\$58 million (31 December 2014: HK\$37 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As at 31 December 2015, certain of the Group's buildings with net carrying amounts of HK\$1,862,000 (2014: HK\$Nil) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2014: HK\$0.3 million).

BUSINESS PROSPECTS

In 2016, although the global economy faces various challenges and grows slower with significant downside risks pressure, thanks to the healthy fundamentals of the domestic economy and the normalisation of tourism consumption, development of the current tourism economy is still on the fast lane. Although the Company achieved overall satisfactory results in 2015, certain business units are still faced with notable challenges, earnings gap following the disposal of power generation operations needs to be filled and the pace of development of new businesses needs to be quickened.

In 2016, although the external circumstances and market environment are full of challenges, the fundamentals of the Company's overall businesses 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 Company will cope with challenges actively and enhance results through enhancing the operation of existing businesses, facilitating the development of new projects and businesses, and strengthening innovations in product, management and business model, so as to reinforce market confidence and create shareholder value.

Ms. Jiang Yan has resigned from the position of the Chairman of the Company on 19 February 2016 to devote more time for her commitments at CTS (Holdings) and China CTS (HK), the controlling shareholders of the Company. The Company has achieved rapid development and growth in its business under the leadership of Ms. Jiang. The Board would like to take this opportunity to express its sincere gratitude to Ms. Jiang for her valuable contributions towards the Company during her tenure of service. I would also like to take this opportunity to express my deepest gratitude to shareholders for their trust and support and to fellow Board members, the management and the staff for their hard work, contribution and achievements.

Xu Muhan

Chairman of the Board

Hong Kong, 30 March 2016



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 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group’s principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of financial year 2015, if any, and an indication of likely future development in the Group’s business, can be found in the “Chairman’s Statement” section on pages 12 to 24, the “Financial Review” section on page 8, and note 43 to the consolidated financial statements on pages 136 to 139 of the Annual Report.

GROUP PROFIT

The Group’s profit for the year ended 31 December 2015 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 48 to 142.

DIVIDENDS

An interim dividend of HK2.5 cents per share (2014: HK2.5 cents per share) and a special interim dividend of HK2.5 cents (2014: HK2.5 cents per share) were paid on 29 September 2015. The Directors recommend the payment of a final dividend of HK4.5 cents per ordinary share (2014: HK5 cents per share) in respect of the year to shareholders whose names appear on the register of members of the Company on 31 May 2016.

SHARE CAPITAL

During the year, the Company issued 52,172,000 shares for cash of HK\$88,692,400 on the exercise of options granted under the approved share option scheme. 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 45 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed “Share Option Scheme” below, no equity-linked agreements were existed during the year. For the year ended 31 December 2015, the Company has not entered into any equity-linked agreement.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company’s reserves available for distribution, calculated in accordance with the provisions of Section 297 & 299 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK\$4,058,803,000, of which HK\$247,896,000 has been proposed as a final dividend for the year.

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

During the year, the Company repurchased a total of 117,866,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which were cancelled during the year. The number of issued shares as of 31 December 2015 was 5,549,763,525 shares. Particulars of the shares repurchased during the year are as follows:

Month/Year	Number of shares repurchased	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January 2015	6,328,000	2.74	2.54	16,944,140
February 2015	1,076,000	2.45	2.42	2,626,980
March 2015	1,214,000	2.52	2.52	3,059,280
April 2015	152,000	2.50	2.50	380,000
June 2015	4,148,000	3.38	3.27	13,778,820
July 2015	34,556,000	3.00	2.26	88,322,040
August 2015	42,682,000	2.84	2.48	114,324,740
September 2015	27,710,000	2.84	2.52	73,775,660

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 or 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\$6,224. (2014: HK\$441,994).

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.

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:

Mr. Xu Muhan

(Appointed as Chairman on 19 February 2016)

Ms. Jiang Yan *(Resigned as Chairman and Executive Director on 19 February 2016)*

Mr. Lo Sui On *(Vice Chairman)*

Mr. Zhang Fengchun

Mr. Fu Zhuoyang

Mr. Qu, Simon Tao *(Appointed as Executive Director and Executive Deputy General Manager (in charge of overall operation) on 19 February 2016)*

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. Xu Muhan, Mr. Fu Zhuoyang and Mr. Sze, Robert Tsai To shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 92 of the Company's Articles of Association, Mr. Qu, Simon Tao who was appointed by the Board on 19 February 2016, will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

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.

DIRECTORS OF SUBSIDIARIES

A list of names of all the directors who have served on the board of the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at <http://www.irasia.com/listco/hk/ctii/>.

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 2015 Interim Report are set out below:

Name of Director	Changes
Xu Muhan	<ul style="list-style-type: none"> <li data-bbox="1043 627 1447 901">– Appointed as the Chairman of the Board, the Chairman of the Nomination Committee and member of the Remuneration Committee and resigned from the position of the General Manager of the Company, with effect from 19 February 2016. <li data-bbox="1043 944 1447 1110">– Director's fee for year 2016 increased to HK\$330,000 with effect from 19 February 2016, payable on a time pro-rata basis. <li data-bbox="1043 1153 1447 1384">– Appointed as a director of Alliance Power Resources Ltd. and CTS Asset Management (I) Limited, both of which are a substantial shareholder of the Company, with effect from 28 December 2015,. <li data-bbox="1043 1427 1447 1701">– Appointed as a director of CTS Metropark Limited, a company incorporated in the UK and a wholly-owned subsidiary of China Travel Service (Holdings) Hong Kong Ltd. ("CTS (Holdings)"), with effect from 29 July 2015. <li data-bbox="1043 1744 1447 1936">– Appointed as a director of Long Lucky Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CTS (Holdings), with effect from 27 July 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangement and contract (that is significant in relation to the Company's business), to which the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or any entity connected with a Director had, directly or indirectly, a material interest, subsisted as 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 2015 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 24 March 2015, the Company and Add-Well Investments Limited (collectively, the "Vendors") and CTS (Holdings) entered into a disposal agreement, pursuant to which, subject to the condition precedent set out therein, the Vendors agreed to sell and CTS (Holdings) 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 and the circular of the Company dated 17 April 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 2015 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 National Travel Service (HK) Group Corporation ("China CTS (HK)") and its associates (collectively, the "China CTS (HK) Group") in the following categories:
- (a) Provision of Travel Permit Administration by China Travel Service (Hong Kong) Limited ("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. At the extraordinary general meeting held on 15 December 2015, the Company obtained independent shareholders’ approval of the maximum aggregate annual value of HK\$290 million for each of the three years ending 31 December 2018. For detailed information, please refer to the Company’s announcement dated 6 November 2015 and the circular dated 27 November 2015.

- (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. On 6 November 2015, the Company entered into a renewal agreement with CTS (Holdings) to renew the terms of the continuing connected transactions referred to in (b) and (c) above for a term commenced from 1 January 2016 and ending on 31 December 2018.

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 2015.

- (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. 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 ended 31 December 2015 to comply with the Listing Rules. For detailed information, please refer to the announcement of the Company dated 9 December 2013.

On 6 November 2015, the Company entered into a renewal agreement with CTS (Holdings) to renew the terms of the hotel management services for a term commenced from 1 January 2016 and ending on 31 December 2018. For detailed information, please refer to the announcement of the Company dated 6 November 2015.

- (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 2015 and the actual amounts of such transactions for the year ended 31 December 2015 are as follows:

	Caps for the years ended/ending 31 December				Actual amounts for the year ended
	2014	2015	2016	2017	31 December 2015
	'000	'000	'000	'000	'000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration by CTSHK	HK\$403,000	HK\$427,000	HK\$290,000	HK\$290,000	HK\$265,132
(b) Lease arrangements with the CTS (Holdings) Group as lessor	HK\$23,000	HK\$26,500	HK\$26,000	HK\$28,500	HK\$19,146
(c) Provision of ASP related services to the CTS (Holdings) Group	HK\$33,000	HK\$36,300	HK\$4,000	HK\$5,000	HK\$7,468
(d) Provision of hotel management services to the CTS (Holdings) Group	RMB17,000	RMB20,000	RMB15,000	RMB16,500	RMB11,470
II. Continuing connected transactions with the China CTS (HK) Group					
(e) Provision of tour group services to the China CTS (HK) Group	HK\$43,200	HK\$30,000	HK\$36,000	HK\$43,000	HK\$17,682
(f) Provision of tour group services by the China CTS (HK) Group to the Group	HK\$144,000	HK\$73,000	HK\$88,000	HK\$105,000	HK\$59,023

(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 (the "2012 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 ended on 31 December 2015, where China CTS Asset Management will continue to provide the management services thereunder to CTS Scenery Resort and its subsidiaries. As the 2012 Services Agreement relating to the continuing connected transactions provided thereunder expired on 31 December 2015, CTS Scenery Resort entered into the 2015 Services Agreement with China CTS Asset Management on 6 November 2015 to renew the terms of such continuing connected transactions for a term commenced from 1 January 2016 and

ending on 31 December 2018, 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 2018 for the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries are RMB6.6 million, RMB7.3 million and RMB8 million, respectively. The maximum annual cap for the year ended 31 December 2015 was RMB9 million and actual amount of the transactions for the year ended 31 December 2015 was RMB5,230,000. For detailed information, please refer to the Company's announcement dated 6 November 2015.

- (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 2015 was RMB96,208,000. For detailed information, please refer to the Company’s announcement dated 6 November 2012.
- (v) On 14 January 2016, the Company and China National Travel Service (HK) Finance Company Limited (“CTS Finance”) entered into a financial services framework agreement in respect of the provision of (i) deposit services, (ii) the comprehensive credit line services, (iii) the entrustment loan services; and (iv) the cross-border RMB cash pooling services by CTS Finance for a term commenced from 14 January 2016 and ending on 31 December 2018. As China CTS (HK) holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS (HK) is a connected person of the Company under the listing rules. CTS Finance is a non wholly-owned subsidiary of China CTS (HK) and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the financial services framework agreement constituted

continuing connected transactions for the Company under the listing rules. As the highest applicable percentage ratio in respect of the Deposit Caps is more than 0.1% but less than 5% and have an annual consideration of more than HK\$3,000,000, the deposit services are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirement under the listing rules. The caps for the deposit placed by the Company’s PRC subsidiaries with CTS Finance for the three years ending 31 December 2018 are RMB124.4 million, RMB136.8 million and RMB150.5 million, respectively. For detailed information, please refer to the Company’s announcement dated 14 January 2016.

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 for the year ended 31 December 2015 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 auditors, were engaged to report on the Group’s continuing connected transactions for the year ended 31 December 2015 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 2015, 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			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 31 December 2015
	Corporate interest	Personal interest	Family interest			
Ms. Jiang Yan	–	–	–	1,770,000	1,770,000	0.03%
Mr. Lo Sui On	–	600,000	–	770,000	1,370,000	0.02%
Mr. Zhang Fengchun	–	880,000	–	890,000	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.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the extent permitted by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which he may sustain or incur or about the execution of the duties of his office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for legal actions brought against the Directors of the Company. The level of coverage is reviewed annually.

