香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

ANNUAL REPORT 2016

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Zhang Fengchun *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Zhang Xing *(Executive Deputy General Manager)*
(in charge of overall operation)
Mr. Liu Fengbo *(Deputy General Manager)*
Mr. Chen Xianjun
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. Zhang Fengchun

NOMINATION COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISORS

Jeffrey Mak Law Firm

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

Bank of China (Hong Kong) Limited
Bank of China
China Everbright Bank Hong Kong Branch
Bank of Communications Co. Ltd, Hong Kong Branch
Bank of Nova Scotia, Hong Kong Branch

FINANCIAL CALENDAR AND INVESTOR RELATION INFORMATION

Announcement of 2016 Final Results		29 March 2017
Announcement of 2016 Interim Results		17 August 2016
Announcement of 2015 Final Results		30 March 2016
Announcement of 2015 Interim Results		19 August 2015
Dividends	2016 Final	HK1 cent per share payable on 23 June 2017
	2016 Special Final	HK1 cent per share payable on 23 June 2017
	2016 Interim	HK2 cents per share paid on 27 September 2016
	2015 Final	HK4.5 cents per share paid 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
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 19 May 2017 to 24 May 2017
Annual General Meeting in 2017		24 May 2017
Closure of Register of Members for ascertaining shareholders' entitlement to the proposed final dividend and special final dividend		Period from 1 June 2017 to 5 June 2017
Listing Date		11 November 1992
Authorised Shares		7,000,000,000 shares
Issued Shares		5,445,901,525 shares (as at 31 December 2016)
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%
Kew Green 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 Metropole 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%
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%

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 – Travel agency business – Travel document business.	100%

PASSENGER TRANSPORTATION OPERATIONS

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

GOLF CLUB OPERATIONS

CTS Tycoon (Shenzhen) Golf Club Company Limited	100%

ARTS PERFORMANCE OPERATIONS

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

FINANCIAL RATIOS HIGHLIGHTS

	2016	2015
Income statement ratios		
Interest coverage ratio	**55.47**	78.61
Basic earnings per share (HK cents)	**6.42**	24.14
Dividend per share (HK cents)	**4.00**	9.50
Dividend payout ratio (%)	**62.31**	39.35
Financial position ratios		
Current ratio	**2.91**	3.69
Quick ratio	**2.11**	2.81
Net assets value per share (HK$)	**2.69**	2.78
Net bank and other borrowings to equity	**(0.24)**	(0.17)
Debt-to-capital ratio (%)	**17**	19
Rate of return ratios		
Return on average equity (%)	**3.15**	9.25
Return on total capital and borrowings (%)	**3.60**	9.02
Market price ratios		
Dividend yield		
Year low (%)	**1.23**	2.31
Year high (%)	**1.92**	4.36
Price to earning ratio		
Year low (%)	**32.40**	8.99
Year high (%)	**50.78**	16.94

Formula for financial ratios:

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

* *Profit before taxation including continuing & discontinued operations*

FIVE YEAR FINANCIAL SUMMARY

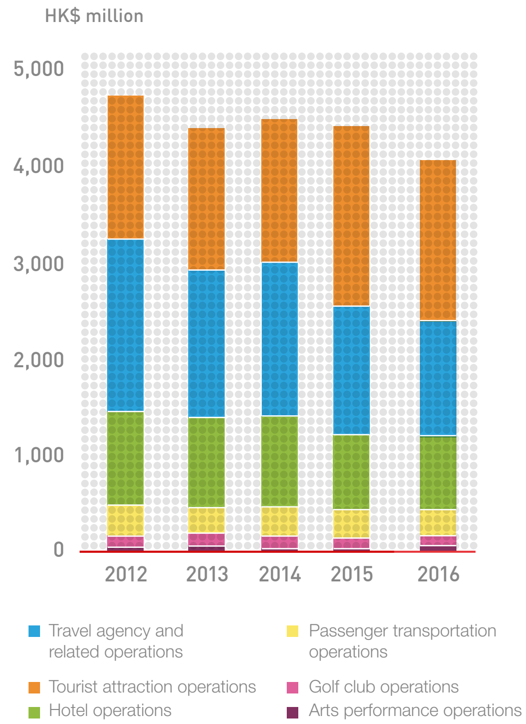
A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

	2016 HK$'000	2015 HK$'000	2014 HK$'000 (restated)	2013 HK$'000 (restated)	2012 HK$'000 (restated)
RESULTS					
Continuing operations					
Revenue	**4,065,999**	4,395,389	4,475,142	4,359,918	4,668,431
Cost of sales	**(2,253,779)**	(2,391,052)	(2,417,299)	(2,275,542)	(2,515,494)
Gross profit	**1,812,220**	2,004,337	2,057,843	2,084,376	2,152,937
Other income and gains, net	**140,054**	262,360	1,048,465	194,882	198,572
Changes in fair value of investment properties	**55,555**	73,353	70,049	155,529	165,051
Selling and distribution costs	**(490,039)**	(536,472)	(503,597)	(587,758)	(619,761)
Administrative expenses	**(992,205)**	(932,331)	(996,108)	(992,106)	(1,034,705)
Finance income	**120,677**	129,001	140,081	107,515	94,520
Finance costs	**(12,965)**	(24,332)	(30,276)	(15,397)	(18,913)
Share of profits less losses of associates and joint ventures	**144,895**	132,947	104,562	81,835	57,735
Write back of provision for impairment of interest in an associate	**–**	–	–	175,000	–
Profit before taxation	**778,192**	1,108,863	1,891,019	1,203,876	995,436
Taxation	**(205,129)**	(239,635)	(310,182)	(225,404)	(217,973)
Profit for the year from continuing operations	**573,063**	869,228	1,580,837	978,472	777,463
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**(64,815)**	662,917	284,322	275,527	124,342
Profit for the year	**508,248**	1,532,145	1,865,159	1,253,999	901,805
Attributable to:					
Equity owners of the Company	**352,053**	1,352,750	1,738,884	1,151,889	803,561
Non-controlling interests	**156,195**	179,395	126,275	102,110	98,244
	508,248	1,532,145	1,865,159	1,253,999	901,805

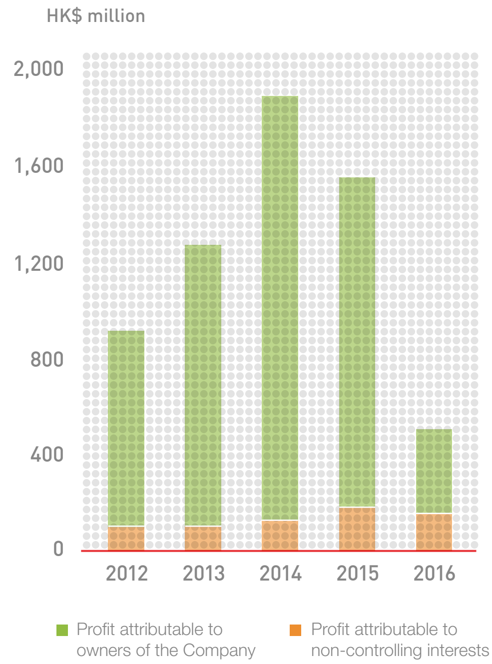
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**19,975,771**	21,216,252	20,950,844	19,227,969	17,410,326
Total liabilities	**(4,203,178)**	(4,717,424)	(4,318,061)	(3,900,692)	(3,131,894)
Non-controlling interests	**(1,099,248)**	(1,093,669)	(1,090,850)	(834,012)	(807,603)
Equity attributable to owners of the Company	**14,673,345**	15,405,159	15,541,933	14,493,265	13,470,829

FINANCIAL REVIEW

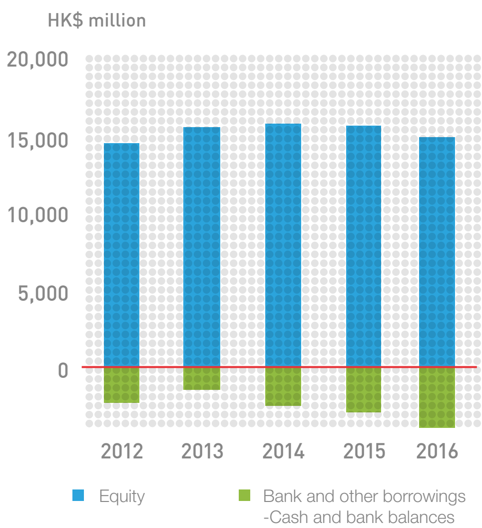
TURNOVER BY PRINCIPAL ACTIVITIES



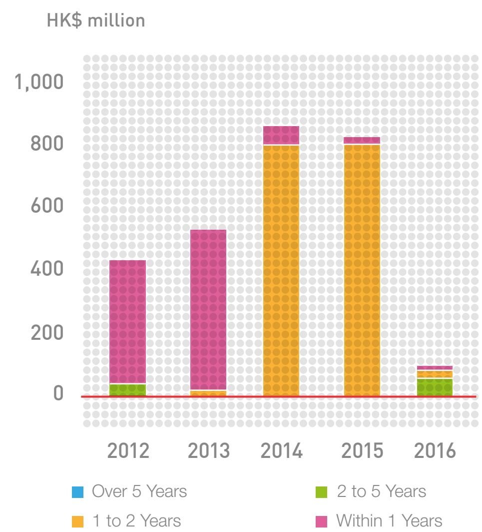
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



DEBT MATURITY PROFILE



MR. ZHANG FENGCHUN *Chairman & Executive Director*
Aged 52, appointed as an Executive Director in 2000 and Chairman of the Board in October 2016, is the Chief Financial Officer of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") and China National Travel Service Group Corporation, the Chairman of Alliance Power Resources Ltd., the substantial shareholder of the Company, the Chairman of Shaanxi Weihe Power Co., Ltd, a subsidiary of CTS (Holdings), the Chairman of CTS Zhongcai Equity Investment Management (Shanghai) Co., Ltd. (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. He is also the Chairman of Nomination Committee, a member of Remuneration Committee, the Chairman of Strategy and Development Committee of the Company, a Director of some of subsidiaries of the Company and the Vice Chairman of the Hong Kong Chinese Enterprises Association. 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. LO SUI ON *Vice Chairman & Executive Director*
Aged 66, 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 & Fifth 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 XING *Executive Director and Executive Deputy General Manager (in charge of overall operation)*
Aged 47, appointed as the deputy general manager of the Company in May 2016 and an Executive Director and the Executive Deputy General Manager (in charge of overall operation) of the Company in February 2017. He is the chairman of CTS (Dengfeng) Songshan Shaolin Culture Tourism Company Limited and a director of CTS (Ningxia) Shapotou Tourist Spot Company Limited, the subsidiaries of the Company. He has extensive experience in management of administrative affairs of government departments in Mainland China. Mr. Zhang had worked for the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China. He was a member of the Standing Committee of Lanzhou Municipal Committee of the Communist Party of China and vice mayor of Lanzhou in Gansu Province. Mr. Zhang holds a Bachelor of Laws degree from Jilin University and a Master's degree in Business Administration from the China Europe International Business School.

MR. LIU FENGBO *Executive Director and Deputy General Manager*
Aged 60, appointed as the Deputy General Manager of the Company in December 2011 and appointed as an Executive Director of the Company in February 2017. He is the chairman of China Travel Hong Kong (Zhuhai) Ocean Spring Company Limited, a subsidiary of the Company, and a director of some of the subsidiaries of the Company. Mr. Liu has over 20 years of operation and management experience in the hotel and scenic spots business. Mr. Liu was the general manager of Swan Hotel-Harbin, the general manager of the Metropark Hotel Shenzhen, the general manager of Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited and the deputy general manager of LIDO Hotel Co. Ltd. Mr. Liu was also the president of China Travel Hong Kong (Zhuhai) Ocean Spring Company Limited, chairman of Xianyang Ocean Spring Resort Company Limited, chairman of CTS (Xinyang) Jigongshan Culture Tourism Company Limited and chairman of CTS (Dengfeng) Songshan Shaolin Culture Tourism Company Limited since 2009. Mr. Liu is a qualified Senior Economist and graduated from Harbin University of Science and Technology.

MR. CHEN XIANJUN *Executive Director*
Aged 48, appointed in February 2017, is the general manager of strategic development department of China National Travel Service Group Corporation, a director of Shaanxi Weihe Power Co., Ltd, a subsidiary of CTS (Holdings), and a director of China International Travel Service Corporation Limited. He is a member of the Strategy and Development Committee of the Company. Mr. Chen is a Certified Public Accountant in China and has extensive experience in investment planning and business and hotel management. He was the general manager of China Travel Tours Transportation Services Hong Kong Limited, general manager of CTS Pingdingshan Tourism Management Limited, general manager of Metropark Hotel Shenzhen, general manager of Metropark Hotel Mongkok and deputy general manager of China Travel Hotel Management Services Hong Kong Limited. Mr. Chen holds a Master's degree in Economics from Jinan University.

MR. FU ZHUOYANG *Executive director*
(resigned on 24 February, 2017)
Aged 57, appointed in November 2010, is a Deputy General Manager of CTS (Holdings) and China National Travel Service Group Corporation, and the Chairman of Hong Kong China Travel Service Investment (China) Limited, a wholly owned subsidiary of CTS (Holdings). Mr. Fu has resigned as an Executive Director and a member of Strategy and Development Committee of the Company on 24 February 2017. 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) (resigned on 8 February 2017)*
Aged 53, 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 has resigned as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 8 February 2017.

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 92, 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 68, 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 76, 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 70, 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

ZHANG FENGCHUN
Chairman & Executive Director

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

SUMMARY OF RESULTS

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

MR. ZHANG XING
Executive Director and Executive Deputy General Manager (in charge of overall operation)

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

IMPLEMENTATION OF STRATEGIES

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

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

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

FUTURE PROSPECTS

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

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

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

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

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

Zhang Fengchun
Chairman of the Board

Hong Kong, 29 March 2017

Management's Discussion and Analysis

RESULTS OVERVIEW

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

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

DIVIDENDS

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

CORE PRINCIPAL OPERATIONS AND OPERATION FIGURES

(I) Travel Destination Operations

1. *Business overview*

City hotels

Five hotels in Hong Kong and Macau

Two hotels in Mainland China

CTS H.K. Metropark Hotels Management Company Limited

Theme parks

Shenzhen The World Miniature Co., Ltd ("Window of the World")

Shenzhen Splendid China Development Co, Ltd. ("Splendid China")

Natural and cultural scenic spot destinations

CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("Songshan Company")

CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd ("Shapotou Scenic Spot")

CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd ("Jigongshan Company"), which has been sold.

Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd ("Lu Shan Xiu Feng Cable Car")

Leisure resort destinations

China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd ("Zhuhai OSR")

Xianyang Ocean Spring Resort Co., Ltd ("Xianyang OSR")
CTS (Anji) Tourism Development Company Limited ("Anji Company")
Chengdu Huashuiwan Sakura Hotel Company Limited ("Sakura Hotel"), which has been sold.

Non-controlling scenic spot investments
Huangshan Yuping Cable Car Company Ltd ("Huangshan Yuping Cable Car")
Huangshan Taiping Cable Car Co., Ltd
Changsha Colorful World Company Limited
Nanyue Cable Car Co. Ltd.
Changchun Jingyuetan Youle Co. Ltd.

2. ***Key Operation Figures***

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

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

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

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

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

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

(II) Travel Agency, Travel Document and Related Operations

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

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

(III) Supplementary Products and Services

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

1. Passenger Transportation Operations

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

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

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

2. ***Golf Club Operations***

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

3. ***Arts Performance Operations***

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

SHARE BUYBACK

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

DEVELOPMENT STRATEGY

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

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

NUMBER AND REMUNERATION OF EMPLOYEE

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

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

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

CONTINGENT LIABILITIES

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

BUSINESS PROSPECTS

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

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

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 2016.

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 2016, an indication of likely future development in the Group's business, and a discussion on the Company's environmental policies and performance, can be found in the "Chairman's Statement" section on pages 12 to 15, the "Management's Discussion and Analysis" section on pages 16 to 20, the "Financial Review" section on page 8, the "Corporate Governance Report" section on pages 35 to 43, the "Environment, Social and Governance Report" section on pages 44 to 48 and note 43 to the consolidated financial statements on pages 147 to 151 of the Annual Report.

GROUP PROFIT

The Group's profit for the year ended 31 December 2016 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 57 to 154.

DIVIDENDS

An interim dividend of HK2 cents per share (2015: an interim dividend of HK2.5 cents per share and a special interim dividend of HK2.5 cents per share) were paid on 27 September 2016. The Directors recommend the payment of a final dividend of HK1 cent per ordinary share (2015: HK4.5 cents per share) and a special find dividend of HK1 cent per ordinary share (2015: nil) in respect of the year to shareholders whose names appear on the register of members of the Company on 5 June 2017.

SHARE CAPITAL

During the year, the Company issued 3,250,000 shares for cash of HK$5,525,000 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 35 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

For the year ended 31 December 2016, the Company has entered into certain equity-linked agreements with director and employees in respect of share option granted during the year. Save as disclosed above and other than the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Company, or existed during the year.

DISTRIBUTABLE RESERVES

At 31 December 2016, 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$3,906,764,000, of which HK$108,918,000 has been proposed as a final dividend and a special final dividend for the year.

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

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

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

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

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. Zhang Fengchun *(Appointed as Chairman of the Board on 24 October 2016)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Zhang Xing *(Appointed on 24 February 2017)*
Mr. Liu Fengbo *(Appointed on 24 February 2017)*
Mr. Chen Xianjun *(Appointed on 24 February 2017)*
Ms. Jiang Yan *(Resigned on 19 February 2016)*
Mr. Xu Muhan *(Resigned on 23 September 2016)*
Mr. Fu Zhuoyang *(Resigned on 24 February 2017)*
Mr. Qu Simon Tao *(Appointed on 19 February 2016 and resigned on 8 February 2017)*

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. Zhang Fengchun and Dr. Fong Yun Wah shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 92 of the Company's Articles of Association, Mr. Zhang Xing, Mr. Liu Fengbo and Mr. Chen Xianjun, who were appointed by the Board on 24 February 2017, will retire at the forthcoming annual general meeting and, being eligible, offer themselves 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 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2016 Interim Report are set out below:

Name of Director	Changes
Mr. Zhang Fengchun	– Appointed as the Chairman of the Board, the Chairman of Nomination Committee and a member of the Remuneration Committee with effect from 24 October 2016.
	– Director's fee for year 2016 increased to HK$330,000 with effect from 24 October 2016, payable on a time pro-rata basis.
	– Resigned as the Chairman and the General Manager of China Travel Financial Holdings Co. Ltd. with effect from 21 October 2016.
	– Resigned as the Chairman of Bank of China Travel Service Co., Ltd. Jiaozuo with effect from 16 November 2016.
	– Resigned as a director of China Travel Net Limited, a subsidiary of the Company, with effect from 18 February 2017.

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 or 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 2.27 to the consolidated financial statements.

MANAGEMENT CONTRACTS

In 1992, the Company entered into a management service contract with China Travel Service (Holdings) Hong Kong Limited ("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.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016 and up to the date of this annual report, the Group had the following continuing connected transactions, details of which are as follows:

(i) 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 deposit services, comprehensive credit line services, entrustment loan services and cross-border RMB cash pooling services by CTS Finance. China National Travel Service Group Corporation ("China CTS") holds the entire share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS is a connected person of the Company under the Listing Rules. CTS Finance is a non wholly-owned subsidiary of China CTS and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Financial Services Framework Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

Since the loan services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by CTS Finance, the loan services are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the fees in connection with the comprehensive credit line services, the entrustment loan services and the cross-border RMB cash pooling services will be on an annual basis less than 0.1%, the comprehensive credit line services, the entrustment loan services and the cross-border RMB cash pooling services are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the deposit caps, being the maximum daily outstanding balance of deposits (including accrued interest) from the deposit services and cross-border RMB cash pooling services placed by the Company and/or its PRC subsidiaries with CTS Finance, will be 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 deposit caps for each of the three years ending 31 December 2018 are RMB124.4 million, RMB136.8 million and RMB150.5 million, respectively. The actual amount of the transactions for the year ended 31 December 2016 was RMB85,551,000. For detailed information, please refer to the Company's announcement dated 14 January 2016.

(ii) On 29 September 2016, 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 29 September 2016 and ending on 28 September 2017, extendable for up to two years beyond the initial term to 28 September 2019, pursuant to which ICBC has, at the request of and acting as an agent to Window of the World, agreed to release an entrustment loan, which is funded by Window of the World, 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 29 September 2016 and ending on 28 September 2017, extendable for up to two years beyond the initial term to 28 September 2019, pursuant to which ICBC has, at the request of and acting as an agent to Splendid China, agreed to release an entrustment loan, which is funded by Splendid China, 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 Entrustment Loan Agreements will be aggregated and treated as if they were one transaction. As the highest applicable transactions contemplated under the Entrustment Loan Agreements on an aggregate basis will be more than 1% but less than 5% and have an annual consideration of more than HK$3,000,000, the entering into of the Entrustment Loan Agreements is subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules. The annual cap for each year during the term of the Entrustment Loan Agreements is RMB320 million. The actual amount of the transactions for the year ended 31 December 2016 was RMB225,000,000. For detailed information, please refer to the announcement of the Company dated 29 September 2016.

(iii) The Group in the past entered into certain ongoing connected transactions with CTS (Holdings) and its associates (collectively, the "CTS (Holdings) Group") and China CTS and its associates (collectively, the "China CTS 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 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 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 2015 to govern 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 6 November 2015, 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 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 19 November 2014, the Company and China CTS entered into a tour group services master agreement in relation to the provision of tour group services by the Group and China CTS Group to each other for a term commenced on 1 January 2015 and ending on 31 December 2017 in order to benefit from the extensive coverage of the travelling network of the China CTS Group and to allocate resources more efficiently. As China CTS holds the entire issued share capital of CTS (Holdings) which is a substantial shareholder of the Company, China CTS 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 2016 and the actual amounts of such transactions for the year ended 31 December 2016 are as follows:

	Caps for the years ended/ending 31 December				Actual amounts for the year ended 31 December
	2015	2016	2017	2018	2016
	'000	'000	'000	'000	'000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration by CTSHK	HK$427,000	HK$290,000	HK$290,000	HK$290,000	HK$197,532
(b) Lease arrangements with the CTS (Holdings) Group as lessor	HK$26,500	HK$26,000	HK$28,500	HK$31,500	HK$18,648
(c) Provision of ASP related services to the CTS (Holdings) Group	HK$36,300	HK$4,000	HK$5,000	HK$6,250	HK$2,777
(d) Provision of hotel management services to the CTS (Holdings) Group	RMB20,000	RMB15,000	RMB16,500	RMB18,200	RMB12,740
II. Continuing connected transactions with the China CTS Group					
(e) Provision of tour group services to the China CTS Group	HK$30,000	HK$36,000	HK$43,000	N/A	HK$27,830
(f) Provision of tour group services by the China CTS Group to the Group	HK$73,000	HK$88,000	HK$105,000	N/A	HK$62,338

(iv) On 6 November 2015, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort"), a wholly-owned subsidiary of the Company, entered into a services agreement (the "Services Agreement") with China CTS Asset Management Corporation ("China CTS Asset Management"), a wholly-owned subsidiary of China CTS, for a term of three years commencing 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 actual amount of the transactions for the year ended 31 December 2016 was RMB5,628,000. For detailed information, please refer to the Company's announcement dated 6 November 2015.

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 2016 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 2016 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 2016, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares: Corporate interest	Interests in shares: Personal interest	Family interest	Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 31 December 2016
Mr. Zhang Fengchun	–	880,000	–	890,000	1,770,000	0.03%
Mr. Lo Sui On	–	600,000	–	770,000	1,370,000	0.02%
Mr. Fu Zhuoyang (Note 1)	–	–	–	1,770,000 (Note 1)	1,770,000	0.03%
Mr. Qu Simon Tao (Note 2)	–	–	–	3,000,000 (Note 2)	3,000,000	0.06%
Dr. Fong Yun Wah	50,000 (Note 3)	–	–	–	50,000	0.00%

Note 1: Mr. Fu Zhuoyang was resigned as Executive Director of the Company on 24 February 2017.

Note 2: Mr. Qu Simon Tao was appointed as Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 19 February 2016 and resigned on 8 February 2017.

Note 3: 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 36 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	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Reclassified during the year	Balance as at 31 December 2016	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
	Number of share options								
Directors									
Zhang Fengchun	890,000	–	–	–	–	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
Jiang Yan	1,770,000	–	–	–	(1,770,000)	–	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	770,000	–	–	–	–	770,000	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	7,050,000	–	–	–	(3,620,000)	3,430,000			
Other employees in aggregate	19,598,000	–	(3,250,000)	–	3,620,000	19,968,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	26,648,000	–	(3,250,000)	–	–	23,398,000			

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 2016 was 23,398,000, representing 0.43% of the total number of issued shares of the Company as at the date of this annual report.

The 2012 Share Option Scheme

Details of the movement in the share options granted under the 2012 Share Option Scheme during the year ended 31 December 2016 are set out below.

Name or category of participant	Number of share options: Balance as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31 December 2016	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Director								
Qu Simon Tao (Note 2)	–	3,000,000	–	–	3,000,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
Sub-Total	–	3,000,000	–	–	3,000,000			
Other employees in aggregate	–	149,340,000	–	(700,000)	148,640,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
	–	17,500,000	–	–	17,500,000	30 December 2016	30 December 2018 to 29 December 2021	2.304
Sub-Total	–	166,840,000	–	(700,000)	166,140,000			
Grand Total	–	169,840,000	–	(700,000)	169,140,000			

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:

Date of Grant	The proportion of options exercisable	Exercise period
15 September 2016	First 33% of the share options	15 September 2018 to 14 September 2021
	Second 33% of the share options	15 September 2019 to 14 September 2021
	Remaining 34% of the share options	15 September 2020 to 14 September 2021
30 December 2016	First 33% of the share options	30 December 2018 to 29 December 2021
	Second 33% of the share options	30 December 2019 to 29 December 2021
	Remaining 34% of the share options	30 December 2020 to 29 December 2021

Note 2: Mr. Qu Simon Tao was appointed as Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 19 February 2016 and resigned on 8 February 2017:

The accounting policies on Share Option Scheme are set out in note 2.26 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 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 2016, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.43% 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 2016, 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 2016, 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 2016
China CTS	Interest of controlled corporation (Note 1)	3,276,164,728	60.16%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Note 1 and 2)	3,276,164,728	60.16%
Alliance Power Resources Ltd.	Beneficial owner (Note 2)	1,109,952,705	20.38%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,109,952,705	20.38%
GUOXIN International Investment Corporation Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.48%
Ryden Holdings Company Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.48%
中國華馨投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.48%
博遠投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.48%

Note 1: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS. CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS 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 in the Company duplicate the interests of CTS (Holdings).

Note 2: Of these 3,276,164,728 shares, 2,145,512,023 shares are held by CTS (Holdings) directly. 20,700,000 shares are held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,109,952,705 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: 1,109,952,705 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 2016, 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 2016 are set out in note 33 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 from 30 June 2016 to such other date at the bank's absolute discretion and is subject to the bank's periodic review.

On 15 June 2016, 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$300,000,000. 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 18 May 2016, the Company (as borrower) entered into a facility agreement with the Bank for a committed revolving credit facility to the extent of HK$250,000,000. The final maturity date of the aforesaid committed revolving credit facility is one year from 18 May 2016, the starting date at which the credit facility is made available to the Company for drawdown.

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 35 to 43.