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:

Name or category of participant	Number of share options				Balance as at 31 December 2015	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)
	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled or lapsed during the year				
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	–	(1,000,000)	–	770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	1,770,000	–	(880,000)	–	890,000	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	–	(1,880,000)	–	7,050,000			
Other employees in aggregate	70,890,000	–	(49,752,000)	(1,540,000)	19,598,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	79,820,000	–	(51,632,000)	(1,540,000)	26,648,000			

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

Note 2: No further share options can be granted under the 2002 Share Option Scheme since its termination on 4 May 2012. The total number of shares of the Company which may be issued upon exercise of all share options granted and yet to be exercised under the 2002 Share Option Scheme as at 30 December 2015 was 26,648,000, representing 0.48% of the total number of issued shares of the Company as at the date of this annual report.



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 2015.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of the 2012 Share Option Scheme. As at 31 December 2015, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.32% of the total number of issued shares of the Company as at the date of this annual report.

Save as disclosed above, as at 31 December 2015, 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 2015, 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 2015
China CTS (HK)	Interest of controlled corporation (Note 1)	3,262,060,728	58.78%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Note 1 and 2)	3,262,060,728	58.78%
Alliance Power Resources Ltd.	Beneficial owner (Note 2)	1,115,340,456	20.10%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,115,340,456	20.10%
GUOXIN International Investment Corporation Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.10%
Ryden Holdings Company Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.10%
中國華馨投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.10%
博遠投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.10%

Note 1: 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).

Note 2: Of these 3,262,060,728 shares, 2,126,020,272 shares are held directly by CTS (Holdings). 20,700,000 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,115,340,456 shares are held directly by Alliance Power Resources Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Alliance Power Resources Ltd. is interested pursuant to Part XV of the SFO.

Note 3: 1,115,340,456 shares are held directly by Alliance Power Resources Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. Ryden Holdings Company Limited is 100% directly owned by GUOXIN International Investment Corporation Limited, which is 90% directly owned by 博遠投資有限公司, a 100%-owned subsidiary of 中國華馨投資有限公司. Ryden Holdings Company Limited, GUOXIN International Investment Corporation Limited, 博遠投資有限公司 and 中國華馨投資有限公司 are deemed to be interested in the shares in which Alliance Power Resources Ltd. is interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 31 December 2015, 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 2015 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 2016.

On 1 June 2015, 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 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 38 to 45.

AUDITORS

The financial statements of the Company for the year ended 31 December 2015 were audited by PricewaterhouseCoopers. PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2016 annual general meeting to re-appoint them and to authorize the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Xu Muhan
Chairman

Hong Kong, 30 March 2016

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 2015, except for the following deviations:

- Code Provision A.2.7 specifies that the Chairman should at least annually hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the Executive Directors present. During the year, the Chairman did not hold any meeting with the Non-Executive Directors without the Executive Directors present because the Non-Executive Directors of the Company may express their views directly to the Chairman from time to time via other means including correspondences and emails. The Company is of the view that there is efficient communication between the Chairman and Non-Executive Directors.
- Code Provision A.4.1 specifies that Non-Executive Directors should be appointed for a specific term, subject to re-election. Although the Company's Non-Executive Directors do not have a specific term of appointment, pursuant to the Company's articles of association (the "Articles"), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that such requirements are sufficient to meet the underlying objective and spirit of the relevant Code Provisions.

- Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.
- Code Provision E.1.2 specifies that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board of the Company has not attended the Company's annual general meeting held on 20 May 2015 because of other business commitment.

THE BOARD

Composition

The Board currently comprises 9 Directors, being 5 Executive Directors and 4 Independent Non-Executive Directors. On 19 February 2016, Ms. Jiang Yan resigned as the Chairman and an Executive Director, Mr. Xu Muhan appointed as the Chairman and resigned as the General Manager, and Mr. Qu, Simon Tao, the Executive Deputy General Manager, appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company. Further details of the composition of the Board are disclosed in the "Corporate Information" section on page 2.

The relationships among members of the Board are disclosed in the "Biographies of Directors" section 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. During the year, Ms. Jiang Yan serves as the Chairman of the Board and Mr. Xu Muhan serves as the General Manager. On 19 February 2016, Ms Jiang Yan resigned as Chairman of the Board and Mr. Xu Muhan appointed as Chairman of the Board and resigned from the position of General Manager. On the same date, Mr. Qu, Simon Tao, the Executive Deputy General Manager, appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company.

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 changes in Corporate Governance Code and Corporate Governance Report effective from 1 January 2016. During the year, the Directors participated in the following professional developments:

Name of Directors	Type of Trainings		
	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:			
Xu Muhan	√	–	√
Jiang Yan*	√	–	√
Lo Sui On	√	√	√
Zhang Fengchun	√	√	√
Fu Zhuoyang	√	–	√
Independent Non-Executive Directors:			
Fong Yun Wah	√	–	√
Wong Man Kong, Peter	√	–	√
Sze, Robert Tsai To	√	–	√
Chan Wing Kee	√	–	√

* Ms. Jiang Yan resigned as the Chairman and an Executive Director of the Company with effect from 19 February 2016.

Board Meetings

During the year ended 31 December 2015, 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 (<i>Chairman</i>) Mr. Sze, Robert Tsai To Mr. Chan Wing Kee
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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. In compliance with the new Corporate Governance Code effective from 1 January 2016, the terms of reference of the Audit Committee has been amended by the Board on 1 January 2016 to include the function of overseeing the risk management of the Group.

The Audit Committee held two meetings during the year ended 31 December 2015 and reviewed the audited financial statements for the year ended 31 December 2014 and the unaudited interim financial statements for the six months ended 30 June 2015. 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 2015 have been reviewed by the Audit Committee.

Remuneration Committee

Members:

Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter (<i>Chairman</i>) Mr. Sze, Robert Tsai To Mr. Chang Wing Kee
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Executive Director:	Ms. Jiang Yan (resigned as a member of Remuneration Committee on 19 February 2016) Mr. Xu Muhan (appointed as a member of Remuneration Committee on 19 February 2016)
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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 management for the financial year ended 31 December 2015 are disclosed in the notes to the consolidated financial statements.

The Remuneration Committee held one meeting in 2015 and reviewed the Directors' fees for 2015.

Nomination Committee

Members:

Executive Director:	Ms. Jiang Yan (resigned as Chairman of Nomination Committee on 19 February 2016) Mr. Xu Muhan (appointed as Chairman of Nomination Committee on 19 February 2016)
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 2015 to discuss and review the re-election of retiring Directors at the 2015 annual general meeting.

Strategy and Development Committee

Members:

Executive Directors:	Mr. Xu Muhan (<i>Chairman</i>) 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 as a member of the Strategy and Development Committee with effect from 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 2015 and reviewed a major and connected transaction, discussed an investment proposal, and proposed a candidate as a member of the Strategy and Development Committee.



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 Extraordinary General Meeting of the Company during the year ended 31 December 2015 are set out as follows:

Name of Directors	Board Meeting	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2015					
		Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Strategy and Development Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors:							
Xu Muhan ^{Note 1}	3/4	N/A	N/A	N/A	0/1	1/1	1/1
Jiang Yan ^{Note 2}	2/4	N/A	0/1	0/1	N/A	0/1	0/1
Lo Sui On	4/4	N/A	N/A	N/A	N/A	0/1	1/1
Zhang Fengchun	4/4	N/A	N/A	N/A	0/1	0/1	0/1
Fu Zhuoyang	1/4	N/A	N/A	N/A	0/1	0/1	0/1
Independent Non-Executive Directors:							
Fong Yun Wah	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Wong Man Kong, Peter	4/4	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 ^{Note 3}	3/4	1/2	1/1	1/1	N/A	1/1	1/1

Note 1: Mr. Xu Muhan appointed as the Chairman of the Board, Chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 19 February 2016.

Note 2: Ms. Jiang Yan resigned as the Chairman and an Executive Director of the Company, Chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 19 February 2016.

Note 3: Mr. Chan Wing Kee appointed as a member of the Strategy and Development Committee with effect from 24 March 2015.

DIRECTOR' 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 2015.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the remuneration to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	8,765
Non-audit services	1,889
Total	<u>10,654</u>

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 46 & 47.

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 2015, 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 2015, the Company held press and analyst conferences following the release of its 2014 annual results and 2015 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, Singapore and Mainland China. During the year, the Company met with over 500 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 auditors attend the annual general meeting and answer questions from Shareholders.

INDEPENDENT AUDITOR'S REPORT

To the members 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 set out on pages 48 to 142, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 of 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.

INDEPENDENT AUDITOR'S REPORT



OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000 (restated)
Continuing operations			
Revenue	5	4,395,389	4,475,142
Cost of sales		(2,391,052)	(2,417,299)
Gross profit		2,004,337	2,057,843
Other income and gains, net	5	262,360	1,048,465
Changes in fair value of investment properties		73,353	70,049
Selling and distribution costs		(536,472)	(503,597)
Administrative expenses		(932,331)	(996,108)
Operating profit	7	871,247	1,676,652
Finance income	6	129,001	140,081
Finance costs	6	(24,332)	(30,276)
Finance income, net	6	104,669	109,805
Share of profits less losses of			
Associates		127,803	97,827
Joint ventures		5,144	6,735
Profit before taxation		1,108,863	1,891,019
Taxation	10	(239,635)	(310,182)
Profit for the year from continuing operations		869,228	1,580,837
Discontinued operations			
Profit for the year from discontinued operations	44	662,917	284,322
Profit for the year		1,532,145	1,865,159
Attributable to:			
Equity owners of the Company		1,352,750	1,738,884
Non-controlling interests		179,395	126,275
Profit for the year		1,532,145	1,865,159

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000 (restated)
Earnings per share for profit attributable to equity owners of the Company (HK cents)			
Basic earnings per share	12		
From continuing operations		12.31	25.87
From discontinued operations		11.83	5.06
From profit for the year		24.14	30.93
Diluted earnings per share			
From continuing operations		12.27	25.82
From discontinued operations		11.79	5.05
From profit for the year		24.06	30.87