AUDITORS

The financial statements of the Company for the year ended 31 December 2016 were audited by PricewaterhouseCoopers. PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2017 annual general meeting to re-appoint them and to authorize the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Zhang Fengchun
Chairman

Hong Kong, 29 March 2017

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 2016, except for the following deviations:

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

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

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

THE BOARD

Composition

The Board currently comprises 9 Directors, being 5 Executive Directors and 4 Independent Non-Executive Directors. Further details of the composition of the Board are disclosed in the "Corporate Information" section on page 2 and the "Report of the Directors" section on page 21 to 34.

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 (or the Executive Deputy General Manager taking charge of the overall operation of the Company) 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, or the Executive Deputy General Manager taking charge of the overall operation of the Company, focuses on managing and controlling the business of the Group. Their respective responsibilities are clearly defined and set out in writing. 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 appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company. On 23 September 2016, Mr. Xu Muhan resigned as the Chairman and an Executive Director of the Company. On 24 October 2016, Mr. Zhang Fengchun is appointed as the Chairman of the Board. On 8 February 2017, Mr. Qu Simon Tao resigned as an Executive Director and the Executive Deputy General Manager (in charge of overall operation) of the Company. On 24 February 2017, Mr. Zhang Xing appointed as an Executive Director and the 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 or the Executive Deputy General Manager (in charge of overall operation of the Company) 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 or the Executive Deputy General Manager (in charge of overall operation of the Company) 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 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:			
Zhang Fengchun	√	√	√
Jiang Yan*	√	–	√
Xu Muhan*	√	–	√
Lo Sui On	√	√	√
Fu Zhuoyang*	√	–	√
Qu Simon Tao*	√	–	√
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.*

* *Mr. Xu Muhan resigned as the Chairman and Executive Director of the Company with effect from 23 September 2016.*

* *Mr. Qu Simon Tao resigned as Executive Director of the Company with effect from 8 February 2017.*

* *Mr. Fu Zhuoyang resigned as Executive Director of the Company with effect from 24 February 2017.*

Board Meetings

During the year ended 31 December 2016, the Board held four regular meetings. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board meetings and committee meetings, notice is generally given within a reasonable time.

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

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

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

BOARD COMMITTEES

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

Audit Committee

Members:

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

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

The Audit Committee held two meetings during the year ended 31 December 2016 and reviewed the audited financial statements for the year ended 31 December 2015 and the unaudited interim financial statements for the six months ended 30 June 2016. 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 risk management and internal control system and accounting policies and practices.

The Company's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

Remuneration Committee

Members:

Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter *(Chairman)* Mr. Sze, Robert Tsai To Mr. Chan Wing Kee
Executive Directors:	Mr. Zhang Fengchun (appointed as a member of Remuneration Committee on 24 October 2016) 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 and resigned on 23 September 2016)

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 2016 are disclosed in the notes to the consolidated financial statements.

The Remuneration Committee held one meeting in 2016 and reviewed the Directors' fees for 2016 and the grant of share options to Director and employees.

Nomination Committee

Members:

Executive Directors:	Mr. Zhang Fengchun (appointed as Chairman of Nomination Committee on 24 October 2016) 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 and resigned on 23 September 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 2016 to discuss and review the re-election of retiring Directors at the 2016 annual general meeting, the structure, size and composition of the Board and the resignation and appointment of Board members and senior management.

Strategy and Development Committee

Members:

Executive Directors:	Mr. Zhang Fengchun (appointed as Chairman of Strategy and Development Committee on 24 October 2016) Mr. Xu Muhan (resigned as Chairman of Strategy and Development Committee on 23 September 2016) Mr. Fu Zhuoyang (resigned as Member of Strategy and Development Committee on 24 February 2017) Mr. Chen Xianjun (appointed as Member of Strategy and Development Committee on 24 February 2017)
Independent Non-Executive Directors:	Mr. Wong Man Kong, Peter Mr. Sze, Robert Tsai To Mr. Chan Wing Kee

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 2016 and reviewed the Company's capital expenditure and financial plan for 2016.

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 and Annual General Meeting of the Company during the year ended 31 December 2016 are set out as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2016					
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Strategy and Development Committee Meeting	Annual General Meeting
Executive Directors:						
Zhang Fengchun Note 1	1/4	N/A	N/A	N/A	0/1	0/1
Xu Muhan Note 2	3/4	N/A	1/1	1/1	1/1	1/1
Jiang Yan Note 3	N/A	N/A	N/A	N/A	N/A	N/A
Lo Sui On	4/4	N/A	N/A	N/A	N/A	1/1
Fu Zhuoyang Note 4	1/4	N/A	N/A	N/A	0/1	0/1
Qu Simon Tao Note 5	4/4	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Fong Yun Wah	4/4	N/A	N/A	N/A	N/A	0/1
Wong Man Kong, Peter	3/4	2/2	1/1	1/1	1/1	0/1
Sze, Robert Tsai To	4/4	2/2	1/1	1/1	1/1	1/1
Chan Wing Kee	3/4	2/2	1/1	1/1	1/1	1/1

Note 1 Mr. Zhang Fengchun appointed as the Chairman of the Board, Chairman of the Nomination Committee, a member of the Remuneration Committee and the Chairman of the Strategy and Development Committee with effect from 24 October 2016.

Note 2 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 until he resigned on 23 September 2016. He also resigned as the Chairman of the Strategy and Development Committee on 23 September 2016.

Note 3 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 4 Mr. Fu Zhuoyang resigned as an Executive Director and a member of the Strategy and Development Committee on 24 February 2017.

Note 5 Mr. Qu Simon Tao appointed as an Executive Director of the Company on 19 February 2016 and resigned on 8 February 2017.

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 2016.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the remuneration to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	8,035
Non-audit services	4,669
Total	12,704

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 49 to 56.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

To provide sound and effective risk management, the Board has established a risk management system. The key elements of our risk management system includes risk strategy, risk management policy and procedures, risk organisation, risk management process and other risk management supporting elements.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 5 steps:

Step 1: **Risk identification** – Identify the risks faced by the Company and its subsidiaries.

Step 2: **Risk analysis** – Analyze the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks.

Step 3: **Risk responses** – Select an appropriate risk treatment and develop the relevant risk management strategies for identified key risks.

Step 4: **Risk monitoring** – Perform ongoing and periodic monitoring of risks to ensure the risk management strategies are operating effectively.

Step 5: **Risk reporting** – Consolidate the results from the risk assessment; establish detailed action plan and report to the Risk Management Committee and the Audit Committee.

INTERNAL CONTROL

Main Features of the Internal Control System

The Group has established internal control system which is referencing with COSO internal control framework. Our internal control system is consisted of 5 elements (e.g. control environment, risk assessment, control activities, information and communication, and monitoring) and 17 principles. To facilitate the achievement of the Company objectives, we are endeavouring to continually improve internal control system/policies for the increasing requirements from the business and regulators.

Internal Audit Department

The Group has established its in-house internal audit department this year. The internal audit department conducts audits in accordance with a risk-based audit plan. The internal audit reports, along with the key audit findings, prepared by the internal audit department were also reported to the Audit Committee and the Board on a regular basis. Management are obligated to address internal control deficiencies reported and the relevant recommendations proposed by the internal audit department in a timely manner to enhance the Group's internal control system.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees to raise concerns, in confidence, to the Audit Committee and the Board members about possible improprieties relating to the Group. The identification of the whistleblower will be treated with strictest confidence.

Inside Information

The Company regulates the handling and dissemination of inside information as set out in the Information Disclosure Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company's legal and compliance department assesses the likely impact of any unexpected and significant event that may impact the price of the shares of the Company or their trading volume and evaluates whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

Reviews on Risk Management and Internal Control Systems

The Board has conducted an annual review of the effectiveness and adequacy of the risk management and internal control systems by reviewing the work performed by management and internal audit department. Through the review of management's risk and control assessment, the scope and quality of ongoing monitoring of risks and the internal control systems have been assessed. Findings and areas for improvement have been reported to the Risk Management Committee and the Board. The Board therefore considered the risk management and internal control systems of the Group are effective and adequate. Management has also provided a confirmation to the Board on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

During the review, the Board also assessed and considered the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions adequate.

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 2016, the Company held press and analyst conferences following the release of its 2015 annual results and 2016 interim results announcement, attended various investor conferences, and arranged face-to-face meetings for 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its first Environmental, Social and Governance ("ESG") report in compliance with the environmental, social and governance reporting guidelines as set out in Appendix 27 to the Listing Rules.

The principal business activities of the Group include operations of travel destinations and provision of supplementary products and services, which include travel agency and related operations, passenger transportation, golf club and arts performance operations. The ESG report focused on the environmental and social performance of the principal business of the Group for the year ended 31 December 2016.

The Group believes that sound ESG performance is critically important to the sustainable development of its business and community. The Group is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance. The Company also initiates communication and exchange with its stakeholders, keeps abreast of their latest requirements in a timely manner and responds proactively through various channels.

The Board is responsible for the Group's ESG strategy including evaluating and determining the ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Company has engaged its business functions to identify relevant ESG issues and assess their materiality to the Company's business through reviewing the Group's operations and holding internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG report which aims to provide a balanced representation of the Group's ESG performance in the environmental and social areas.

The table below shows the ESG issues which were determined to be material to the Group:

ESG aspects as set forth in ESG Guide	**Material ESG issues for the Group**
A. Environmental	
A1 Emissions	– Carbon emissions – Waste management
A2 Use of resources	– Use of energy and water
A3 The environment and natural resources	– Promoting environmental awareness
B. Social	
B1 Employment	– Labour practices
B2 Health and safety	– Occupational health and safety
B3 Development and training	– Learning and development
B4 Labour standards	– Anti-child and forced labour
B5 Supply chain management	– Supply chain management
B6 Product responsibility	– Customer data privacy and security
B7 Anti-corruption	– Anti-corporation and corporate governance
B8 Community investment	– Community investment

A. ENVIRONMENTAL

The Company is committed to minimizing the adverse impact that its operations may have on the environment. Going beyond legal compliance, the Company is continually improving its environmental management practices and measures to reduce energy and other resource use, minimize waste and increase recycling. Employees are also encouraged to adopt environmentally responsible behavior and promote environmental protection in the Company's supply chain and marketplace.

A.1 Emissions

Carbon emissions

The major source of carbon emissions is from the Company's passenger transportation business. The Company regularly measures CO_2 concentration levels and conduct air quality tests in compliance with relevant environmental laws and regulations. To reduce carbon emissions from the Company's vehicle fleet, the Company has replaced more than 50 Euro III and Euro IV buses with Euro V buses in 2016. During the year, the air emissions from the Company's vehicle fleet has been reduced significantly compared with last year.

Waste management

The Company upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from business activities. The Company also strives to reduce, reuse and recycle throughout the operations to minimize the disposal of waste to the landfill. The Company also provides appropriate facilities in the offices and engages its employees to facilitate source separation and waste recycling. No substantial hazardous waste was produced by the Group during the year. There were no non-compliance cases noted in relation to environmental laws and regulations in 2016.

A.2 Use of Resources

Use of energy

To achieve higher energy efficiency, the Group has implemented the following key initiatives:

(i) to install blinds for windows to reduce solar heat in air-conditioned areas and reduce the usage of electricity;

(ii) to switch off lights and air-conditioning in the meeting room and computers at work stations where not in use; and

(iii) to use LED lights in many parts of the Group's properties which save the energy usage as compared with fluorescent lights.

Use of water

Although water consumed by the Group was not material, the Group actively promotes water efficient practices.

A.3 Environment and natural resources

Promoting environmental awareness

Although the core business of the Company has remote impact on the environmental and natural resources, the Company regularly recognizes the responsibility of minimizing the negative environmental impact and adopts preventive measures as necessary to ensure compliance with relevant laws and regulations. In 2016, the Company complied with the environmental-friendly emissions standards in the local laws in acquiring new vehicles, and has strict policy on disposal of sewage.

B. SOCIAL

B.1 Employment

Labour practices

The Company established written policies and staff manual to govern the compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare, in accordance with relevant laws and regulations. The Company is an equal opportunities employer, and does not discriminate on grounds of gender, disability, pregnancy, family status, race, religion and age.

The employees' remuneration are reviewed annually on a performance basis with reference to market conditions. A wide range of benefits including comprehensive medical and life insurance, and retirement schemes are also provided to employees. Social and recreational activities are arranged for employees in achieving work-life balance.

In 2016, there were no non-compliance cases noted in relation to employment laws and regulations.

B.2 Health and Safety

Occupational health and safety

The Company lays emphasis on the working environment and health of the employees, and strictly complies with relevant laws and regulations. In 2016, there were no non-compliance cases noted in relation to laws and regulations concerning health and safety.

The Company has an annual check-up policy for employees, and has its Administrative Measures for Safety Production in place for ensuring work safety of employees. Safety contingency plans are also formulated to consolidate and regulate the handling of emergencies. In respect of construction sites, the Company has an unannounced inspection system in place to conduct regular checkup on the conditions of work sites for safety's sake.

B.3 Development and Training

Learning and development

The Company considers growth of employees as the key to sustain business growth, and continue to promote a learning culture and offer structured career development and training programs that ensure staff at all levels are well-equipped to excel at work and in life. The Company also encourages staffs to attend external training programs to support career development where relevant. With prior approval from the Group, courses and examination fees may be subsidized or reimbursed upon successful completion of programs leading to an academic qualification.

Training activities provided to staff in 2016 include new employees orientation, finance and taxation enhancement training, invitation of expert scholars and advisory bodies to host training seminars, management skills training to executive staffs etc.

B.4 Labor Standards

Anti-child and forced labour

Employment of staff by the Group must comply with the rules under the relevant PRC and Hong Kong labour law. The Company has a zero-tolerance policy towards the use of forced labour and child labour in its business operations. The Company is committed to creating a working environment which respects human rights. Staffs are required to fill in a "Staff Record Form" upon joining the Group. Should the staff provide false identity or false personal particulars, the said staff would be considered to have committed serious breach of the Group's rules and regulations and his/her employment would be terminated immediately.

In 2016, the Company was not aware of any incidents of non-compliance with relevant laws and regulations concerning labour standards.

B.5 Supply Chain Management

The Company maintains business relationships with a number of suppliers. The suppliers are required to act responsibly and adhere to the Company's ESG requirements. The Company also offers encouragement and support to the suppliers in improving their own sustainability performance. The Company has its Administrative Measures of the Tendering Procedures in place setting out the policies for selection of tender candidates, procedures of tendering and evaluation on standards for tendering.

During the year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

B.6 Product Responsibility

Customer data privacy and security

The Company is committed to ensuring the products and services are safe and environmentally sound, and adheres to applicable laws regulating health and safety, as well as those governing advertising, labelling and privacy matters. The Company has implemented information-privacy and data-security procedures to protect individual privacy and safeguard commercially sensitive information as below:

(i) collect personal data that believed to be relevant and required to conduct the Company's business;

(ii) use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose obtained;

(iii) will not transfer or disclose personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified; and

(iv) maintain appropriate security systems and measures designed to prevent unauthorized access to personal data.

In 2016, the Company was not aware of any incidents of non-compliance with regulations and policies concerning the provision and use of the Company's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that have a significant impact of the Group.

B.7 Anti-Corruption

Anti-corruption and corporate governance

The Company has a zero-tolerance policy regarding bribery, corruption, extortion and money-laundering activities in any form or at any level in association with any aspect of the Group's activities. The employees are regularly advised of relevant policies and guidelines, including any updated or revisions. The Company has established procedures to ensure thorough investigation of all allegations of corruption, whether internal or involving third-party business partners. Instances of improper action are addressed internally unless such matters indicate criminal activities, which the Company will immediately notify appropriate law enforcement agencies.

The Company also established compliant channels through which employees can confidentially report unethical and illegal behavior, and has adopted a whistle-blowing policy allowing employees to raise concerns, in confidence, about possible improprieties relating to the Group.

In 2016, no legal cases concerned with corrupt practices were brought against the Company or any of the Company's subsidiaries or employees.

B.8 Community Investment

The Company's community investment aims to create effective and lasting benefits to communities in which the Group operates its business. Going beyond corporate philanthropy, the Company supports long-term community investment by establishing community partnerships and encouraging its employees to participate in volunteer services. During the year, the Company jointly organized a blood donation activity with Hong Kong Red Cross, visited a home for the aged, participated in the Earth Hour activity, organized a clothing donation plan in collaboration with the Friends of the Earth.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited
The consolidated financial statements of China Travel International Investment Hong Kong Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 154, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence
We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Fair value of contingent consideration on subsidiary disposal
- Impairment assessment of property, plant and equipment
- Impairment assessment of golf club operations

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value of contingent consideration on subsidiary disposal	
Refer to Note 2.16, 43 and 44 of the consolidated financial statements On 24 March 2015, the Company entered into an agreement with its immediate holding company, China Travel Service (Holdings) Hong Kong Limited to dispose of its entire interest in its wholly-owned subsidiary, Chadwick Developments Limited ("Chadwick"). Chadwick held an investment in an associate, Shaanxi Weihe Power Co., Ltd ("Weihe Power"), which is engaged in the operation of a coal-fired power generation plant in Shaanxi. This transaction contained a financial performance clause that could result in the Group receiving additional consideration or having to make additional payments based on the profits of Weihe Power during the period from 1 January 2015 to 30 April 2017 (the "Contingent Consideration"). In accordance with the group accounting policy, the Contingent Consideration was classified as a derivative financial instrument and was recognised at its fair value at the date of balance sheet. The change in fair value during the year ended 31 December 2016 resulted in a net loss of HK$65 million in the consolidated income statement. Management prepared discounted cash flow projection to determine the fair value of the Contingent Consideration. We focused on this because there are significant judgement and estimates made by management in determining the fair value of the Contingent Consideration.	We obtained and read the contract for the transaction containing the financial performance clause and the discounted cash flow projection for Weihe Power prepared by management. We discussed and evaluated the methodology used by management, tested the mathematical accuracy of the underlying calculations and the input data and challenged the key assumptions used as follows: • We compared the discount rates used by management in the discounted cash flow projection by assessing the weighted average cost of capital for Weihe Power with comparable organisations in China. • We evaluated the price assumptions used for coal prices to market research reports to determine if the unit prices used were acceptable. We compared the unit price used in the projection for electricity to relevant external evidence. We found the key assumptions and judgements used in the determination of the fair value of the Contingent Consideration were supportable based on the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment	
Refer to Note 3.1, 13 of the consolidated financial statements The Group has two resort operations – Zhuhai Ocean Spring Resort ("Zhuhai CGU") and Xianyang Ocean Spring Resort (''Xianyang CGU'') that have been underperforming in recent years with significant carrying values of property, plant and equipment amounting to HK$1,210 million and HK$386 million as at 31 December 2016 respectively. Due to the underperformance, management conducted an impairment assessment of these resorts. In these assessments, management calculated the recoverable amount based on the lowest cash generating unit to which the asset belongs. The recoverable amount is based on the higher of the value in use and fair value less costs of disposal. We focused on the impairment assessment performed by management for these resorts because of the significance of the carrying values and the significant level of management judgement involved.	For the impairment assessments of the Zhuhai CGU and the Xianyang CGU, where the fair value less costs of disposal approach was adopted, we obtained the valuation report from the external valuer with whom we discussed the valuation methodology and assumptions used, in particular challenging the market data inputs and their rationale for adjustments and weightings made to these market data inputs. We compared these to similar market transactions, where applicable. We also evaluated the competence, capabilities and objectivity of the external valuer. For the Xianyang CGU impairment assessment following the value in use approach, we obtained the discounted cash flow projection prepared by management and assessed the reasonableness of the key assumptions made by management, in particular focusing on: 1) the revenue growth rates 2) the discount rate used We discussed with management their rationale for the revenue growth rates assumptions which have taken into account of historical performance, future business outlook and expected growth rate. For the discount rate used, we compared the rate used with that of similar businesses in China. We found the assumptions used by management and the external valuer in relation to the impairment assessment supportable based on available supporting information.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment (Continued)	
For the Zhuhai CGU, management adopted the fair value less costs of disposal approach in assessing the resort's land and properties, which contributed to a major portion of the CGU's carrying value of property, plant and equipment. Management appointed an external valuer to ascertain the fair value of the land and properties. The external valuer adopted the direct comparison approach which included key assumptions of comparative market transactions to estimate the value of the land and properties. The recoverable amount of the land and properties was determined to be higher than the carrying value of Zhuhai CGU. For the Xianyang CGU, management adopted both the value in use approach and the fair value less costs of disposal approach in assessing the resort's land and properties, which contributed to a major portion of the CGU's carrying value of property, plant and equipment. For the value in use approach, management used a discounted future cash flow projection based on financial budgets. For the fair value less costs of disposal approach, management appointed an external valuer to ascertain the fair value of the land and properties. The external valuer adopted the direct comparison approach which included key assumptions of comparative market transactions to estimate the value of the land and properties. Based on the assessment of the recoverable amount being the higher of value in use and fair value less costs of disposal, management determined to recognise an impairment loss of HK$86 million for the Xianyang CGU.	

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of golf club operations	
Refer to Note 3.1 and 4 of the consolidated financial statements On 30 January 2015, certain committees of the Shenzhen Government issued a notice to CTS Tycoon (Shenzhen) Golf Club Company Limited ("CTS Tycoon (Shenzhen)"), a wholly owned subsidiary of the Group, demanding it to remove its golf club operations from the drinking water source protection zone it currently occupies. The subsidiary has also been asked to reinstate the respective area to the original condition including closing down and demolishing the construction thereon. As of the date of this report, the notice has not yet been enforced by the Shenzhen government and the golf club is still in full operation. The related aggregate assets of the golf club at 31 December 2016 was approximately HK$602 million. Management engaged an external lawyer to assess if the aforesaid notice is legally enforceable and, if enforceable, the extent of any compensation payable for the assets and incidental costs that could be claimable respectively. Management also engaged an external valuer adopting a cost approach to assess the compensation value, to be claimed from government, if an exit was required.	We inspected the communications and correspondence between management and the Shenzhen government and read publicly available information on the updates of the potential closure on the existing golf club operations. These corroborated management's representation that, as of the date of this report, there was no action taken by the Shenzhen government to force closure of the golf club. We evaluated the legal opinion from the external lawyer of the Group and discussed with the external lawyers on the basis for their views on the legal enforceability of exit and if enforceable, the extent of any compensation payable for the assets and incidental costs that could be claimable respectively. We also evaluated the competence, capabilities and objectivity of the external lawyer. We obtained the external valuation report on the potential government compensation, and discussed with the external valuer to evaluate the valuation methodology and assumptions adopted, in particular the replacement cost and depreciation rate used. We also evaluated the competence, capabilities and objectivity of the external valuer. On the impairment assessment, we obtained the discounted cash flow projection prepared by management and assessed the reasonableness of the key assumptions made by management, in particular focusing on: 1) timing of definitive decision on closure 2) the discount rate used and 3) the compensation to be received from government on closure

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of golf club operations (Continued)	
Management performed impairment assessment by adopting the value in use model which calculated the recoverable amount based on the lowest cash generating unit to which the asset belongs. The recoverable amount is based on the higher of the value in use and fair value less costs of disposal. Based on the current circumstances, the external legal opinion, the external valuation report and the impairment assessment performed by the management, the directors are of the opinion that there was no impairment of the above mentioned assets as of 31 December 2016. As there remains a high degree of uncertainties over the continuity of the existing golf club operations, we focused on this because there are significant judgement and estimates made by management on the legal position of the golf club and on the impairment assessment.	We discussed with management their rationale for the timing of definitive decision on closure. For the discount rate used, we compared the rate with that of similar businesses in China. Based on the audit procedures performed and available information provided, we found the key assumptions and judgements in management's impairment assessment supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	5	**4,065,999**	4,395,389
Cost of sales		**(2,253,779)**	(2,391,052)
Gross profit		**1,812,220**	2,004,337
Other income and gains, net	5	**140,054**	262,360
Changes in fair value of investment properties		**55,555**	73,353
Selling and distribution costs		**(490,039)**	(536,472)
Administrative expenses		**(992,205)**	(932,331)
Operating profit	7	**525,585**	871,247
Finance income	6	**120,677**	129,001
Finance costs	6	**(12,965)**	(24,332)
Finance income, net	6	**107,712**	104,669
Share of profits less losses of			
Associates		**139,991**	127,803
Joint ventures		**4,904**	5,144
Profit before taxation		**778,192**	1,108,863
Taxation	10	**(205,129)**	(239,635)
Profit for the year from continuing operations		**573,063**	869,228
Discontinued operations			
(Loss)/profit for the year from discontinued operations	44	**(64,815)**	662,917
Profit for the year		**508,248**	1,532,145
Attributable to:			
Equity owners of the Company		**352,053**	1,352,750
Non-controlling interests		**156,195**	179,395
Profit for the year		**508,248**	1,532,145

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Earnings per share for profit attributable to equity owners of the Company (HK cents)	12		
Basic earnings/(losses) per share			
From continuing operations		**7.60**	12.31
From discontinued operations		**(1.18)**	11.83
From profit for the year		**6.42**	24.14
Diluted earnings/(losses) per share			
From continuing operations		**7.60**	12.27
From discontinued operations		**(1.18)**	11.79
From profit for the year		**6.42**	24.06

The notes on pages 66 to 154 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

The notes on pages 66 to 154 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**7,451,863**	7,919,792
Investment properties	14	**1,567,692**	1,439,590
Prepaid land lease payments	15	**426,540**	429,169
Goodwill	16	**1,320,591**	1,330,151
Other intangible assets	17	**163,076**	174,093
Interests in associates	19	**1,020,209**	998,879
Interests in joint ventures	20	**51,761**	47,977
Available-for-sale investments	21	**26,104**	27,068
Prepayments and receivables	25	**307,554**	85,658
Deferred tax assets	34	**50,726**	56,293
Total non-current assets		**12,386,116**	12,508,670
Current assets			
Inventories	22	**34,070**	36,012
Properties under development	23	**2,071,597**	2,026,394
Trade receivables	24	**182,417**	173,047
Deposits, prepayments and other receivables	25	**609,434**	877,565
Amounts due from holding companies	28	**21,047**	186,497
Amounts due from fellow subsidiaries	28	**26,262**	25,392
Tax recoverable		**4,896**	3,910
Financial assets at fair value through profit or loss	26	**537,724**	1,640,050
Pledged time deposits	27	**59,761**	57,984
Cash and bank balances	27	**3,937,193**	3,680,731
		7,484,401	8,707,582
Assets of a disposal group classified as held for sale	29	**105,254**	–
Total current assets		**7,589,655**	8,707,582
Total assets		**19,975,771**	21,216,252
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	35	**9,096,434**	9,088,838
Reserves		**5,576,911**	6,316,321
		14,673,345	15,405,159
Non-controlling interests		**1,099,248**	1,093,669
Total equity		**15,772,593**	16,498,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**31 December 2016 HK$'000**	31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income	32	**1,088,118**	1,132,980
Bank and other borrowings	33	**85,467**	805,659
Deferred tax liabilities	34	**424,492**	417,296
Total non-current liabilities		**1,598,077**	2,355,935
Current liabilities			
Trade payables	30	**379,939**	349,785
Other payables and accruals	31	**1,961,790**	1,778,338
Amounts due to holding companies	28	**3,969**	8,215
Amounts due to fellow subsidiaries	28	**7,979**	9,438
Tax payable		**178,889**	193,045
Bank and other borrowings	33	**13,061**	22,668
		2,545,627	2,361,489
Liabilities of a disposal group classified as held for sale	29	**59,474**	–
Total current liabilities		**2,605,101**	2,361,489
Total liabilities		**4,203,178**	4,717,424
Total equity and liabilities		**19,975,771**	21,216,252