The notes on pages 57 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000 (restated)
Profit for the year	1,532,145	1,865,159
Other comprehensive income/(loss)		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Gain on property valuation	110,975	1,745
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of hedging reserve of an associate, net of tax	9,895	(30,025)
Release of exchange difference upon disposal of subsidiaries	(149,321)	(94,776)
Exchange differences on translation of foreign operations, net	(615,440)	(24,929)
Other comprehensive loss for the year, net of tax	(643,891)	(147,985)
Total comprehensive income for the year	888,254	1,717,174
Attributable to:		
Equity owners of the Company	761,324	1,592,652
Non-controlling interests	126,930	124,522
	888,254	1,717,174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	31 December 2015 HK\$'000	31 December 2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	7,919,792	9,947,765
Investment properties	14	1,439,590	1,285,274
Prepaid land lease payments	15	429,169	464,583
Goodwill	16	1,330,151	1,330,151
Other intangible assets	17	174,093	185,101
Interests in associates	19	998,879	1,020,460
Interests in joint ventures	20	47,977	40,204
Available-for-sale investments	21	27,068	27,771
Prepayments	25	85,658	91,951
Deferred tax assets	33	56,293	19,632
Total non-current assets		12,508,670	14,412,892
Current assets			
Inventories	22	36,012	31,833
Properties under development	23	2,026,394	106,450
Trade receivables	24	173,047	188,336
Deposits, prepayments and other receivables	25	877,565	1,366,176
Amount due from immediate holding company	28	186,497	26,939
Amounts due from fellow subsidiaries	28	25,392	32,379
Tax recoverable		3,910	1,744
Financial assets at fair value through profit or loss	26	1,640,050	1,419,753
Pledged time deposits	27	57,984	37,317
Cash and bank balances	27	3,680,731	3,327,025
Total current assets		8,707,582	6,537,952
Total assets		21,216,252	20,950,844
EQUITY			
Equity attributable to owners of the Company			
Share capital	34	9,088,838	8,966,896
Reserves		6,316,321	6,575,037
		15,405,159	15,541,933
Non-controlling interests		1,093,669	1,090,850
Total equity		16,498,828	16,632,783

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	31 December 2015 HK\$'000	31 December 2014 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income	31	1,132,980	1,039,220
Bank and other borrowings	32	805,659	806,142
Deferred tax liabilities	33	417,296	401,663
Total non-current liabilities		2,355,935	2,247,025
Current liabilities			
Trade payables	29	349,785	300,705
Other payables and accruals	30	1,778,338	1,533,198
Amount due to immediate holding company	28	8,215	4,131
Amounts due to fellow subsidiaries	28	9,438	26,415
Tax payable		193,045	144,510
Bank and other borrowings	32	22,668	62,077
Total current liabilities		2,361,489	2,071,036
Total liabilities		4,717,424	4,318,061
Total equity and liabilities		21,216,252	20,950,844

.....
Xu Muhan

.....
Qu, Simon Tao

The notes on pages 57 to 142 are an integral part of these consolidated financial statements.

The financial statements on pages 48 to 142 were approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity owners of the Company											
	Share capital	Treasury shares	Share option reserve	Building revaluation reserve	Hedging reserve	Capital reserve	Enterprise expansion/ reserve funds ¹	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	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
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	1,352,750	1,352,750	179,395	1,532,145
Other comprehensive income for the year:												
<i>Item that will not be reclassified subsequently to profit or loss:</i>												
Gain on property revaluation, net of tax	-	-	-	110,975	-	-	-	-	-	110,975	-	110,975
<i>Items that may be reclassified subsequently to profit or loss:</i>												
Share of hedging reserve of an associate	-	-	-	-	9,895	-	-	-	-	9,895	-	9,895
Release of exchange difference upon disposal of subsidiaries	-	-	-	-	-	-	-	(149,321)	-	(149,321)	-	(149,321)
Exchange differences on translation of foreign operations, net	-	-	-	-	-	-	-	(562,975)	-	(562,975)	(52,465)	(615,440)
Total other comprehensive income/(loss) for the year, net of tax	-	-	-	110,975	9,895	-	-	(712,296)	-	(591,426)	(52,465)	(643,891)
Total comprehensive income/(loss) for the year	-	-	-	110,975	9,895	-	-	(712,296)	1,352,750	761,324	126,930	888,254
Transactions with owners												
Transfer from retained profits	-	-	-	-	-	-	12,143	-	(12,143)	-	-	-
Repurchase of shares	-	(313,212)	-	-	-	-	-	-	-	(313,212)	-	(313,212)
Cancellation for shares repurchased	-	344,764	-	-	-	-	-	-	(345,875)	(1,111)	-	(1,111)
Exercise of share options	121,942	-	(33,250)	-	-	-	-	-	-	88,692	-	88,692
Lapse of share options	-	-	(663)	-	-	-	-	-	663	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(124,111)	(124,111)
Relating to disposal of subsidiaries	-	-	-	-	-	492,436	-	-	(492,436)	-	-	-
2014 final dividend paid	-	-	-	-	-	-	-	-	(395,197)	(395,197)	-	(395,197)
2015 interim dividend paid	-	-	-	-	-	-	-	-	(277,270)	(277,270)	-	(277,270)
Total transactions with owners for the year	121,942	31,552	(33,913)	-	-	492,436	12,143	-	(1,522,258)	(898,098)	(124,111)	(1,022,209)
At 31 December 2015	9,088,838	-	11,606	421,938	(18,167)	(537,555)	155,483	286,237	5,996,779	15,405,159	1,093,669	16,498,828

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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 profit 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:														
<i>Item that will not be reclassified subsequently to profit or loss:</i>														
Gain on property revaluation, net of tax	-	-	-	-	-	1,745	-	-	-	-	-	1,745	-	1,745
<i>Items that may be reclassified subsequently to profit or loss:</i>														
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

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Profit before taxation and profit for the year from discontinued operations	1,771,780	2,175,341
Adjustments for:		
Finance costs	24,332	30,276
Finance income	(129,001)	(140,081)
Gain on disposal of subsidiaries (note 37)	(429,371)	(837,750)
Loss/(gain) on disposal of property, plant and equipment, net	4,319	(26,328)
Loss on disposal of investment property	606	–
Income from financial assets at fair value through profit or loss	(75,206)	(47,399)
Depreciation	464,917	484,089
Amortisation of prepaid land lease payments	27,138	24,624
Amortisation of other intangible assets	3,259	3,306
Provision for impairment of interest in an associate	–	3,410
Provision for impairment of trade and other receivables, net	2,818	6,590
Changes in fair value of investment properties	(73,353)	(70,049)
Share of profits of associates	(361,349)	(382,149)
Share of profits of joint ventures	(5,144)	(6,735)
Equity-settled share option expense	–	1,298
Exchange gain on return of capital from an associate	–	(13,150)
	1,225,745	1,205,293
(Increase)/decrease in inventories	(4,670)	7,296
Increase in property under development	(298,795)	(4,587)
(Increase)/decrease in trade receivables, deposits, prepayments and other receivables	(14,782)	67,159
Increase in amounts due from associates	(14,828)	(15,500)
Decrease/(increase) in amounts due from joint ventures	4,453	(4,530)
Decrease in amounts due from immediate holding company	220,761	1,963
Decrease in amounts due from fellow subsidiaries	6,987	2,204
Increase/(decrease) in trade payables, other payables and accruals	230,627	(190,431)
Decrease in amounts due to associates	(262)	(217)
Decrease in amounts due to joint ventures	(1,387)	(1,712)
(Decrease)/increase in amounts due to fellow subsidiaries	(16,977)	7,488
Increase in deferred income, net of sales tax	156,133	333,049
Cash generated from operations	1,493,005	1,407,475
Hong Kong, PRC and Macau profits taxes paid	(291,084)	(226,682)
Overseas taxes paid	(142)	(636)
Net cash flows from operating activities	1,201,779	1,180,157

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from investing activities		
Finance income received	129,001	140,081
Dividends received from associates and joint ventures	51,693	348,964
Return of capital from an associate	–	51,503
Purchases of property, plant and equipment	(477,201)	(1,340,245)
Proceeds from disposal of property, plant and equipment	6,581	58,544
Investment in a joint venture	(8,651)	–
Investment in an associate	(400)	–
Acquisition of subsidiary, net of cash (note 36)	–	56,102
Disposal of subsidiaries, net of cash (note 37)	640,243	1,350,503
Decrease in entrustment loan receivables	435,674	340,967
Proceeds upon disposal of financial assets at fair value through profit or loss	5,975,473	4,722,428
Additions to financial assets at fair value through profit or loss	(6,232,466)	(5,202,897)
(Increase)/decrease in pledged time deposits	(23,564)	16,580
Increase in non-pledged time deposits with original maturity of more than three months when acquired	(1,088,008)	(755,352)
Net cash flows used in investing activities	(591,625)	(212,822)
Cash flows from financing activities		
Finance cost paid	(24,332)	(30,276)
Dividends paid	(672,467)	(505,199)
Exercise of share option	88,692	28,679
Dividends paid to non-controlling shareholders	(124,111)	(135,618)
New bank loans	1,540,000	2,954,482
Repayment of bank loans	(1,578,455)	(2,586,407)
Repurchase of shares	(314,323)	(68,440)
Net cash flows used in financing activities	(1,084,996)	(342,779)
Net (decrease)/increase in cash and cash equivalents	(474,842)	624,556
Cash and cash equivalents at beginning of year	2,441,315	1,837,062
Effect of foreign exchange rate changes, net	(249,052)	(20,303)
Cash and cash equivalents at end of year	1,717,421	2,441,315
Analysis of balances of cash and cash equivalents		
Cash and bank balances	3,680,731	3,327,025
Deposits of non-cash and cash equivalents	(1,963,310)	(885,710)
Cash and cash equivalents	1,717,421	2,441,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 CORPORATE INFORMATION

China Travel International Investment Hong Kong Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in following activities:

- Tourist attraction operations
- Travel agency, travel document and related operations
- Hotel operations
- Passenger transportation operations
- Golf club operations
- Arts performance operations
- 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 all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which have been measured at fair value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015.

HKAS 19 (Amendment) Annual Improvement 2010 - 2012 Cycle	Defined Benefit Plans Amendments to a number of HKFRSs issued in January 2014
Annual Improvement 2011 - 2013 Cycle	Amendments to a number of HKFRSs issued in January 2014

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.

(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 2015 and have not been early adopted by the Group:

HKFRS 14 ⁽¹⁾ Amendment to HKFRS 11 ⁽¹⁾	Regulatory Deferred Accounts Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38 ⁽¹⁾	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41 ⁽¹⁾ HKFRS 10 and HKAS 28 (amendment) ⁽¹⁾	Agriculture: bearer plants Investment entities: applying the consolidation exception
HKFRS 10, HKFRS 12 and HKAS 28 (amendment) ⁽¹⁾	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to HKAS 27 ⁽¹⁾ Amendments to HKAS 1 ⁽¹⁾	Equity method in separate financial statements Disclosure initiative
HKFRS 15 ⁽²⁾ HKFRS 9 ⁽²⁾	Revenue from Contracts with Customers Financial Instruments
Annual Improvement 2012 - 2014 Cycle ⁽¹⁾	Amendments to a number of HKFRSs issued in October 2014

⁽¹⁾ Effective for financial periods beginning on or after 1 January 2016

⁽²⁾ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) 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 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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 consolidated income statement.