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Zhang Fengchun

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Zhang Xing

The notes on pages 66 to 154 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 154 were approved by the Board of Directors on 29 March 2017 and were signed on its behalf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity owners of the Company											
	Share capital HK$'000 (note 35)	Treasury shares HK$'000	Share option reserve HK$'000	Building revaluation reserve HK$'000	Hedging reserve HK$'000	Capital reserve HK$'000	Enterprise expansion/ reserve funds[1] HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	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
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	352,053	352,053	156,195	508,248
Other comprehensive income for the year:												
Item that will not be reclassified subsequently to profit or loss:												
Gain on property revaluation, net of tax	-	-	-	80,030	-	-	-	-	-	80,030	-	80,030
Items that may be reclassified subsequently to profit or loss:												
Share of hedging reserve of an associate, net of tax	-	-	-	-	20,932	-	-	-	-	20,932	-	20,932
Release of exchange difference upon disposal of subsidiaries	-	-	-	-	-	-	-	(4,463)	-	(4,463)	-	(4,463)
Exchange differences on translation of foreign operations, net	-	-	-	-	-	-	-	(558,540)	-	(558,540)	(50,291)	(608,831)
Total other comprehensive income/(loss) for the year, net of tax	-	-	-	80,030	20,932	-	-	(563,003)	-	(462,041)	(50,291)	(512,332)
Total comprehensive income/(loss) for the year	-	-	-	80,030	20,932	-	-	(563,003)	352,053	(109,988)	105,904	(4,084)
Transactions with owners												
Transfer from retained profits	-	-	-	-	-	-	14,133	-	(14,133)	-	-	-
Repurchase of shares	-	(259,792)	-	-	-	-	-	-	-	(259,792)	-	(259,792)
Cancellation for shares repurchased	-	259,792	-	-	-	-	-	-	(260,676)	(884)	-	(884)
Equity-settled share option arrangement	-	-	8,549	-	-	-	-	-	-	8,549	-	8,549
Contribution to a subsidiary	-	-	-	-	-	(18,927)	-	(886)	-	(19,813)	19,813	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	110,914	110,914
Exercise of share options	7,596	-	(2,071)	-	-	-	-	-	-	5,525	-	5,525
Forfeiture of share options	-	-	(39)	-	-	-	-	-	-	(39)	-	(39)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(161,705)	(161,705)
Relating to disposal of subsidiaries	-	-	-	-	-	(2,256)	-	-	2,256	-	(69,347)	(69,347)
2015 final dividend paid	-	-	-	-	-	-	-	-	(246,408)	(246,408)	-	(246,408)
2016 interim dividend paid	-	-	-	-	-	-	-	-	(108,964)	(108,964)	-	(108,964)
Total transactions with owners for the year	7,596	-	6,439	-	-	(21,183)	14,133	(886)	(627,925)	(621,826)	(100,325)	(722,151)
At 31 December 2016	9,096,434	-	18,045	501,968	2,765	(558,738)	169,616	(277,652)	5,720,907	14,673,345	1,099,248	15,772,593

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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$'000 (note 35)	HK$'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:												
Item that will not be reclassified subsequently to profit or loss:												
Gain on property revaluation, net of tax	–	–	–	110,975	–	–	–	–	–	110,975	–	110,975
Items that may be reclassified subsequently to profit or loss:												
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

The notes on pages 66 to 154 are an integral part of these consolidated financial statements.

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 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Profit before taxation and profit for the year from discontinued operations	**713,377**	1,771,780
Adjustments for:		
Finance costs	**12,965**	24,332
Finance income	**(120,677)**	(129,001)
Gain on disposal of subsidiaries (note 37)	**(72,394)**	(429,371)
Loss on disposal of discontinued operation (note 44)	**64,815**	–
Loss on disposal of property, plant and equipment, net	**5,435**	4,319
Loss on disposal of investment property	**–**	606
Income from financial assets at fair value through profit or loss	**(17,898)**	(75,206)
Depreciation	**414,467**	464,917
Amortisation of prepaid land lease payments	**27,635**	27,138
Amortisation of other intangible assets	**3,061**	3,259
Provision for impairment of available-for-sale investments, property, plant and equipment and properties under development	**116,645**	–
Provision for impairment of trade and other receivables, net	**3,776**	2,818
Changes in fair value of investment properties	**(55,555)**	(73,353)
Share of profits of associates	**(139,991)**	(361,349)
Share of profits of joint ventures	**(4,904)**	(5,144)
Equity-settled share option expense	**8,549**	–
	959,306	1,225,745
Decrease/(increase) in inventories	**540**	(4,670)
Increase in property under development	**(210,097)**	(298,795)
Decrease/(increase) in trade receivables, deposits, prepayments and other receivables	**15,037**	(14,782)
Decrease/(increase) in amounts due from associates	**8,787**	(14,828)
(Increase)/decrease in amounts due from joint ventures	**(948)**	4,453
(Increase)/decrease in amounts due from holding companies	**(5,009)**	220,761
(Increase)/decrease in amounts due from fellow subsidiaries	**(870)**	6,987
Increase in trade payables, other payables and accruals	**264,464**	230,627
Increase/(decrease) in amounts due to associates	**79,910**	(262)
Decrease in amounts due to joint ventures	**(1,799)**	(1,387)
Decrease in amounts due to fellow subsidiaries	**(1,482)**	(16,977)
Increase in deferred income, net of sales tax	**27,315**	156,133
Cash generated from operations	**1,135,154**	1,493,005
Hong Kong, PRC and Macau profits taxes paid	**(204,533)**	(291,084)
Overseas taxes paid	**(3,725)**	(142)
Net cash flows generated from operating activities	**926,896**	1,201,779

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from investing activities		
Finance income received	**159,385**	129,001
Dividends received from associates and joint ventures	**97,855**	51,693
Purchases of property, plant and equipment	**(922,420)**	(477,201)
Proceeds from disposal of property, plant and equipment	**7,721**	6,581
Investment in a joint venture	**–**	(8,651)
Investment in an associate	**–**	(400)
Disposal of subsidiaries, net of cash (note 37)	**394,645**	640,243
Decrease in amount due from a non-controlling shareholder	**70,156**	–
Decrease in amount due from a related party	**86,526**	–
(Increase)/decrease in entrustment loan receivables	**(5,846)**	435,674
Proceeds upon disposal of financial assets at fair value through profit or loss	**6,477,654**	5,975,473
Additions to financial assets at fair value through profit or loss	**(5,454,617)**	(6,232,466)
Increase in pledged time deposits	**(4,715)**	(23,564)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	**927,958**	(1,088,008)
Net cash flows generated from/(used in) investing activities	**1,834,302**	(591,625)
Cash flows from financing activities		
Finance cost paid	**(12,965)**	(24,332)
Dividends paid	**(355,372)**	(672,467)
Exercise of share option	**5,525**	88,692
Dividends paid to non-controlling shareholders	**(137,091)**	(124,111)
Contribution from non-controlling shareholders	**90,579**	–
New bank loans	**2,220,408**	1,540,000
Repayment of bank loans	**(2,929,420)**	(1,578,455)
Repurchase of shares	**(260,676)**	(314,323)
Net cash flows used in financing activities	**(1,379,012)**	(1,084,996)
Net increase/(decrease) in cash and cash equivalents	**1,382,186**	(474,842)
Cash and cash equivalents at beginning of year	**1,717,421**	2,441,315
Effect of foreign exchange rate changes, net	**(151,541)**	(249,052)
Cash and cash equivalents at end of year	**2,948,066**	1,717,421
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**3,937,193**	3,680,731
Cash included in assets held for sales	**7,168**	–
Deposits of non-cash and cash equivalents	**(996,295)**	(1,963,310)
Cash and cash equivalents	**2,948,066**	1,717,421

The notes on pages 66 to 154 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

– Tourist attraction operations
– Travel agency, travel document and related operations
– Hotel operations
– Passenger transportation operations
– Golf club operations
– Arts performance operations

The Company is a limited liability company incorporated in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.

In the opinion of the directors, immediate holding company of the Company is China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), which is incorporated in Hong Kong, and the parent company is China National Travel Service Group Corporation (formerly known as China National Travel Service (HK) Group Corporation), a PRC state-owned enterprise.

2 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") and requirements of the Hong Kong Companies ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 3 to the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

(1) Effective for financial periods beginning on or after 1 January 2017
(2) Effective for financial periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
(3) Effective for financial periods beginning on or after 1 January 2018
(4) Effective for financial periods beginning on or after 1 January 2019

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKFRS 15, "Revenue from Contracts with Customers"

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

HKFRS 16, "Leases"

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

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 HKFRSs.

Acquisition-related costs are expenses as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

If the business combination is achieved in stages, the acquisition date 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.

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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

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 consolidated 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.

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 consolidated 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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

2.7 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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	2.25% to 19%
Others:	
Leasehold improvements	4.5% to 20%
Furniture, fixtures and equipment	6% to 33.3%
Motor vehicles	5% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment 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 are 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 income statement. If the fair value is less than carrying value, the loss is recognised immediately in the income statement. Any increase in future is recognised in the income statement 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 bank balances" in the consolidated statement of financial position.

(c) Available-for-sale investments

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 investments 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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.

(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 security 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 payables, other payables and accruals, amount due to holding companies and fellow subsidiaries, and bank and other borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial liabilities (Continued)

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. 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 consolidated 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedge accounting (Continued)

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'.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2.24 to the consolidated financial statements.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on 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.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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 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 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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax (Continued)

(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.

2.24 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.

2.25 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(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.

2.26 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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Share-based payments (Continued)

(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.

2.27 Other employee benefits

Paid leave carried forward

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

Retirement benefit schemes

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Other employee benefits (Continued)

Retirement benefit schemes (Continued)

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.

2.28 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 the consolidated income statement 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.31 Assets held for sale and discontinued operations

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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.

2.32 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 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.

(i) Impairment of property, plant and equipment and other assets

At each end of reporting period 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 sell of the assets; 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.

Management judgement is also required in the area of property under development impairment. Net realisable value is estimated with reference to latest market value and current market conditions for the inventories identified. The estimation requires use of judgement.

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. As at report date, Golf Club is still operating and the Group is still under negotiation with the Shenzhen Government as to whether to exit, and, if the demanded exit is unavoidable, the compensation of the exit.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Critical accounting estimates and assumptions (Continued)

(i) Impairment of property, plant and equipment and other assets (Continued)

With the aforesaid uncertainties, the Group engaged external lawyer to assess if the notice is legally enforceable and, if enforceable, the extent of any compensation payable for the assets and incidental costs that the Group could be claimable respectively. The Group also engaged an external valuer adopting a cost approach to assess the compensation value, to be claimed from the government, if an exit was required.

The Group performed impairment assessments by adopting the value in use model which calculated the recoverable amount based on the lowest cash generating unit to which the asset belongs and the recoverable amount being the higher of the value in use and fair value less costs of disposal.

Based on the current circumstances, the external legal opinion, the external valuation report and the impairment assessment performed by the management, the directors are of the opinion that there was no impairment of the assets of this subsidiary as of 31 December 2016.

(ii) 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 44.

(iii) 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.

(iv) 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 34 to the consolidated financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Critical accounting estimates and assumptions (Continued)

(v) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(vi) 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.

(vii) 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.

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, hotspring resorts, other resorts and tourism property development located in the Mainland China;

4 OPERATING SEGMENT INFORMATION (Continued)

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

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

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

(e) the golf club operations segment engages in the provision of comprehensive facilities to individuals or corporate members of the Group's golf club in Shenzhen, Mainland China; and

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

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

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

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

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

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

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Continuing operations									Discontinued operations	
	Tourist attraction operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated HK$'000
Segment revenue:											
Sales to external customers	1,679,425	1,198,273	753,456	274,457	99,853	60,535	4,065,999	-	4,065,999	-	4,065,999
Intersegment revenue	10,770	4,974	4,085	1,670	15	-	21,514	15,800	37,314	-	37,314
	1,690,195	1,203,247	757,541	276,127	99,868	60,535	4,087,513	15,800	4,103,313	-	4,103,313
Elimination of intersegment revenue							(21,514)	(15,800)	(37,314)	-	(37,314)
Revenue							4,065,999	-	4,065,999	-	4,065,999
Segment results	123,482	137,490	110,045	149,546	(9,872)	1,885	512,576	(99,238)	413,338	-	413,338
Non-controlling interests									156,195	-	156,195
Profit for the year before material non-recurring incomes or expenses									569,533	-	569,533
Changes in fair value of investment properties, net of tax									48,099	-	48,099
Net gain/(loss) on disposal of subsidiaries, net of tax									65,270	(64,815)	455
Impairment of available-for-sale investments, property, plant and equipment, property under development									(116,645)	-	(116,645)
Loss on disposal of property, plant and equipment, net									(5,435)	-	(5,435)
Other income and gains									20,790	-	20,790
Share option expense									(8,549)	-	(8,549)
Profit for the year									573,063	(64,815)	508,248

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016 (Continued)

	Continuing operations									Discontinued operations	
	Tourist attraction operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated HK$'000
Segment assets	8,223,026	2,899,429	4,141,374	209,002	602,209	113,010	16,188,050	2,715,751	18,903,801	-	18,903,801
Interests in associates	502,273	-	-	517,936	-	-	1,020,209	-	1,020,209	-	1,020,209
Interests in joint ventures	-	-	-	36,712	-	15,049	51,761	-	51,761	-	51,761
Intersegment receivables	1,185	763,710	405,870	5,245	-	-	1,176,010	17,230,368	18,406,378	-	18,406,378
	8,726,484	3,663,139	4,547,244	768,895	602,209	128,059	18,436,030	19,946,119	38,382,149	-	38,382,149
Elimination of intersegment receivables									(18,406,378)		(18,406,378)
Total assets									19,975,771		19,975,771
Segment liabilities	2,180,167	461,074	589,130	89,828	578,653	25,965	3,924,817	278,361	4,203,178	-	4,203,178
Intersegment payables	2,996,431	184,360	2,477,789	441,279	160,213	53,735	6,313,807	12,092,571	18,406,378	-	18,406,378
	5,176,598	645,434	3,066,919	531,107	738,866	79,700	10,238,624	12,370,932	22,609,556	-	22,609,556
Elimination of intersegment payables									(18,406,378)		(18,406,378)
Total liabilities									4,203,178		4,203,178
Other segment information:											
Share of profits less losses of											
Associates	35,678	-	-	104,313	-	-	139,991	-	139,991	-	139,991
Joint ventures	-	-	-	6,193	-	(1,289)	4,904	-	4,904	-	4,904
Capital expenditure (Note a)	553,390	13,996	57,720	65,708	2,739	2,541	696,094	631	696,725	-	696,725
Depreciation and amortisation	211,292	26,206	131,678	23,520	48,307	2,274	443,277	1,886	445,163	-	445,163
Provision for impairment/(write back of provision for impairment) recognised in the income statement, net (Note b)	115,606	4	(667)	-	1,262	4,216	120,421	-	120,421	-	120,421

Notes:

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

(b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, available-for-sale investments, property, plant and equipment and properties under development.

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Continuing operations									Discontinued operations	
	Tourist attraction operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated 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
Non-controlling interests									179,395	–	179,395
Profit for the year before material non-recurring incomes or expenses									804,558	233,546	1,038,104
Changes in fair value of investment properties, net of tax									66,599	–	66,599
Net (loss)/gain on disposal of subsidiaries, net of tax									(66)	429,371	429,305
Loss on disposal of investment property									(606)	–	(606)
Loss on disposal of property, plant and equipment, net									(4,319)	–	(4,319)
Other income and gains									3,062	–	3,062
Profit for the year									869,228	662,917	1,532,145

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015 (Continued)

	Continuing operations									Discontinued operations	
	Tourist attraction operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated 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[Note a]	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/(write back of provision for impairment) recognised in the income statement, net[Note b]	1,865	(31)	984	–	–	–	2,818	–	2,818	–	2,818

Notes:

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

(b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables.

4 OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

The information about the Group's non-current assets is based on the physical location of assets which exclude available-for-sale investments, receivables (note 25) and deferred tax assets.

Information about major customers

There was no revenue from any sales to any single external customer that contributed over 10% of the total sales of the Group during the years ended 31 December 2016 (2015: Nil).

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:

	2016 HK$'000	2015 HK$'000
Revenue		
Tourist attraction operations	**1,679,425**	1,843,091
Travel agency, travel document and related operations	**1,198,273**	1,356,848
Hotel operations	**753,456**	759,943
Passenger transportation operations	**274,457**	295,399
Golf club operations	**99,853**	109,258
Arts performance operations	**60,535**	30,850
	4,065,999	4,395,389
Other income		
Income from financial assets at fair value through profit or loss	**17,898**	75,206
Gross rental income	**46,718**	39,382
Government grants#	**37,971**	26,128
Commission income	**1,170**	1,234
Management fee income	**2,741**	2,733
Others	**39,050**	21,778
	145,548	166,461
Other (losses)/gains, net		
Foreign exchange differences, net	**(72,453)**	(27,823)
Gain/(loss) on disposal of subsidiaries, net	**72,394**	(66)
Loss on disposal of property, plant and equipment, net	**(5,435)**	(4,319)
Loss on disposal of investment property	**–**	(606)
Gain on land contribution to an associate (note 19 (b))	**–**	128,713
	(5,494)	95,899
	140,054	262,360

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

6 FINANCE INCOME, NET

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

7 OPERATING PROFIT

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

	2016 HK$'000	2015 HK$'000
Depreciation	**414,467**	464,917
Amortisation of prepaid land lease payments	**27,635**	27,138
Amortisation of other intangible assets	**3,061**	3,259
Auditors' remuneration		
– Audit services	**8,558**	9,395
– Non-audit services	**4,682**	2,002
Employee benefit expenses (including directors' remuneration (note 8)):		
Wages and salaries	**1,108,111**	1,140,860
Equity-settled share option expense	**8,549**	–
Less: Forfeited option expense	**(39)**	–
Equity-settled share option expense, net	**8,510**	–
Retirement benefit scheme contributions*	**77,280**	84,605
Total employee benefit expenses	**1,193,901**	1,225,465
Minimum lease payments under operating leases:		
Land and buildings	**74,882**	81,805
Plant and machinery and motor vehicles	**23,069**	17,270
Provision for impairment of trade and other receivables, net	**3,776**	2,818
Provision for impairment of available-for-sale investments	**258**	–
Provision for impairment of property, plant and equipment	**87,984**	–
Provision for impairment of properties under development	**28,403**	–
Rental income on investment properties	**(42,911)**	(34,393)
Direct operating expenses of investment properties	**1,660**	1,591

* At 31 December 2016, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2015: Nil).

8 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director is set out below:

For the year ended 31 December 2016:

	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	
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Equity-settled share option expense	Estimated money value of other benefits (note (a))	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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 (note (b))	44	-	-	-	-	-	-	-	-	44
Mr. Lo Sui On	240	-	-	-	-	-	-	-	-	240
Mr. Zhang Fengchun	257	-	-	-	-	-	-	-	-	257
Mr. Xu Muhan (note (c))	228	-	-	-	-	1,035	-	-	-	1,263
Mr. Fu Zhouyang (note (d))	240	-	-	-	-	-	-	-	-	240
Mr. Qu Simon Tao (note (e))	208	2,400	1,442	223	168	-	18	-	-	4,459

8 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

The remuneration of every director is set out below:

For the year ended 31 December 2015:

	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	
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Equity-settled share option expense	Estimated money value of other benefits (note (a))	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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 (note (b))	330	–	–	–	–	–	–	–	–	330
Mr. Lo Sui On	240	–	–	–	–	1,910	–	–	–	2,150
Mr. Zhang Fengchun (note (d))	240	–	–	–	–	1,681	–	–	–	1,921
Mr. Xu Muhan (note (c))	240	–	–	–	–	–	–	–	–	240
Mr. Fu Zhouyang (note (d))	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 36 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:

(a) Other benefits include gain in exercise of share options

(b) Resigned on 19 February 2016

(c) Resigned on 23 September 2016

(d) Resigned on 24 February 2017

(e) Appointed on 19 February 2016 and resigned on 8 February 2017

8 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

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.

9 FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year include one director of the Company (2015: Nil). Details of the remuneration of the five highest paid individuals for the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, housing allowances, other allowances and benefits in kind	**12,954**	12,861
Equity-settled share option expense	**487**	–
Retirement benefit scheme contributions	**226**	373
	13,667	13,234

The emoluments fell within the following bands:

	Number of employees	
	2016	2015
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**2**	2
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**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 36 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above disclosures.

10 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

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:

	2016 HK$'000	2015 HK$'000
Profit before taxation	**778,192**	1,108,863
Share of gains of associates and joint ventures	**(144,895)**	(132,947)
	633,297	975,916
Tax at the applicable tax rate	**139,221**	219,567
Lower tax rates for specific provinces or enacted by local authority	**(7,596)**	(14,705)
Adjustments in respect of current tax of previous periods	**2,581**	237
Income not subject to tax	**(51,390)**	(74,097)
Expenses not deductible for tax purposes	**88,302**	59,199
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries, associates and joint ventures	**10,798**	33,511
Tax losses utilised from previous periods	**(2,157)**	(5,369)
Tax losses not recognised	**25,291**	21,055
Under-provision in prior years, net	**79**	237
Tax charge at the Group's effective rate	**205,129**	239,635

The share of tax attributable to associates and joint ventures amounting to HK$29,725,000 (2015: HK$70,190,000) and HK$793,000 (2015: HK$1,000,000) respectively, is included in "Share of profits less losses of associates and joint ventures" in the consolidated income statement.

11 DIVIDENDS

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

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

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:

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

Diluted earnings per share

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

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

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 2016						
At 31 December 2015 and at 1 January 2016:						
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
At 1 January 2016	3,364,681	1,930,977	634,343	1,063,319	926,472	7,919,792
Additions	6,073	5,731	1,631	402,746	159,144	575,325
Disposal of subsidiaries	(24,628)	(79,778)	–	(29,797)	(23,550)	(157,753)
Disposals and write-off	–	–	(1,743)	–	(11,413)	(13,156)
Transfer to assets of a disposal group classified as held of sale (note 29)	(49,825)	–	–	–	(8,946)	(58,771)
Depreciation	(102,970)	(86,879)	(57,426)	–	(167,192)	(414,467)
Transfers to investment properties	(13,571)	(4,574)	–	–	–	(18,145)
Transfers within property, plant and equipment	–	2,324	39,216	(108,144)	66,604	–
Impairment	–	(86,486)	–	(1,498)	–	(87,984)
Currency translation differences	(40,894)	(98,060)	(39,425)	(87,783)	(26,816)	(292,978)
At 31 December 2016	3,138,866	1,583,255	576,596	1,238,843	914,303	7,451,863
At 31 December 2016:						
Cost	5,374,910	2,735,430	1,559,764	1,240,275	2,590,519	13,500,898
Accumulated depreciation and impairment	(2,236,044)	(1,152,175)	(983,168)	(1,432)	(1,676,216)	(6,049,035)
	3,138,866	1,583,255	576,596	1,238,843	914,303	7,451,863

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 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)	–
Currency translation differences	(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

At 31 December 2016, included in the Group's land and buildings amounting to HK$348,117,000 (2015: HK$193,971,000) 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 2016, certain of the Group's buildings with net carrying amounts of HK$1,916,000 (2015: HK$1,862,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

At 31 December 2016, accumulated impairment losses amounted to HK$420,806,000 (2015: HK$336,684,000).

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year end 31 December 2016, due to continued underperformance of Zhuhai Ocean Spring Resort ("Zhuhai CGU") and Xianyang Ocean Spring Resort ("Xianyang CGU"), the management conducted impairment assessments of Zhuhai CGU and Xianyang CGU.

As at 31 December 2016, the major assets of Zhuhai CGU are land and properties with carrying values amounting to HK$1,210,416,000 which belongs to tourist attraction operations segment. The recoverable amounts of relevant assets have been determined based on fair value less costs of disposal, which are higher than the carrying values.

As at 31 December 2016, the major assets of Xianyang CGU are land and properties with carrying value amounting to RMB344,966,000 (approximately to HK$385,648,000) which belongs to tourist attraction operations segment. The impairment assessment led to a recoverable amount of RMB271,000,000 (approximately to HK$302,959,000) and the recognition of an impairment loss of property, plant and equipment amounting to RMB73,966,000 (approximately to HK$86,486,000), which has been recognised in the income statement for the year ended 31 December 2016. The recoverable amounts of relevant assets have been determined based on fair value less costs of disposal, which is higher than value in use.

For the value in use approach, the management used a discounted future cash flow projection based on financial budgets and past performance. The discount rate applied to the projection is 11%. The discount rate used is one of key assumptions based on management's best estimation of the investment returns that market participants would require for the relevant assets. Other key assumptions for the projection is revenue growth rate and volume which reflect management's judgments and expectation regarding the past performance of the relevant asset.

For the fair value less costs of disposal approach, management appointed RHL Appraisal Ltd., an independent professionally qualified valuer to ascertain the fair value of land and properties and the independent valuer adopted the direct comparison approach which included key assumptions of comparative market transactions in the valuation. The above estimates of fair value required to use significant unobservable inputs representative of a level 3 fair value measurement, including historical contracted and asking sales prices for similar assets.

14 INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At fair value		
At 1 January	**1,439,590**	1,285,274
Changes in fair value recognised in income statement	**55,555**	73,353
Gain on property valuation recognised in other comprehensive income	**95,777**	110,975
Transfer from property, plant and equipment and prepaid land lease payments	**20,140**	12,749
Disposal	**–**	(1,940)
Currency translation differences	**(43,370)**	(40,821)
At 31 December	**1,567,692**	1,439,590

The following table analyses the investment properties of the Group carried at fair value, using a valuation technique with significant unobservable inputs (level 3).

	2016 HK$'000	2015 HK$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**835,400**	778,300
Outside Hong Kong:		
– Commercial properties	**732,292**	661,290
	1,567,692	1,439,590

The Group measures their investment properties at fair value. The investment properties were revalued on 31 December 2016 by RHL Appraisal Ltd., an independent professionally qualified valuer, at HK$1,567,692,000 (2015: HK$1,439,590,000). 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.

14 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value

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.

At 31 December 2016 and 31 December 2015, the range of premium/(discount) used in the direct comparison approach is as follows:

	2016 **Range of premium/(discount)**
Hong Kong	**-15% to 20%**
Outside Hong Kong	**-25% to 10%**

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

15 PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
At 1 January	**456,307**	488,854
Transfer to assets of a disposal group classified as held for sale (note 29)	**(30,372)**	–
Disposal of subsidiaries (note 37 (a) and note 37 (b))	**(38,208)**	–
Addition	**121,400**	28,836
Disposal	**–**	(11,853)
Amortisation	**(27,635)**	(27,138)
Transfer to investment property	**(1,995)**	(306)
Currency translation differences	**(27,441)**	(22,086)
At 31 December	**452,056**	456,307
Current portion included in deposits, prepayments and other receivables	**(25,516)**	(27,138)
Non-current portion	**426,540**	429,169

16 GOODWILL

	2016 HK$'000	2015 HK$'000
At 1 January		
Cost	**1,636,284**	1,636,284
Accumulated impairment	**(306,133)**	(306,133)
Net book amount	**1,330,151**	1,330,151
At 31 December		
Cost	**1,636,284**	1,636,284
Accumulated impairment	**(306,133)**	(306,133)
Disposal of a subsidiary (note 37 (a))	**(9,560)**	–
Net book amount	**1,320,591**	1,330,151

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 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% (2015: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

16 GOODWILL (Continued)

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% (2015: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

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

	Travel agency and related operations		Tourist attraction operations		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Carrying amount of goodwill	**1,244,769**	1,244,769	**75,822**	85,382	**1,320,591**	1,330,151

Key assumptions were used in the value-in-use calculation of the travel agency and related operations and tourist attraction operations cash-generating units for the years ended 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

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

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

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

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 2016	**105,697**	**34,291**	**34,105**	**174,093**
Amortisation	**(3,061)**	**–**	**–**	**(3,061)**
Currency translation differences	**(7,956)**	**–**	**–**	**(7,956)**
At 31 December 2016	**94,680**	**34,291**	**34,105**	**163,076**
At 31 December 2016:				
Cost	**117,033**	**34,291**	**34,105**	**185,429**
Accumulated amortisation	**(22,353)**	**–**	**–**	**(22,353)**
	94,680	**34,291**	**34,105**	**163,076**
At 1 January 2015	116,705	34,291	34,105	185,101
Amortisation	(3,259)	–	–	(3,259)
Currency translation differences	(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

Amortisation of HK$3,061,000 for the year ended 31 December 2016 (2015: HK$3,259,000) 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$1,099,248,000, of which HK$293,742,000 is for Shenzhen The World Miniature Co., Ltd. ("Window of the World"), HK$286,385,000 is attributed to CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou") and HK$256,503,000 is attributed to CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("CTS Dengfeng"). The non-controlling interests in respect of other subsidiaries are not material.