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 consolidated income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (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 unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) 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 consolidated income statement. 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 consolidated income statement.

2.2.2 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations 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. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. 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 over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Related parties (Continued)

- (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).

2.7 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in 'changes in fair value of investment properties'.

Transfer from owner occupied property to investment property is made when, there is a change in use, evidenced by end of owner occupation. If an owner-occupied property becomes an investment property and the fair value is larger than carrying value, the difference will be recognised in revaluation reserve and subsequent gain or loss to be recognised through profit and loss. If the fair value is less than carrying value, the loss is recognised immediately in profit and loss. Any increase in future is recognised in profit and loss to the extent that the increase reverses a previous impairment loss.

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 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.

2.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives including contingent consideration arising from disposal of subsidiaries, are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and 'cash and cash equivalents' in the balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other income and gains, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group’s right to receive payments is established.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss can be recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial liabilities (Continued)

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.

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.

2.15 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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedge accounting (Continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance expenses'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other income and gains, net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance expenses'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other income and gains, net'.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other income and gains, net'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedge accounting (Continued)

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses or the net realizable value as estimated by the Directors. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

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

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's and the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

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 2.14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.25 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Share-based payments (Continued)

(a) *Equity-settled share-based payment transactions (Continued)*

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Other employee benefits (Continued)

Retirement benefit schemes (Continued)

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.

2.27 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.30 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the Group's accounting policies

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed 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 16 to the consolidated financial statements.

Depreciation

The net book value of the Group's property, plant and equipment as at 31 December 2015 was HK\$7,919,792,000 (2014: HK\$9,947,765,000). 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 14.

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 14 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Critical accounting estimates and assumptions (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 or fair value less cost to sale; 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 ("Golf Club"), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Critical accounting estimates and assumptions (Continued)

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select from a variety of methods and make assumptions that are mainly based on market conditions existing at the end of reporting period. The Group has used discounted cash flow analysis to estimate the fair value of contingent consideration of the disposal of Chadwick Developments Limited (“Chadwick”). For the details of the contingent consideration of disposal of Chadwick, refer to Note 43.

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, hot spring resorts, other resorts and tourism property development located in Mainland China;
- (b) the travel agency, travel document and related operations segment engages in the provision of travel agency and related services in Hong Kong, Mainland China, South East Asia, Oceania, the United States of America and countries in the European Union;
- (c) the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China;
- (d) the passenger transportation operations segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicle rental and charter operations in Hong Kong, Macau and Mainland China;
- (e) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members of the Group’s golf club in Shenzhen, Mainland China; and
- (f) the arts performance operations segment engages in the production of arts performances in Mainland China and overseas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 OPERATING SEGMENT INFORMATION (Continued)

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

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker and monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) attributable to equity owners of the Company of each reportable operating segment excluding material non-recurring incomes or expenses, such as changes in fair value of investment properties (net of tax), net gain on disposal of subsidiaries, and net gain/(loss) on disposal of property, plant and equipment.

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

Segment liabilities includes all trade 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 2015 and 2014, and on the Group's profits for the year ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Continuing operations							Discontinued operations		Consolidated HK\$'000	
	Travel agency, travel	Tourist attraction operations	document and related operations	Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Total of reportable segments	Corporate and others		Power generation operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:											
Sales to external customers	1,843,091	1,356,848	759,943	295,399	109,258	30,850	4,395,389	-	4,395,389	-	4,395,389
Intersegment revenue	11,078	5,650	3,465	1,067	-	-	21,260	20,350	41,610	-	41,610
	1,854,169	1,362,498	763,408	296,466	109,258	30,850	4,416,649	20,350	4,436,999	-	4,436,999
Elimination of intersegment revenue							(21,260)	(20,350)	(41,610)	-	(41,610)
Revenue							4,395,389	-	4,395,389	-	4,395,389
Segment results	194,681	188,149	111,658	151,908	(3,342)	(1,580)	641,474	(16,311)	625,163	233,546	858,709
Changes in fair value of investment properties, net of tax									66,599	-	66,599
Net gain on disposal of subsidiaries									(66)	429,371	429,305
Loss on disposal of investment property									(606)	-	(606)
Loss on disposal of property, plant and equipment, net									(4,319)	-	(4,319)
Other income and gains									3,062	-	3,062
Non-controlling interests									179,395	-	179,395
Profit for the year									869,228	662,917	1,532,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015 (Continued)

	Continuing operations								Discontinued operations		
	Travel agency, travel	Tourist attraction operations	document and related operations	Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Total of reportable segments	Corporate and others	Power generation operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	8,261,838	2,939,142	4,136,170	200,180	702,342	104,591	16,344,263	3,825,133	20,169,396	-	20,169,396
Interests in associates	519,187	-	-	479,692	-	-	998,879	-	998,879	-	998,879
Interests in joint ventures	-	-	-	30,005	-	17,972	47,977	-	47,977	-	47,977
Intersegment receivables	19,467	978,938	420,338	2,704	-	-	1,421,447	16,113,818	17,535,265	-	17,535,265
	8,800,492	3,918,080	4,556,508	712,581	702,342	122,563	18,812,566	19,938,951	38,751,517	-	38,751,517
Elimination of intersegment receivables									(17,535,265)		(17,535,265)
Total assets									21,216,252		21,216,252
Segment liabilities	2,005,873	466,212	504,144	87,103	609,172	17,213	3,689,717	1,027,707	4,717,424	-	4,717,424
Intersegment payables	2,779,397	392,792	2,679,380	558,571	194,634	55,998	6,660,772	10,874,493	17,535,265	-	17,535,265
	4,785,270	859,004	3,183,524	645,674	803,806	73,211	10,350,489	11,902,200	22,252,689	-	22,252,689
Elimination of intersegment payables									(17,535,265)		(17,535,265)
Total liabilities									4,717,424		4,717,424
Other segment information:											
Share of profits less losses of											
Associates	31,401	-	-	96,802	-	-	128,203	(400)	127,803	233,546	361,349
Joint ventures	-	-	-	6,778	-	(1,634)	5,144	-	5,144	-	5,144
Capital expenditure [#]	618,011	4,194	120,363	30,690	94,423	414	868,095	2,794	870,889	-	870,889
Depreciation and amortisation	294,174	27,551	116,927	16,998	37,138	1,846	494,634	680	495,314	-	495,314
Provision for impairment losses/ (write back of provision for impairment) recognised in the income statement, net	1,865	(31)	984	-	-	-	2,818	-	2,818	-	2,818

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Continuing operations							Discontinued operations		Consolidated HK\$'000	
	Tourist attraction operations HK\$'000	Travel agency, document and related operations HK\$'000	Hotel operations HK\$'000	Passenger transportation operations HK\$'000	Golf club operations HK\$'000	Arts performance operations HK\$'000	Total of reportable segments HK\$'000	Corporate and others HK\$'000	Total HK\$'000		Power generation operations HK\$'000
Segment revenue:											
Sales to external customers	1,619,143	1,466,573	930,149	290,947	134,643	33,687	4,475,142	-	4,475,142	-	4,475,142
Intersegment revenue	14,327	8,490	5,784	919	150	26	29,696	22,646	52,342	-	52,342
	1,633,470	1,475,063	935,933	291,866	134,793	33,713	4,504,838	22,646	4,527,484	-	4,527,484
Elimination of intersegment revenue							(29,696)	(22,646)	(52,342)	-	(52,342)
Revenue							4,475,142	-	4,475,142	-	4,475,142
Segment results	96,311	182,700	216,450	105,549	849	3,431	605,290	9,497	614,787	284,322	899,109
Changes in fair value of investment properties, net of tax									62,742	-	62,742
Net gain on disposal of subsidiaries									751,008	-	751,008
Gain on disposal of property, plant and equipment, net									26,328	-	26,328
Other income and gains									3,107	-	3,107
Impairment of interest in an associate									(3,410)	-	(3,410)
Non-controlling interests									126,275	-	126,275
Profit for the year									1,580,837	284,322	1,865,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014 (Continued)

	Continuing operations								Discontinued operations			
	Travel agency, travel	Tourist attraction operations	document and related operations	Hotel operations	Passenger transportation operations	Golf club operations	Arts performance operations	Total of reportable segments	Corporate and others	Total	Power generation operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	19,890,180
Interests in associates	136,252	-	-	406,635	-	-	542,887	-	542,887	477,573	-	1,020,460
Interests in joint ventures	-	-	-	28,227	-	11,977	40,204	-	40,204	-	-	40,204
Intersegment receivables	9,293	835,167	761,093	5,651	-	-	1,611,204	13,680,819	15,292,023	-	-	15,292,023
	8,483,149	3,636,639	5,265,981	588,113	729,547	133,294	18,836,723	16,928,571	35,765,294	477,573	-	36,242,867
Elimination of intersegment receivables									(15,292,023)			(15,292,023)
Total assets									20,473,271			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	-	-	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	-	-	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	-	-	19,610,084
Elimination of intersegment payables									(15,292,023)			(15,292,023)
Total liabilities									4,318,061			4,318,061
Other segment information:												
Share of profits less losses of												
Associates	31,863	(1,406)	-	67,370	-	-	97,827	-	97,827	284,322	-	382,149
Joint ventures	-	-	-	5,608	-	1,127	6,735	-	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	-	-	1,652,729
Depreciation and amortisation	274,531	35,538	138,093	18,183	42,350	1,850	510,545	1,474	512,019	-	-	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	-	-	10,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2015 HK\$'000	2014 HK\$'000
Hong Kong	1,708,257	1,866,475
Mainland China (including Macau)	2,328,809	2,273,252
Overseas	358,323	335,415
	4,395,389	4,475,142

The analysis of the Group's revenue by geographical area is based on the location of customers in respect of Travel agency, travel document and related operations, and the location at which the services were provided in respect of other operations.