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.

18 SUBSIDIARIES (Continued)

Summarised statement of financial position

	Window of the World		Shapotou		CTS (Dengfeng)	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Non current assets	**327,735**	343,649	**332,213**	277,379	**309,264**	84,945
Current assets	**415,309**	431,004	**394,521**	307,531	**251,220**	383,057
Non current liabilities	**–**	–	**(86,911)**	(4,235)	**–**	–
Current liabilities	**(138,705)**	(124,312)	**(122,577)**	(40,763)	**(115,593)**	(221,236)
Net assets	**604,339**	650,341	**517,246**	539,912	**444,891**	246,766

Summarised income statement

	Window of the World		Shapotou		CTS (Dengfeng)	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Revenue	**548,536**	605,800	**234,386**	290,761	**282,543**	287,082
Profit after taxation and total comprehensive income	**205,939**	224,536	**43,444**	74,134	**39,972**	39,121
Total comprehensive income attributable to non-controlling interests	**100,910**	110,023	**21,288**	36,326	**19,586**	19,169
Dividends paid to non-controlling interests	**(103,348)**	(97,089)	**(15,355)**	–	**(24,614)**	–

Summarised cash flows

	Window of the World		Shapotou		CTS (Dengfeng)	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Net cash flows generated from operating activities	**263,697**	265,902	**79,501**	98,071	**33,019**	62,920
Net cash flows generated from/(used in) investing activities	**21,658**	(213,664)	**(61,663)**	(95,765)	**(98,809)**	642
Net cash flows (used in)/generated from financing activities	**(210,914)**	(198,142)	**90,690**	92,682	**89,973**	(9,559)
Net increase/(decrease) in cash and cash equivalents	**74,441**	(145,904)	**108,528**	94,988	**24,183**	54,003
Cash and cash equivalents at end of year	**111,572**	43,136	**370,898**	285,224	**178,751**	166,167

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

19 INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**1,023,835**	1,002,505
Provision for impairment	**(3,626)**	(3,626)
	1,020,209	998,879

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**
			2016	2015	
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 ("Shun Tak – China Travel")	10,000 Ordinary shares of US$1 each	British Virgin Islands ("BVI")/ Hong Kong	**29**	29	Shipping operations
CDD International Holding Ltd	1,000,000 Ordinary shares HK$1,000,000	Hong Kong	**40**	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**	49	Property development

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

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) 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 amounting 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.

	Shun Tak – China Travel		Other associates in aggregate		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Non current assets	**788,202**	815,302	**561,901**	1,404,045	**1,350,103**	2,219,347
Current assets	**1,479,519**	1,415,508	**1,156,418**	152,032	**2,635,937**	1,567,540
Non current liabilities	**(29,192)**	(27,283)	**(9,243)**	(18,062)	**(38,435)**	(45,345)
Current liabilities	**(450,978)**	(548,280)	**(287,567)**	(110,602)	**(738,545)**	(658,882)
Net assets	**1,787,551**	1,655,247	**1,421,509**	1,427,413	**3,209,060**	3,082,660
Revenue	**2,548,138**	2,640,860	**927,115**	2,332,966	**3,475,253**	4,973,826
Profit after taxation	**360,125**	334,151	**163,821**	591,101	**523,946**	925,252
Other comprehensive income/(loss)	**72,179**	34,120	**(293)**	–	**71,886**	34,120
Total comprehensive income	**432,304**	368,271	**163,528**	591,101	**595,832**	959,372
Dividends received from associates	**(87,000)**	(33,640)	**(48,676)**	(13,053)	**(135,676)**	(46,693)

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.

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

	Shun Tak – China Travel		Other associates in aggregate		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Net assets						
At 1 January	**1,655,247**	1,402,976	**1,427,413**	1,559,294	**3,082,660**	2,962,270
Profit for the year	**360,125**	334,151	**163,821**	591,101	**523,946**	925,252
Other comprehensive income/(loss)	**72,179**	34,120	**(293)**	–	**71,886**	34,120
Addition	**–**	–	**–**	730,616	**–**	730,616
Currency translation differences	**–**	–	**58,863**	45,364	**58,863**	45,364
Disposal	**–**	–	**–**	(1,498,962)	**–**	(1,498,962)
Dividend	**(300,000)**	(116,000)	**(228,295)**	–	**(528,295)**	(116,000)
At 31 December	**1,787,551**	1,655,247	**1,421,509**	1,427,413	**3,209,060**	3,082,660
Share of net assets	**518,390**	480,022	**505,445**	522,483	**1,023,835**	1,002,505

20 INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	**51,761**	47,977

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

	2016 HK$'000	2015 HK$'000
Non-current assets	**21,971**	17,756
Current assets	**50,595**	46,349
Current liabilities	**(20,805)**	(16,128)
Net assets	**51,761**	47,977
Revenue	**78,147**	52,923
Expenses	**(72,450)**	(46,779)
Taxation	**(793)**	(1,000)
Profit after taxation and total comprehensive income	**4,904**	5,144
Dividends received from joint ventures	**–**	(5,000)

20 INTERESTS IN JOINT VENTURES (Continued)

(a) (Continued)

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 2016	2015	Principal activities
Macau 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.

All the investments are denominated in Renminbi ("RMB").

22 INVENTORIES

	2016 HK$'000	2015 HK$'000
Food and beverages	**11,353**	14,612
Spare parts and consumables	**987**	1,358
General merchandise	**21,730**	20,042
	34,070	36,012

23 PROPERTIES UNDER DEVELOPMENT

	2016 HK$'000	2015 HK$'000
As at 1 January	**2,026,394**	106,450
Additions and transfer from property, plant and equipment	**212,474**	2,008,722
Impairment	**(28,403)**	–
Currency translation differences	**(138,868)**	(88,778)
As at 31 December	**2,071,597**	2,026,394

	2016 HK$'000	2015 HK$'000
Properties under development comprise:		
Land use rights	**1,155,808**	1,190,847
Construction cost and capitalised expenditures	**915,789**	835,547
	2,071,597	2,026,394
Amounts are expected to be completed:		
Within the normal operating cycle included under current assets	**2,071,597**	2,026,394

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

24 TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**198,100**	185,329
Less: provision for impairment	**(15,683)**	(12,282)
	182,417	173,047

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

24 TRADE RECEIVABLES (Continued)

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

	2016 HK$'000	2015 HK$'000
Within 3 months	**167,789**	157,070
3 to 6 months	**7,602**	7,382
6 to 12 months	**5,293**	2,903
1 to 2 years	**809**	5,692
Over 2 years	**924**	–
	182,417	173,047

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

	2016 HK$'000	2015 HK$'000
At 1 January	**12,282**	15,134
Provision for impairment, net	**5,921**	1,582
Impairment losses reversed	**(2,145)**	–
Currency translation differences	**(375)**	(4,434)
At 31 December	**15,683**	12,282

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 2016, trade receivables of HK$14,628,000 (2015: HK$15,977,000) 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:

	2016 HK$'000	2015 HK$'000
Over 3 months up to 6 months	**7,602**	7,382
Over 6 months and up to 12 months	**5,293**	2,903
Over 1 year and to 2 years	**809**	5,692
Over 2 years	**924**	–
	14,628	15,977

24 TRADE RECEIVABLES (Continued)

As at 31 December 2016, trade receivables of HK$15,683,000 (2015: HK$12,282,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	2016 **HK$'000**	2015 HK$'000
Over 3 months and up to 6 months	**–**	29
Over 6 months and up to 12 months	**–**	182
Over 1 year and up to 2 years	**5,107**	705
Over 2 years	**10,576**	11,366
	15,683	12,282

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	**2016** **HK$'000**	2015 HK$'000
Deposits, prepayments and other receivables		**598,884**	516,945
Entrustment loan receivables			
– non-controlling shareholders	(a)	**251,534**	262,599
Amounts due from non-controlling shareholders	(b)	**43,201**	152,471
Amounts due from associates	(c)	**22,289**	31,076
Amount due from a joint venture	(c)	**1,080**	132
		916,988	963,223
Less: non-current portion prepayments	(d)	**(302,635)**	(85,658)
non-current portion receivables		**(4,919)**	–
		609,434	877,565

None of the above assets is past due. Management has monitored above balances including amounts due from non-controlling shareholders (note (b)) 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.

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The Group entered into entrustment loan arrangements with the non-controlling shareholders of Shenzhen Splendid China Development Co., Ltd ("Splendid China") and Window of the World, which are the Company's 51% owned subsidiaries, with RMB75 million and RMB150 million withdrawn, respectively, as at 31 December 2016. 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 balances include the amount due from a non-controlling shareholder of CTS (Dengfeng), a 51% owned subsidiary of the Company, approximately RMB35 million (2015: RMB95 million), which is unsecured and the principal bears interest at 5.52% per annum.

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

(d) The balances include prepaid land transaction fee of CTS (Dengfeng), approximately RMB199 million (2015: Nil), the certificate of land is yet to be obtained.

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:

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**537,724**	1,640,050

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)

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

The following table presents the Group's and the Company's financial assets that are measured at fair value at 31 December 2016.

	2016			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**–**	**537,724**	**–**	**537,724**

	2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	1,640,050	–	1,640,050

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

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

The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2016: 2.95%-3.35%; 2015: 3.25%-5.4%). The fair values are within level 2 of the fair value hierarchy.

27 CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**1,181,185**	1,346,449
Time deposits	**2,815,769**	2,392,266
	3,996,954	3,738,715
Less: Pledged time deposits:		
– Pledged for credit facilities and bank guarantees	**(59,761)**	(57,984)
	3,937,193	3,680,731

	2016 HK$'000	2015 HK$'000
Maximum exposure to credit risks	**3,986,182**	3,727,457

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

27 CASH AND BANK BALANCES (Continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$3,107,278,000 (2015: HK$1,695,359,000). The RMB is not freely convertible into other currencies. However, under "Mainland China's Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Provisions", the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

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

28 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES

The balances with holding companies 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 holding companies 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 holding companies and fellow subsidiaries is as follows:

	2016 **HK$'000**	2015 HK$'000
Amounts due from holding companies		
Within 1 year	**18,948**	184,448
1 to 2 years	**2,099**	2,049
	21,047	186,497
Amounts due from fellow subsidiaries		
Within 1 year	**26,209**	25,333
1 to 2 years	**–**	56
Over 2 years	**53**	3
	26,262	25,392

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.

	2016 **HK$'000**	2015 HK$'000
Amounts due to holding companies		
Within 1 year	**3,969**	8,215
Amounts due to fellow subsidiaries		
Within 1 year	**7,979**	9,438

29 ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In 2016, a wholly-owned subsidiary of the Company, Wisepak Enterprises Limited, entered into an agreement with a third party to dispose of the entire 60% interest of its indirect non-wholly owned subsidiary, Yangzhou Grand Metropole Hotel ("Yangzhou Hotel"), at a consideration of RMB52.65 million. The assets and liabilities related to the 60% equity interest in Yangzhou Hotel have been presented as held for sale. The Yangzhou Hotel operates hotel in Mainland China. The transaction was completed in February 2017. The estimated gain on disposal is HK$28 million.

(a) Assets of a disposal group classified as held for sale

	Notes	2016 HK$'000
Property, plant and equipment	13	**58,771**
Prepaid land lease payment	15	**30,372**
Deferred tax asset	34	**372**
Inventories		**1,200**
Trade receivables		**2,011**
Prepayments, deposits and other receivables		**5,360**
Cash and bank balances		**7,168**
		105,254

(b) Liabilities of a disposal group classified as held for sale

		2016 HK$'000
Trade payables		**1,401**
Tax payables		**10**
Other payables and accruals		**54,328**
Deferred tax liabilities	34	**3,735**
		59,474

(c) Cumulative income or expense recognised directly in equity relating to a disposal group classified as held for sale

	2016 HK$'000
Exchange fluctuation reserve	**11,567**

30 TRADE PAYABLES

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

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

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

31 OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Construction in progress payables	**480,944**	576,719
Accrued employee benefits	**325,386**	332,139
Receipts in advance	**399,005**	229,021
Amounts due to the non-controlling shareholders	**4,929**	4,394
Amounts due to an associate and a joint venture	**85,950**	–
Contingent consideration on subsidiary disposal	**72,017**	–
Other payable and accruals	**593,559**	636,065
	1,961,790	1,778,338

Contingent consideration loss payable related to disposal of the Group's interest in Chadwick and it is derivative financial instruments (note 43), which is classified as financial liabilities at fair value through profit or loss. The notional amount approximate their fair values and measured under level 2. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3. Change in fair value of net financial liabilities at fair value through profit or loss is recorded in discontinued operations (note 44) in the consolidated income statement.