(b) Non-current assets

	2015 HK\$'000	2014 HK\$'000
Hong Kong	5,256,712	5,154,593
Mainland China (including Macau)	7,083,203	9,140,502
Overseas	85,394	70,394
	12,425,309	14,365,489

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 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

	2015 HK\$'000	2014 HK\$'000
Revenue		
Tourist attraction operations	1,843,091	1,619,143
Travel agency, travel document and related operations	1,356,848	1,466,573
Hotel operations	759,943	930,149
Passenger transportation operations	295,399	290,947
Golf club operations	109,258	134,643
Arts performance operations	30,850	33,687
	4,395,389	4,475,142
Other income		
Income from financial assets at fair value through profit or loss	75,206	47,399
Gross rental income	39,382	35,654
Government grants [#]	26,128	39,714
Commission income	1,234	7,740
Management fee income	2,733	6,746
Others	21,778	30,152
	166,461	167,405
Gains, net		
Foreign exchange differences, net	(27,823)	16,982
(Loss)/gain on disposal of subsidiaries, net	(66)	837,750
(Loss)/gain on disposal of property, plant and equipment, net	(4,319)	26,328
Loss on disposal of investment property	(606)	–
Gain on land contribution to associate (note 19(c))	128,713	–
	95,899	881,060
	262,360	1,048,465

[#] 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 FINANCE INCOME, NET

	2015 HK\$'000	2014 HK\$'000
Interest income:		
Bank deposits and entrustment loans	129,001	140,081
Finance income	129,001	140,081
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	(24,332)	(30,276)
Finance costs	(24,332)	(30,276)
Finance income, net	104,669	109,805

7 OPERATING PROFIT

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

	2015 HK\$'000	2014 HK\$'000 (restated)
Depreciation	464,917	484,089
Amortisation of prepaid land lease payments	27,138	24,624
Amortisation of other intangible assets	3,259	3,306
Auditors' remuneration		
– Audit services	9,395	9,196
– Non-audit services	2,002	1,052
Employee benefit expenses (including directors' remuneration (note 8)):		
Wages and salaries	1,140,860	1,200,860
Equity-settled share option expense	–	1,298
Retirement benefit scheme contributions*	84,605	93,477
Total employee benefit expenses	1,225,465	1,295,635
Minimum lease payments under operating leases:		
Land and buildings	81,805	84,673
Plant and machinery and motor vehicles	17,270	22,179
Provision for impairment of trade and other receivables, net	2,818	6,590
Rental income on investment properties	(34,393)	(33,404)
Direct operating expenses of investment properties	1,591	1,167

* At 31 December 2015, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director is set out below:

For the year ended 31 December 2015:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total HK\$'000	
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Equity-settled share option expense HK\$'000	Estimated money value of other benefits (note (a)) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of office as director HK\$'000		
Independent Non-Executive Directors										
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
Executive Directors										
Ms. Jiang Yan (note (b))	330	-	-	-	-	-	-	-	-	330
Mr. Lo Sui On	240	-	-	-	-	1,910	-	-	-	2,150
Mr. Zhang Fengchun	240	-	-	-	-	1,681	-	-	-	1,921
Mr. Xu Muhan	240	-	-	-	-	-	-	-	-	240
Mr. Fu Zhouyang	240	-	-	-	-	-	-	-	-	240

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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

For the year ended 31 December 2014 (restated):

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking		Total
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Equity-settled share option expense HK\$'000	Estimated money value of other benefits (note (a)) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	HK\$'000	
Independent Non-Executive Directors										
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
Executive Directors										
Ms. Jiang Yan	276	-	-	-	18	-	-	-	-	294
Mr. Wang Shuai Ting (note (c))	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

Notes:

- (a) Other benefits include gain in exercise of share options.
- (b) Resigned on 19 Feb 2016
- (c) Resigned on 19 May 2014

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: 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.

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9 FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year did not include directors of the Company (2014: Nil). Details of the remuneration of the five highest paid individuals for the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	12,861	11,096
Equity-settled share option expense	–	35
Retirement benefit scheme contributions	373	418
	13,234	11,549

The emoluments fell within the following bands:

	Number of employees	
	2015	2014
HK\$2,000,001 to HK\$2,500,000	2	5
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	1	–
	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015 HK\$'000	2014 HK\$'000
Group:		
Current - Hong Kong		
Charge for the year	51,082	73,265
Underprovision in prior years	–	568
Current - Mainland China and Macau		
Charge for the year	212,725	231,140
Under/(Over) provision in prior years	237	(138)
Overseas - Charge for the year	1,720	677
Deferred tax	(26,129)	4,670
Total tax charge for the year	239,635	310,182

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:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	1,108,863	1,891,019
Share of gains of associates and joint ventures	(132,947)	(104,562)
	975,916	1,786,457
Tax at the applicable tax rate	219,567	339,529
Lower tax rates for specific provinces or enacted by local authority	(14,705)	(51,408)
Adjustments in respect of current tax of previous periods	237	430
Income not subject to tax	(74,097)	(78,199)
Expenses not deductible for tax purposes	59,436	59,200
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries, associates and joint ventures	33,511	29,349
Tax losses utilised from previous periods	(5,369)	(12,385)
Tax losses not recognised	21,055	23,666
Tax charge at the Group's effective rate	239,635	310,182

The share of tax attributable to associates and joint ventures amounting to HK\$70,190,000 (2014: HK\$74,631,000), and HK\$1,000,000 (2014: HK\$1,159,000) respectively, is included in "Share of profits less losses of associates and joint ventures" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11 DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Interim dividend, paid, of HK2.5 cents (2014: HK2.5 cents) per ordinary share	138,635	140,357
Special interim dividend, paid, of HK2.5 cents (2014: HK2.5 cents) per ordinary share	138,635	140,357
Final dividend, proposed, of HK4.5 cents (2014: HK5 cents) per ordinary share	247,896	280,843
Special final dividend, nil (2014: HK2 cents per ordinary share)	—	112,337
	525,166	673,894

At a board meeting held on 30 March 2016, the Directors proposed a final dividend of HK4.5 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 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

	2015	2014
Basic earnings per share		
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	689,833	1,454,562
Profit from discontinued operations attributable to equity owners of the Company (HK\$'000)	662,917	284,322
Profit attributable to equity owners of the Company (HK\$'000)	1,352,750	1,738,884
Weighted average number of ordinary shares in issue	5,603,173,306	5,622,261,004
Basic earnings per share from continuing operations (HK cents)	12.31	25.87
Basic earnings per share from discontinued operations (HK cents)	11.83	5.06
	24.14	30.93

Diluted earnings per share

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

	2015	2014
Profit from continuing operations attributable to equity owners of the Company (HK\$'000)	689,833	1,454,562
Profit from discontinued operations attributable to equity owners of the Company (HK\$'000)	662,917	284,322
Profit attributable to equity owners of the Company (HK\$'000)	1,352,750	1,738,884
Weighted average number of ordinary shares in issue		
Adjustments for:		
– Share options	19,137,349	11,517,591
Weighted average number of ordinary shares for diluted earnings per share	5,622,310,655	5,633,778,595
Diluted earnings per share from continuing operations (HK cents)	12.27	25.82
Diluted earnings per share from discontinued operations (HK cents)	11.79	5.05
	24.06	30.87

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT

	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 2015						
At 31 December 2014 and at 1 January 2015:						
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
At 1 January 2015	3,514,007	2,073,056	671,376	2,677,337	1,011,989	9,947,765
Additions	–	1,065	12,008	622,812	206,168	842,053
Disposals and write-off	–	–	(3,703)	–	(5,862)	(9,565)
Depreciation	(108,484)	(82,926)	(60,441)	–	(213,066)	(464,917)
Transfers to investment properties	(2,086)	(10,357)	–	–	–	(12,443)
Transfers to property under development	–	–	–	(1,783,389)	–	(1,783,389)
Contribution to associate	–	–	–	(202,138)	–	(202,138)
Transfers within property, plant and equipment	–	63,095	53,616	(86,307)	(30,404)	–
Exchange realignment	(38,756)	(112,956)	(38,513)	(164,996)	(42,353)	(397,574)
At 31 December 2015	3,364,681	1,930,977	634,343	1,063,319	926,472	7,919,792
At 31 December 2015:						
Cost	5,642,866	2,989,953	1,627,984	1,063,319	2,780,396	14,104,518
Accumulated depreciation and impairment	(2,278,185)	(1,058,976)	(993,641)	–	(1,853,924)	(6,184,726)
	3,364,681	1,930,977	634,343	1,063,319	926,472	7,919,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	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 (note 36)	–	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 to investment properties	(1,447)	–	–	–	–	(1,447)
Transfers within property, plant and equipment	–	3,774	82,922	(98,442)	11,746	–
Exchange realignment	(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

At 31 December 2015, included in the Group's land and buildings amounting to HK\$193,971,000 (2014: HK\$465,791,000) 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 2015, certain of the Group's buildings with net carrying amounts of HK\$1,862,000 (2014: HK\$Nil) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

Accumulated impairment losses amounted to HK\$336,684,000 as at 31 December 2015 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
At fair value		
At 1 January	1,285,274	1,859,778
Changes in fair value	73,353	70,049
Transfer from property, plant and equipment and prepaid land lease payments	123,724	3,402
Disposal	(1,940)	(646,121)
Exchange realignment	(40,821)	(1,834)
At 31 December	1,439,590	1,285,274

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

	2015 HK\$'000	2014 HK\$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	778,300	629,500
Outside Hong Kong:		
– Commercial properties	661,290	655,774
	1,439,590	1,285,274

The Group measures their investment properties at fair value. The investment properties were revalued on 31 December 2015 by RHL Appraisal Ltd., an independent professionally qualified valuer, at HK\$1,439,590,000 (2014: HK\$1,285,274,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 INVESTMENT PROPERTIES (Continued)

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.

Significant inputs used to determine fair value

At 31 December 2015 and 31 December 2014, the range of premium/(discount) used in the direct comparison approach is as follows:

	2015
	Range of premium/(discount)
Hong Kong	-20% to 20%
Outside Hong Kong	-20% to 10%
	2014
	Range of premium/(discount)
Hong Kong	-20% to 10%
Outside Hong Kong	-30% to -4%

15 PREPAID LAND LEASE PAYMENTS

	2015	2014
	HK\$'000	HK\$'000
At 1 January	488,854	443,888
Acquisition of subsidiaries (note 36)	–	5,819
Disposal of subsidiaries (note 37(b))	–	(38,239)
Addition	28,836	104,077
Disposal	(11,853)	–
Amortisation	(27,138)	(24,624)
Transfer to investment property	(306)	(213)
Exchange realignment	(22,086)	(1,854)
At 31 December	456,307	488,854
Current portion included in deposits, prepayments and other receivables	(27,138)	(24,271)
Non-current portion	429,169	464,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16 GOODWILL

	2015 HK\$'000	2014 HK\$'000
At 1 January		
Cost	1,636,284	1,584,707
Accumulated impairment	(306,133)	(306,133)
Net book amount	1,330,151	1,278,574
Year ended 31 December		
Acquisition of subsidiaries (note 36)	–	51,577
At 31 December		
Cost	1,636,284	1,636,284
Accumulated impairment	(306,133)	(306,133)
Net book amount	1,330,151	1,330,151

In April 2014, the Company entered into investment cooperation agreement to acquire 51% of interest of CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. ("Shapotou") and 51% of interest of CTS (Ningxia) Shapotou Cable Car Co., Ltd. (note 36). 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, travel document and related operations
- Tourist attraction operations

Travel agency, travel document and related operations cash-generating unit

The recoverable amount of the Travel agency, travel document 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% (2014: 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% (2014: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16 GOODWILL (Continued)

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

	Travel agency, travel document and related operations		Tourist attraction operations		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Carrying amount of goodwill	1,244,769	1,244,769	85,382	85,382	1,330,151	1,330,151

Key assumptions were used in the value-in-use calculation of the travel agency, travel document and related operations and tourist attraction operations cash-generating units for the years ended 31 December 2015 and 2014. 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, travel document 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.

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For the year ended 31 December 2015

17 OTHER INTANGIBLE ASSETS

	Ticketing Operation rights HK\$'000	Trademarks HK\$'000	Passenger service licences and quota HK\$'000	Total HK\$'000
Net book value				
At 1 January 2015	116,705	34,291	34,105	185,101
Amortisation	(3,259)	–	–	(3,259)
Exchange realignment	(7,749)	–	–	(7,749)
At 31 December 2015	105,697	34,291	34,105	174,093
At 31 December 2015:				
Cost	124,989	34,291	34,105	193,385
Accumulated amortisation	(19,292)	–	–	(19,292)
	105,697	34,291	34,105	174,093
At 1 January 2014	120,457	34,291	34,105	188,853
Amortisation	(3,306)	–	–	(3,306)
Exchange realignment	(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

Amortisation of HK\$3,259,000 for the year ended 31 December 2015 (2014: HK\$3,306,000) is included in administrative expenses in the consolidated income statement.

18 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

Material non-controlling interests

The total non-controlling interest for the year is HK\$1,093,669,000, of which HK\$316,262,000 is for Shenzhen The World Miniature Co., Ltd. ("Window of the World"), HK\$279,305,000 is attributed to CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou") and HK\$181,481,000 is for Shenzhen Splendid China Development Co., Ltd. ("Splendid China"). The non-controlling interests in respect of other subsidiaries are not material.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18 SUBSIDIARIES (Continued)

Summarised statement of financial position

	Window of the World		Shapotou		Splendid China	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Non current assets	343,649	398,420	277,379	222,252	309,636	323,037
Current assets	431,004	394,174	307,531	228,223	143,555	139,259
Non current liabilities	–	(1,268)	(4,235)	(3,025)	–	–
Current liabilities	(124,312)	(127,543)	(40,763)	(69,645)	(78,555)	(66,897)
Net assets	650,341	663,783	539,912	377,805	374,636	395,399

Summarised income statement

	Window of the World		Shapotou		Splendid China	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	605,800	597,720	290,761	260,044	252,926	247,186
Profit after taxation and total comprehensive income	224,536	201,016	74,134	51,747	46,751	44,973
Total comprehensive income attributable to non-controlling interests	110,023	98,498	36,326	25,356	22,908	22,037
Dividends paid to non-controlling interests	(97,089)	(82,584)	–	–	(21,722)	(23,276)

Summarised cash flows

	Window of the World		Shapotou		Splendid China	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Net cash flows from operating activities	265,902	251,329	98,071	87,561	84,687	80,399
Net cash flows used in investing activities	(213,664)	(67,221)	(95,765)	(46,246)	(31,824)	(10,747)
Net cash flows (used in)/generated from financing activities	(198,142)	(168,539)	92,682	152,055	(44,330)	(47,502)
Net (decrease)/increase in cash and cash equivalents	(145,904)	15,569	94,988	193,370	8,533	22,150
Cash and cash equivalents at end of year	43,136	194,393	285,224	206,176	47,848	42,126

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19 INTERESTS IN ASSOCIATES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	1,002,505	1,076,781
Provision for impairment	(3,626)	(56,321)
	998,879	1,020,460

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

Name	Particulars of issued share capital	Place of incorporation/ operations	Percentage of equity and profit sharing attributable to the Group		Principal activities
			2015	2014	
All China Express Limited [#]	10,000 Ordinary shares HK\$10,000	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
Shun Tak – China Travel Shipping Investments Limited	10,000 Ordinary shares of US\$1 each	British Virgin Islands (“BVI”)/ Hong Kong	29	29	Shipping operations
Shaanxi Weihe Power Co., Ltd. (“Shaanxi Weihe Power”)	RMB 1,800,000,000	PRC/Mainland China	–	51	Generation and sale of electricity
CDD International Holding Ltd	1,000,000 Ordinary shares HK\$1,000,000	Hong Kong	40	–	Time share resort management
珠海市恒大海泉灣置業有限公司 (“恒大海泉灣”) [#]	RMB821,812,000	PRC/Mainland China	49	–	Property development

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 INTERESTS IN ASSOCIATES (Continued)

- (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 held more than 50% of the equity shares of Shaanxi Weihe Power, the Group only exercised significant influence through number of representatives on board of this associate.
- (c) On 30 November 2015 the Group entered into the Cooperation Agreement with Evergrande Real Estate Group Limited, ("Evergrande") to jointly develop the Zhuhai OSR Phase 2 Project. The Group and Evergrande established 恆大海泉灣 with a registered capital of approximately RMB822 million. The Group injected land as 49% capital contribution to this associate. Gain on land contribution to this associate amounted to HK\$129 million (note 5).

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Non current assets	–	446,360	2,219,347	1,283,608	2,219,347	1,729,968
Current assets	–	1,526,139	1,567,540	1,431,253	1,567,540	2,957,392
Non Current liabilities	–	(906,810)	(658,882)	(706,193)	(658,882)	(1,613,003)
Current liabilities	–	(25,926)	(45,345)	(86,161)	(45,345)	(112,087)
Net assets	–	1,039,763	3,082,660	1,922,507	3,082,660	2,962,270
Revenue	1,423,980	2,811,675	3,549,846	3,544,148	4,973,826	6,355,823
Profit after taxation	457,932	557,493	467,320	403,596	925,252	961,089
Other comprehensive income	–	–	34,120	(103,535)	34,120	(103,535)
Total comprehensive income	457,932	557,493	501,440	300,061	959,372	857,554
Dividends received from associate	–	(321,230)	(46,693)	(22,620)	(46,693)	(343,850)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19 INTERESTS IN ASSOCIATES (Continued)

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Net assets						
At 1 January	1,039,763	1,218,209	1,922,507	1,854,688	2,962,270	3,072,897
Profit for the year	457,932	557,493	467,320	403,596	925,252	961,089
Other comprehensive income/(loss)	–	–	34,120	(103,535)	34,120	(103,535)
Addition	–	–	730,616	–	730,616	–
Exchange realignment	1,267	(106,076)	44,097	(141,381)	45,364	(247,457)
Disposal	(1,498,962)	–	–	(12,861)	(1,498,962)	(12,861)
Dividend	–	(629,863)	(116,000)	(78,000)	(116,000)	(707,863)
At 31 December	–	1,039,763	3,082,660	1,922,507	3,082,660	2,962,270
Share of net assets	–	530,279	1,002,505	546,502	1,002,505	1,076,781

20 INTERESTS IN JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	47,977	40,204

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For the year ended 31 December 2015

20 INTERESTS IN JOINT VENTURES (Continued)

- (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:

	2015 HK\$'000	2014 HK\$'000
Non-current assets	17,756	14,760
Current assets	46,349	44,420
Non-current liabilities	(16,128)	(18,976)
Net assets	47,977	40,204
Revenue	52,923	58,528
Expenses	(46,779)	(50,634)
Taxation	(1,000)	(1,159)
Profit after taxation and total comprehensive income	5,144	6,735
Dividends received from joint ventures	(5,000)	(5,000)

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
			2015	2014	
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 and commitments relating to the Group's interest in the joint venture, and no contingent liabilities and commitments of the venture itself.

21 AVAILABLE-FOR-SALE INVESTMENTS

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.

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For the year ended 31 December 2015

22 INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Food and beverages	14,612	17,574
Spare parts and consumables	1,358	2,176
General merchandise	20,042	12,083
	36,012	31,833

23 PROPERTIES UNDER DEVELOPMENT

	2015 HK\$'000	2014 HK\$'000
As at 1 January	106,450	101,863
Additions and transfer from property, plant and equipment	2,008,722	4,944
Exchange realignment	(88,778)	(357)
As at 31 December	2,026,394	106,450

	2015 HK\$'000	2014 HK\$'000
Properties under development comprise:		
Land use rights	1,190,847	55,875
Construction cost and capitalised expenditures	835,547	50,575
	2,026,394	106,450
Amounts are expected to be completed:		
Within the normal operating cycle included under current assets	2,026,394	106,450

The amounts of properties under development are mainly expected to be recovered after more than one year.

24 TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	185,329	203,470
Less: provision for impairment	(12,282)	(15,134)
	173,047	188,336

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 TRADE RECEIVABLES (Continued)

At 31 December 2015 and 2014, 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:

	2015 HK\$'000	2014 HK\$'000
Within 3 months	157,070	163,426
3 to 6 months	7,382	13,673
6 to 12 months	2,903	4,995
1 to 2 years	5,692	6,008
Over 2 years	–	234
	173,047	188,336

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

	2015 HK\$'000	2014 HK\$'000
At 1 January	15,134	12,467
Provision for impairment, net	1,582	3,647
Receivables written off during the year as uncollectible	–	(762)
Exchange realignment	(4,434)	(218)
At 31 December	12,282	15,134

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 2015, trade receivables of HK\$15,977,000 (2014: HK\$24,910,000) 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:

	2015 HK\$'000	2014 HK\$'000
Over 3 months up to 6 months	7,382	13,673
Over 6 months and up to 12 months	2,903	4,995
Over 1 year and to 2 years	5,692	6,008
Over 2 years	–	234
	15,977	24,910

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24 TRADE RECEIVABLES (Continued)

As at 31 December 2015, trade receivables of HK\$12,282,000 (2014: HK\$15,134,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	2015 HK\$'000	2014 HK\$'000
Over 3 months and up to 6 months	29	–
Over 6 months and up to 12 months	182	194
Over 1 year and up to 2 years	705	2,195
Over 2 years	11,366	12,745
	12,282	15,134

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

	Notes	2015 HK\$'000	2014 HK\$'000
Deposits, prepayments and other receivables		516,945	507,741
Entrustment loan receivables			
– non-controlling shareholders	(a)	262,599	278,880
– others	(b)	–	443,673
Amounts due from non-controlling shareholders	(c)	152,471	172,080
Amounts due from associates	(d)	31,076	51,168
Amount due from a joint venture	(d)	132	4,585
		963,223	1,458,127
Less: non-current portion prepayment		(85,658)	(91,951)
		877,565	1,366,176

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 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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 2015. 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 Benchmark Lending Rate.
- (b) The Group had ended several entrustment loan arrangements with certain PRC companies during the year. The entrustment loans were unsecured and bore interest at 7.5% per annum.
- (c) The balances include the amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("CTS (Dengfeng)"), a 51% owned subsidiary of the Company, of approximately RMB95 million (2014: RMB103 million), which is unsecured and the principal bears interest at 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:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	1,640,050	1,419,753

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27 CASH AND BANK BALANCES (Continued)

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 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 based on invoiced dates of the balances with immediate holding company and fellow subsidiaries is as follows:

	2015 HK\$'000	2014 HK\$'000
Amount due from immediate holding company		
Within 1 year	184,448	24,500
1 to 2 years	2,049	2,303
Over 2 years	–	136
	186,497	26,939
Amounts due from fellow subsidiaries		
Within 1 year	25,333	31,878
1 to 2 years	56	350
Over 2 years	3	151
	25,392	32,379

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.

Amount due to immediate holding company		
Within 1 year	8,215	4,131
Amounts due to fellow subsidiaries		
Within 1 year	9,438	26,415

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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:

	2015 HK\$'000	2014 HK\$'000
Within 3 months	294,874	256,067
3 to 6 months	20,360	15,420
6 to 12 months	4,429	5,126
1 to 2 years	11,038	10,964
Over 2 years	19,084	13,128
	349,785	300,705

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

30 OTHER PAYABLES AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Construction in progress payables	576,719	452,471
Accrued employee benefits	332,139	335,837
Receipts in advance	229,021	178,194
Amounts due to the non-controlling shareholders	4,394	17,376
Amount due to an associate	–	73,875
Other payable and accruals	636,065	475,445
	1,778,338	1,533,198

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.

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For the year ended 31 December 2015

32 BANK AND OTHER BORROWINGS

	Notes	2015			2014		
		Contractual interest rate per annum (%)	Maturity	HK\$'000	Contractual interest rate per annum (%)	Maturity	HK\$'000
Current							
Bank loans – unsecured		–	–	–	7.2-7.315	2015	25,354
Bank loans – unsecured		1.975	2016	466	1.975	2015	469
Bank loans – unsecured		–	–	–	1-Year PBOC Benchmark loan interest rate	2015	12,676 ¹
Other borrowings – unsecured	(i)	1-Year PBOC Benchmark loan interest rate	On demand	21,008	1-Year PBOC Benchmark loan interest rate	On demand	22,310
Other loans – unsecured		Interest-free	On demand	1,194	Interest-free	On demand	1,268
				22,668			62,077
Non-current							
Bank loan – unsecured		1.57375	2017	800,000	1.5818	2017	800,000
Bank loan – unsecured		1.975	2020	1,702	1.975	2020	2,185
Other borrowings – unsecured		Interest-free	2016-2024	3,957	Interest-free	2015-2024	3,957
				805,659			806,142
Total bank and other borrowings – Group				828,327			868,219

Notes:

(i) 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.

¹ The loan is supported by corporate guarantees given by the parent company. Further details are contained in note 42(b)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

32 BANK AND OTHER BORROWINGS (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	803,957	803,957
Renminbi	22,202	61,608
Japanese Yen	2,168	2,654
	828,327	868,219

At 31 December 2015, the Group's borrowings were repayable as follows:

	2015	2014
Bank loans :		
Within 1 year	466	38,499
Between 1 and 2 years	800,465	800,469
Between 2 and 5 years	930	1,407
Over 5 years	307	309
	802,168	840,684
Other borrowings:		
Within 1 year	22,202	23,578
Between 2 and 5 years	2,166	2,166
Over 5 years	1,791	1,791
	26,159	27,535
Total bank and other borrowings	828,327	868,219

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Bank Loan - unsecured	1,702	2,185	1,607	2,039
Other borrowings - unsecured	3,957	3,957	3,782	3,753
	5,659	6,142	5,389	5,792

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+0.625% per annum and are within level 2 of the fair value hierarchy in both 2014 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 DEFERRED TAX

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

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	56,210	19,326
Deferred tax assets to be recovered within 12 months	83	306
	56,293	19,632
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	412,996	400,216
Deferred tax liabilities to be settled within 12 months	4,300	1,447
	417,296	401,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2015	104,516	37,591	249,120	10,436	401,663
Deferred tax (credited)/charged to the income statement during the year	(1,532)	19,021	(6,957)	–	10,532
Exchange realignment	6,186	(1,800)	715	–	5,101
At 31 December 2015	109,170	54,812	242,878	10,436	417,296
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

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33 DEFERRED TAX (Continued)

Deferred tax assets

	Unrealised gain on land contribution to associate HK\$'000	Depreciation in excess of related depreciation allowance HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2015	–	(19,326)	(306)	(19,632)
Deferred tax (credited)/charged to the income statement during the year	(37,214)	330	223	(36,661)
At 31 December 2015	(37,214)	(18,996)	(83)	(56,293)
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)

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:

	2015 HK\$'000	2014 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(56,293)	(19,632)
Net deferred tax liabilities recognised in the consolidated statement of financial position	417,296	401,663
	361,003	382,031

The Group has tax losses arising in Hong Kong of HK\$89,584,000 (2014: HK\$92,063,000) 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\$433,687,000 (2014: HK\$643,550,000) and overseas of HK\$18,529,000 (2014: HK\$18,001,000) 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.

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34 SHARE CAPITAL

Shares

	2015		2014	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	5,627,987,525	8,966,896	5,634,573,525	563,457
Shares cancelled upon repurchase of own shares (note a)	(130,396,000)	–	(23,456,000)	–
Transition to no-par regime on 3 March 2014 (note b)	–	–	–	8,364,008
Share issued upon share option scheme	52,172,000	121,942	16,870,000	39,431
At 31 December	5,549,763,525	9,088,838	5,627,987,525	8,966,896

Note a: During 2015, the Company repurchased a total of 117,866,000 of its own ordinary shares through the Stock Exchange, all of shares repurchased in 2015 together with 12,530,000 shares repurchased in 2014 were cancelled during the year ended 31 December 2015. The consideration paid (excluding transactions cost) to acquire these cancelled shares of HK\$344,763,920 was deducted from equity owners' equity. The highest price and lowest price paid were HK\$3.38 per share and HK\$2.26 per share respectively.

Note b: 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.

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35 SHARE OPTION SCHEME (Continued)

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.

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:

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.70	79,320	1.70	102,310
Forfeited during the year	1.70	(1,040)	1.70	(5,580)
Exercised during the year	1.70	(51,632)	1.70	(17,410)
At 31 December		26,648		79,320

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35 SHARE OPTION SCHEME (Continued)

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

2015 Number of options '000	Exercise price# HK\$ per share	Exercise period
7,994	1.70	18 June 2012 - 17 June 2020
7,994	1.70	18 June 2013 - 17 June 2020
10,660	1.70	18 June 2014 - 17 June 2020
26,648		

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		

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.

No share option expense is recognised for the year ended 31 December 2015 (2014: HK\$1,298,000).

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.

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36 BUSINESS COMBINATION

In April 2014, the Company entered into investment cooperation agreements to acquire the 51% of interest of Shapotou 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 16)	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

Shapotou Group 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 for the year 2014 would have increased by HK\$193,609,000 and HK\$51,311,000 respectively.

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37 DISPOSAL OF SUBSIDIARIES

- (a) In March 2015, the Company entered into an agreement with its immediate holding company, CTS (Holdings), to dispose of the entire interest of its wholly-owned subsidiary, Chadwick for a consideration of RMB510 million (equivalent to approximately HK\$643 million and subject to further adjustments). The disposal was approved by the shareholders in May 2015.

The disposal of Group's interest in Chadwick includes a HK\$170 million contingent consideration, which is based on the profits of Shaanxi Weihe Power for the year ended 31 December 2015.

For details of the contingent consideration, refer to note 43.

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

	HK\$'000
Assets	
Interest in an associate	711,770
Cash and bank balances	179
	<u>711,949</u>
Liabilities	
Other payables and accruals	(64,388)
Amounts due to intermediate holding company	(206,558)
Tax payable	(27,510)
	<u>(298,456)</u>
Net assets	413,493
Cost of disposal and release of reserve	(30,587)
Gain on disposal of a subsidiary	429,371
	<u>812,277</u>
Satisfied by cash	<u>812,277</u>
Net cash flows arising from the disposal	
Cash consideration received (note)	812,277
Cash and cash equivalents disposed of	(179)
Cost of disposal	(2,178)
	<u>809,920</u>

Note: Included in cash consideration received are cash received HK\$642,600,000 and cash to be received from immediate holding company HK\$169,677,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37 DISPOSAL OF SUBSIDIARIES (Continued)

- (b) In 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 in 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
	527,455
Liabilities	
Deferred income	(65,317)
Trade payables	(39,234)
Other payables and accruals	(105,299)
Amounts due to fellow subsidiaries	(811)
Tax payable	(823)
	(211,484)
Net assets	315,971
Cost of disposal and release of reserve	(9,926)
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)
Cost of disposal	(1,510)
	629,946

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For the year ended 31 December 2015

37 DISPOSAL OF SUBSIDIARIES (Continued)

- (c) In 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
	<hr/> 658,935
Liabilities	
Trade payables	(30)
Other payables and accruals	(6,771)
Amounts due to intermediate holding company	(83,345)
Bank loan	(82,147)
Deferred tax liabilities	(94,991)
	<hr/> (267,284)
Net assets	391,651
Cost of disposal and release of reserve	(69,205)
Gain on disposal of a subsidiary	418,333
Total consideration	<hr/> 740,779
Satisfied by cash	<hr/> 740,779
Net cash flows arising from the disposal	
Cash consideration received	740,779
Cash and cash equivalents disposed of	(6,042)
Cost of disposal	(14,180)
	<hr/> 720,557

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For the year ended 31 December 2015

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration/ operations	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)		Principal activities
			2015	2014	
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 HK\$1,000 10,000 non-voting deferred shares HK\$10,000	–	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 HK\$500,000	100	100	Tour operations
China Travel Advertising Hong Kong Limited	Hong Kong	10 ordinary shares HK\$1,000 5,000 non-voting deferred shares HK\$500,000	100	100	Provision of printing and advertising agency services
China Travel Air Service Hong Kong Limited	Hong Kong	10 ordinary shares HK\$1,000 10,000 non-voting deferred shares \$1,000,000	100	100	Air ticketing agency
China Travel and Trading (Deutschland) GmbH ⁴	Germany	EUR380,000	100	100	Travel and air ticketing agency
China Travel Express Limited	Hong Kong	10,000 ordinary shares HK\$10,000	100	100	Passenger transportation
China Travel Hi-Tech Computer Hong Kong Limited	Hong Kong	10,000,000 ordinary shares HK\$10,000,000	100	100	Trading of computer equipment, provision of computer services and investment holding

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For the year ended 31 December 2015

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)		Principal activities
			2015	2014	
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 HK\$1,000 1,000,000 non-voting deferred shares HK\$100,000,000	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
China Travel Tours Transportation Services Hong Kong Limited	Hong Kong	2 ordinary shares HK\$200 5,000 non-voting deferred shares HK\$500,000	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	100,001 ordinary shares 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)		Principal activities
			2015	2014	
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
Golf Club ²	PRC/Mainland China	RMB326,000,000	100	100	Golf club operations
Glading Development Limited	Hong Kong	2 ordinary shares HK\$2 2 non-voting deferred shares HK\$2	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
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
Mart Harvest Limited	Hong Kong	2 ordinary shares HK\$2 100 non-voting deferred shares of HK\$100	100	100	Property investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)		Principal activities
			2015	2014	
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 HK\$1	100	100	Investment holding
New Bus Holdings Limited	Hong Kong	1,000,000 ordinary shares HK\$1,000,000	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
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 HK\$2 100 non-voting deferred shares HK\$100	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	89.14	Hot spring resort operations

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For the year ended 31 December 2015

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)		Principal activities
			2015	2014	
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
深圳市港中旅快線運輸有限公司 ^{3,4}	PRC/Mainland China	RMB10,000,000	100	100	Passenger transportation and investment holding
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	US\$82,834,661	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
Shapotou ^{1,5}	PRC/Mainland China	RMB192,117,800	51	51	Tourist attraction operations
CTS (Ningxia) Shapotou Cable Car Co., Ltd. ^{1,5}	PRC/Mainland China	RMB8,100,000	51	51	Tourist attraction operations
港中旅(深圳)旅遊管理有限公司 ^{2,4,5}	PRC/Mainland China	RMB1,000,000	100	–	Tourist attraction management

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 Statements 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39 CONTINGENT LIABILITIES

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

	2015 HK\$'000	2014 HK\$'000
Performance bond given to a customer for due performance of a sales contract	300	300

40 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its certain property, plant and equipment and investment properties (notes 13 and 14) 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 2015, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	2015 HK\$'000	2014 HK\$'000
Investment properties:		
Within one year	93,742	71,308
In the second to fifth years, inclusive	67,354	128,985
After five years	67	13,084
	161,163	213,377
Equipment and motor vehicles:		
Within one year	1,524	2,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40 OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Land and buildings#:		
Within one year	62,900	46,964
In the second to fifth years, inclusive	81,381	50,209
Later than five years	60,930	67,761
	205,211	164,934

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.

41 COMMITMENTS

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

	2015 HK\$'000	2014 HK\$'000
Property project, land and buildings:		
Contracted, but not provided for	1,217,592	1,348,558
Leasehold improvements:		
Contracted, but not provided for	5,001	14,983
Scenic spots:		
Contracted, but not provided for	156,312	12,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

42 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:

	2015 HK\$'000	2014 HK\$'000
Travel-related income from (a)		
– immediate holding company ^(#)	269,005	296,370
– fellow subsidiaries	25,905	36,303
– associates	52,978	52,267
– other related parties	5,378	6,080
Hotel-related income from (a)		
– immediate holding company	2,262	1,657
– fellow subsidiaries	1,869	2,844
Management income from (b)		
– fellow subsidiaries	18,500	18,014
– associates and joint ventures	8,781	9,943
Rental income from (c)		
– immediate holding company	1,425	1,318
– associates	38,354	38,814
Travel-related expense paid to (a)		
– fellow subsidiaries	(65,855)	(58,548)
– associates	(2,790)	(3,304)
– other related party	(2,402)	(2,429)
Management expense paid to (b)		
– fellow subsidiaries	(9,909)	(10,512)
Rental expenses paid to (c)		
– immediate holding company	(17,642)	(15,143)
– associates	(4,783)	(5,212)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

42 RELATED PARTY TRANSACTIONS (Continued)

(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. The guarantee has been expired during 2015.

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. The counter guarantee has also been expired during 2015.

- (ii) On 6 September 2013, a 1 year (auto roll for another 2 years) entrustment loan arrangement of RMB300 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 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 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.
- (iv) 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.

(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:

	2015 HK\$'000	2014 HK\$'000
Short term employee benefits	16,900	13,915
Equity-settled share option expense	–	127
Total remuneration paid to key management personnel	16,900	14,042

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43 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.

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:

	2015			Total HK\$'000
	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables	349,785	–	–	349,785
Other payables and accruals	1,778,338	–	–	1,778,338
Amount due to immediate holding company	8,215	–	–	8,215
Amounts due to fellow subsidiaries	9,438	–	–	9,438
Bank and other borrowings	27,580	814,434	–	842,014
	2,173,356	814,434	–	2,987,790

	2014			Total HK\$'000
	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Over 5 years 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43 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. 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/ decrease in RMB rate %	Increase/ decrease in profit before tax HK\$'000
2015		
If Hong Kong dollar weakens/strengthens against RMB	5	64,593
If Hong Kong dollar weakens/strengthens against RMB	10	129,186
2014		
If Hong Kong dollar weakens/strengthens against RMB	5	122,628
If Hong Kong dollar weakens/strengthens against RMB	10	245,256

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43 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 2015, 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\$8,232,000 (2014: HK\$8,630,000). 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\$18,694,000 (2014: HK\$16,822,000).

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 2015 and 31 December 2014.

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 2015, the Group's strategy, which remained unchanged from that of 2014, 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, raise new debt financing or sell assets to reduce debt.

	2015 HK\$'000	2014 HK\$'000
Trade payables	349,785	300,705
Other payables and accruals	1,778,338	1,533,198
Amount due to immediate holding company	8,215	4,131
Amounts due to fellow subsidiaries	9,438	26,415
Bank and other borrowings	828,327	868,219
Debt	2,974,103	2,732,668
Capital	15,405,159	15,541,933
Debt-to-capital ratio	19%	18%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation

The disposal of the Group's interest in Chadwick, which holds an equity interest in Shaanxi Weihe Power, includes a contingent consideration. If the audited net profits after tax of Shaanxi Weihe Power ("Weihe Power profits"), for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 are larger from the base value of RMB452 million, RMB392 million and RMB112 million respectively for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 by 10%, the base value will be adjusted upwards by 10% and the purchaser will pay the Group the difference between the upward adjusted base value and the Weihe Power profits. If the Weihe Power profits are less than their respective base value of year or period by 10%, the base value will be adjusted downwards by 10% and the Group will pay the purchaser the difference between downward adjusted base value and Weihe Power profits.

During the year ended 31 December 2015, the Group recorded HK\$170 million contingent consideration as on the Weihe Power profits for the year ended 31 December 2015 was larger than the base value for the period, and the amount is included in net gain in note 44.

The Group used discounted cash flow analysis to estimate the contingent consideration. The discounted cash flow analysis showed that there should not be significant deviation between Weihe Power's profits and their respective base values of subsequent year ends and period end. Accordingly, the contingent payment has not been accounted for in the year.

44 DISCONTINUED OPERATIONS

In March 2015, the Group entered into an agreement with its immediate holding company, CTS (Holdings), to dispose of the entire interest of its wholly-owned subsidiary, Chadwick for a consideration of RMB510 million (equivalent to approximately HK\$643 million and subject to future adjustments). Chadwick owns 51% equity interest in Shaanxi Weihe Power, which is principally engaged in the operation of power generation in Mainland China and is then an associate of the Group. As power generation operation was identified as a separate operating business of the Group by management, the operations of Shaanxi Weihe Power is classified as discontinued operation in the consolidated financial statements. The disposal was completed in June 2015 and resulted in a net gain of approximately HK\$429 million, while the share of profit of the investment in Shaanxi Weihe Power for the year was approximately HK\$234 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December	
		2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,819	3,289
Investment property		4,200	3,980
Interests in subsidiaries		5,790,705	6,292,290
Available-for-sale investment		13,948	13,949
Total non-current assets		5,813,672	6,313,508
Current assets			
Inventories		56	–
Deposits, prepayments, and other receivables		31,099	36,552
Amounts due from subsidiaries		9,020,946	8,438,067
Amount due from immediate holding company		156,990	–
Amounts due from fellow subsidiaries		57	122
Cash and bank balances		289,188	976,640
Total current assets		9,498,336	9,451,381
Total assets		15,312,008	15,764,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

	Note	As at 31 December	
		2015 HK\$'000	2014 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		9,088,838	8,966,896
Reserves	(Note (a))	4,070,409	4,048,596
		13,159,247	13,015,492
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		800,000	800,000
Total non-current liabilities		800,000	800,000
Current liabilities			
Other payables and accruals		55,934	47,497
Amounts due to subsidiaries		1,209,374	1,893,306
Amount due to immediate holding company		–	4,023
Amounts due to fellow subsidiaries		875	2,661
Tax payable		86,578	1,910
Total current liabilities		1,352,761	1,949,397
Total liabilities		2,152,761	2,749,397
Total equity and liabilities		15,312,008	15,764,889

The balance sheet of the Company was approved by the Board of Directors on 30 March 2016 and was signed on its behalf

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Xu Muhan

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Qu, Simon Tao

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the 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 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 and at 1 January 2015	–	(31,552)	–	45,519	4,034,629	4,048,596
Profit for the year and total comprehensive income for the year	–	–	–	–	1,041,853	1,041,853
Repurchase of shares	–	(313,212)	–	–	–	(313,212)
Cancellation of shares	–	344,764	–	–	(345,875)	(1,111)
Exercise of share options	–	–	–	(33,250)	–	(33,250)
Lapse of share options	–	–	–	(663)	663	–
2014 final dividend paid	–	–	–	–	(395,197)	(395,197)
2015 interim dividend paid	–	–	–	–	(277,270)	(277,270)
At 31 December 2015	–	–	–	11,606	4,058,803	4,070,409

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 expire or be lapsed.


PARTICULARS OF PRINCIPAL HOTEL PROPERTIES

31 December 2015

Location	Attributable interest of the Group	Lease term
<i>CTS (HK) Grand Metropark Hotel Beijing</i> No. 338 Guanganmen Nei Street, Xicheng District, Beijing, PRC	100%	Medium
<i>Metropark Hotel Causeway Bay Hong Kong</i> 148 Tung Lo Wan Road, Causeway Bay, Hong Kong	100%	Long
<i>Metropark Hotel Kowloon Hong Kong</i> 75 Waterloo Road, Kowloon, Hong Kong	100%	Long
<i>Metropark Hotel Macau</i> 199 Rua de Pequim, Macau	100%	Medium
<i>Metropark Hotel Mongkok Hong Kong</i> 22 Lai Chi Kok Road, Mongkok, Kowloon, Hong Kong	100%	Medium
<i>Metropark Hotel Wanchai Hong Kong</i> 41-49 Hennessy Road, Wanchai, Hong Kong	100%	Long
<i>Zhuhai Ocean Spring Hotel</i> Pingsha Town, Jinwan District, Zhuhai City, Guangdong Province, PRC	100%	Medium
<i>Xianyang Ocean Spring Hotel</i> Middle of Century Boulevard, Xian Yang, Shaanxi Province, PRC	89.14%	Medium
<i>Yangzhou Grand Metropole Hotel</i> 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 2015



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



香港 **中旅** 國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

**Faultless Service,
Quality Life.**