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

Amounts due to an associate and a joint venture are unsecured, interest free and repayable on demand.

32 DEFERRED INCOME

Deferred income primarily represents deferred revenue and government grant income.

33 BANK AND OTHER BORROWINGS

	2016			2015			
	Contractual interest rate per annum (%)	Maturity	HK$'000	Notes	Contractual interest rate per annum (%)	Maturity	HK$'000
Current							
Bank loans – unsecured	3-Year PBOC Benchmark loan interest rate	2017	11,179		–	–	–
Bank loans – unsecured	1.975	2017	482		1.975	2016	466
Bank loans – unsecured	1.5	2017	282		–	–	–
Other borrowings – unsecured	–	–	–	(i)	1-Year PBOC Benchmark loan interest rate	On demand	21,008
Other loans – unsecured	Interest free	on demand	1,118		Interest-free	On demand	1,194
			13,061				22,668
Non-current							
Bank loan – unsecured	3-Year PBOC Benchmark loan interest rate	2019	78,254		–	–	–
Bank loan – unsecured	1.975	2020	1,282		1.975	2020	1,702
Bank loan – unsecured	1.5	2019	1,974		–	–	–
Bank loan – unsecured	–	–	–		1.57375	2017	800,000
Other borrowings – unsecured	Interest free	2017-2024	3,957		Interest-free	2016-2024	3,957
			85,467				805,659
Total bank and other borrowings – Group			98,528				828,327

Note:

(i) The Group's other borrowings represent borrowings from the non-controlling shareholders of Yangzhou Hotel, a 60% owned subsidiary of the Group.

33 BANK AND OTHER BORROWINGS (Continued)

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

	2016 **HK$'000**	2015 HK$'000
Hong Kong dollar	**3,957**	803,957
Renminbi	**90,551**	22,202
Japanese Yen	**1,764**	2,168
Korean Won	**2,256**	–
	98,528	828,327

At 31 December 2016, the Group's borrowings were repayable as follows:

	2016 **HK$'000**	2015 HK$'000
Bank loans:		
Within 1 year	**11,943**	466
Between 1 and 2 years	**23,968**	800,465
Between 2 and 5 years	**57,542**	930
Over 5 years	**–**	307
	93,453	802,168
Other borrowings:		
Within 1 year	**3,284**	22,202
Between 2 and 5 years	**1,566**	2,166
Over 5 years	**225**	1,791
	5,075	26,159
Total bank and other borrowings	**98,528**	828,327

The carrying amounts of the Group's borrowings approximate their fair values.

34 DEFERRED TAX

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

	2016 HK$'000	2015 HK$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**47,519**	56,210
Deferred tax assets to be recovered within 12 months	**3,207**	83
	50,726	56,293

	2016 HK$'000	2015 HK$'000
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**419,013**	412,996
Deferred tax liabilities to be settled within 12 months	**5,479**	4,300
	424,492	417,296

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 2016	**109,170**	**54,812**	**242,878**	**10,436**	**417,296**
Deferred tax charged/(credited) to the income statement during the year	**1,178**	**17,339**	**(3,335)**	**–**	**15,182**
Currency translation differences	**340**	**1,486**	**(2,622)**	**–**	**(796)**
Disposal of subsidiaries	**–**	**–**	**(3,455)**	**–**	**(3,455)**
Relocated to liabilities held for sale (note 29)	**–**	**–**	**(3,735)**	**–**	**(3,735)**
At 31 December 2016	**110,688**	**73,637**	**229,731**	**10,436**	**424,492**
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
Currency translation differences	6,186	(1,800)	715	–	5,101
At 31 December 2015	109,170	54,812	242,878	10,436	417,296

34 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 2016	**(37,214)**	**(18,996)**	**(83)**	**(56,293)**
Deferred tax charged to the income statement during the year	**–**	**2,507**	**–**	**2,507**
Currency translation differences	**2,360**	**1,072**	**–**	**3,432**
Relocated to assets held for sale (note 29)	**–**	**(372)**	**–**	**(372)**
At 31 December 2016	**(34,854)**	**(15,789)**	**(83)**	**(50,726)**
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)

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:

	2016 HK$'000	2015 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(50,726)**	(56,293)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**424,492**	417,296
	373,766	361,003

The Group has tax losses arising in Hong Kong of HK$77,872,000 (2015: HK$89,584,000) 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$527,221,000 (2015: HK$433,687,000) and overseas of HK$20,523,000 (2015: HK$18,529,000) 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.

35 SHARE CAPITAL

Shares

	2016 Number of shares	**2016** HK$'000	2015 Number of shares	2015 HK$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**5,549,763,525**	**9,088,838**	5,627,987,525	8,966,896
Shares cancelled upon repurchase of own shares (note a)	**(107,112,000)**	**–**	(130,396,000)	–
Share issued upon share option scheme	**3,250,000**	**7,596**	52,172,000	121,942
At 31 December	**5,445,901,525**	**9,096,434**	5,549,763,525	9,088,838

Note a: During 2016, the Company repurchased a total of 107,112,000 of its own ordinary shares through the Stock Exchange, all of shares repurchased in 2016 were cancelled during the year ended 31 December 2016. The consideration paid (excluding transactions cost) to acquire these cancelled shares of HK$259,792,040 was deducted from equity owners' equity. The highest price and lowest price paid were HK$2.85 per share and HK$2.15 per share respectively.

36 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 and 2012 Share Option Scheme include the Company's Directors and employees of the Group. The 2012 Share Option Scheme became effective on 4 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

36 SHARE OPTION SCHEME (Continued)

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.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	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**	**26,648**	1.70	79,320
Granted during the year	**2.30**	**169,840**	–	–
Forfeited during the year	**2.30**	**(700)**	1.70	(1,040)
Exercised during the year	**1.70**	**(3,250)**	1.70	(51,632)
At 31 December	**2.23**	**192,538**	1.70	26,648

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

2016 Number of options '000	**Exercise price# HK$ per share**	**Exercise period**
7,019	**1.70**	**18 June 2012 – 17 June 2020**
7,019	**1.70**	**18 June 2013 – 17 June 2020**
9,360	**1.70**	**18 June 2014 – 17 June 2020**
50,041	**2.30**	**15 September 2018 – 14 September 2021**
50,041	**2.30**	**15 September 2019 – 14 September 2021**
51,558	**2.30**	**15 September 2020 – 14 September 2021**
5,775	**2.30**	**30 December 2018 – 29 December 2021**
5,775	**2.30**	**30 December 2019 – 29 December 2021**
5,950	**2.30**	**30 December 2020 – 29 December 2021**
192,538		

36 SHARE OPTION SCHEME (Continued)

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		

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.

The fair value of the share options granted in September 2016 and December 2016 was HK$0.53 and HK$0.46 per share option respectively and, of which the Company recognised in profit or loss a share option expense of HK$8,549,000 (2015: nil) during the year ended 31 December 2016.

The fair value of equity-settled share options granted during the year ended 31 December 2016 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:

	Granted in 2016
Weighted average dividend yield (%)	**3.34%**
Weighted average expected volatility (%)	**37.26%**
Weighted average risk-free interest rate (%)	**0.88%**
Weighted average expected life of options (year)	**5**
Weighted average share price (HK$ per share)	**2.30**

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.

37 DISPOSAL OF SUBSIDIARIES

(a) In October 2016, a wholly-owned subsidiary of the Company, CTS Scenery Resort Investment Company Limited, entered into an agreement with a third party to dispose of the entire interest of the Company's indirect wholly-owned subsidiary, Chengdu Huashuiwan Sakura Hotel Company Limited ("Sakura Hotel"), for a consideration of HK$65 million. The transaction was completed in November 2016.

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

	2016 HK$'000
Assets	
Property, plant and equipment	28,703
Prepaid land lease payments	9,461
Goodwill	9,560
Inventories	202
Trade receivables	225
Deposits, prepayments and other receivables	125
Deferred tax assets	30
Cash and bank balances	8,028
	56,334
Liabilities	
Trade payables	(448)
Other payables and accruals	(376)
Tax payables	(179)
Deferred tax liabilities	(2,815)
	(3,818)
Net assets	52,516
Cost of disposal and release of reserve	1,876
Gain on disposal of a subsidiary	10,699
Total consideration	65,091
Satisfied by cash	65,091
Net cash flows arising from the disposal	
Cash consideration received	65,091
Cash and cash equivalents disposed of	(8,028)
Direct cost of disposal	(276)
	56,787

37 DISPOSAL OF SUBSIDIARIES (Continued)

(b) In August 2016, the Company entered into an agreement with the original non-controlling shareholder of its non-wholly owned subsidiary, CTS (Xinyang) Jigongshan Culture Tourism Co.,Ltd. ("CTS (Xinyang)") to dispose of its entire interest of CTS (Xinyang) for a consideration of HK$179 million. The disposal was approved by the Board of Directors in August 2016 and the transactions was completed in December 2016.

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

	2016 HK$'000
Assets	
Property, plant and equipment	129,050
Prepaid land lease payments	28,747
Trade receivables	988
Deposits, prepayments and other receivables	40,040
Cash and bank balances	7,329
	206,154
Liabilities	
Trade payables	(16)
Other payables and accruals	(26,679)
Deferred tax liabilities	(640)
Non-controlling interest	(69,347)
	(96,682)
Net assets	109,472
Cost of disposal and release of reserve	8,056
Gain on disposal of a subsidiary	61,695
Total consideration	179,223
Satisfied by cash	179,223
Net cash flows arising from the disposal	
Cash consideration received	179,223
Cash and cash equivalents disposed of	(7,329)
Direct cost of disposal	(249)
	171,645

37 DISPOSAL OF SUBSIDIARIES (Continued)

(c) 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$65 million (2015: HK$170 million) contingent consideration, which is based on the profits of Weihe Power for the year ended 31 December 2016.

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

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

	2015 HK$'000
Assets	
Interest in an associate	711,770
Cash and bank balances	179
	711,949
Liabilities	
Other payables and accruals	(64,388)
Amount due to the holding company	(206,558)
Tax payable	(27,510)
	(298,456)
Net assets	413,493
Cost of disposal and release of reserve	(30,587)
Gain on disposal of a subsidiary	429,371
Total consideration	812,277
Satisfied by cash	812,277
Net cash flows arising from the disposal	
Cash consideration received (note)	812,277
Cash and cash equivalents disposed of	(179)
Direct cost of disposal	(2,178)
	809,920

Note: In 2015, included in cash consideration received are cash received HK$642,600,000 and cash to be received from immediate holding company of RMB142,152,000 (approximately to HK$169,677,000). In 2016, the receivable from the immediate holding company of RMB142,152,000 (approximately to HK$166,213,000) was fully received.

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration /operation	Particulars of issued share capital	Proportion of ordinary shares held by the group (%) 2016	2015	Principal activities
Agencia De Viagens E Turismo Grand, Limitada	Macau	MOP1,300,000	**100**	100	Travel and air ticketing agency
Aldington International Ltd. [4]	Western Samoa	10 ordinary shares of US$1 each	**100**	100	Investment holding
Beijing CTS (Hong Kong) Grand Metropark Hotel Co., Ltd. [3,4]	PRC/Mainland China	US$12,000,000	**100**	100	Property investment holding and hotel operations
China Heaven Creation International Performing Arts Co., Ltd. [3,4,5]	PRC/Mainland China	RMB29,640,000	**78**	78	Production of arts performances
China Travel (HK & Macau Tour) Management Hong Kong Ltd.	Hong Kong	500,000 ordinary shares HK$500,000	**100**	100	Tour operations
China Travel Advertising Hong Kong Ltd.	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 Ltd.	Hong Kong	10 ordinary shares HK$1,000 10,000 non-voting deferred shares HK$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 Ltd.	Hong Kong	10,000 ordinary shares HK$10,000	**100**	100	Passenger transportation
China Travel Hi-Tech Computer Hong Kong Ltd.	Hong Kong	10,000,000 ordinary shares HK$10,000,000	**100**	100	Trading of computer equipment, provision of computer services and investment holding
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. [2,5]	PRC/Mainland China	US$231,000,000	**100**	100	Hot spring resort operations
China Travel Service (Australia) Pty Ltd. [4]	Australia	AUD3,319,932	**100**	100	Travel and air ticketing agency
China Travel Service (Canada) Inc. [4]	Canada	CAD3,162,750	**100**	100	Travel and air ticketing agency

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration /operation	Particulars of issued share capital	Proportion of ordinary shares held by the group (%) 2016	2015	Principal activities
China Travel Service (Hong Kong) Ltd.	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.) Ltd.	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 Ltd.	Hong Kong	2 ordinary shares HK$200 5,000 non-voting deferred shares HK$500,000	**100**	100	Passenger transportation
Sakura Hotel [3,4]	PRC/Mainland China	RMB21,547,000	**–**	100	Resort operations
CTS H.K. Metropark Hotels Management Company Ltd.	Hong Kong	100,001 ordinary shares HK$100,001	**100**	100	Hotel management
CTS (Dengfeng) [1,5]	PRC/Mainland China	RMB300,000,000	**51**	51	Tourist attraction operations
CTS (Xinyang) [1,5]	PRC/Mainland China	RMB257,140,000	**–**	65	Tourist attraction operation
北京港中旅維景國際酒店管理有限公司[3,4]	PRC/Mainland China	HK$5,000,000	**100**	100	Hotel management
CTS Scenery Resort Investment Company Ltd. [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 Ltd.	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

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration /operation	Particulars of issued share capital	Proportion of ordinary shares held by the group (%) 2016	2015	Principal activities
Hotel Metropole Holdings Ltd.	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 Ltd.	Hong Kong	2 ordinary shares HK$2 100 non-voting deferred shares HK$100	**100**	100	Property investment holding
Metrocity Hotel Ltd.	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) Ltd. [5]	Hong Kong	1 ordinary share HK$1	**100**	100	Investment holding
New Bus Holdings Ltd.	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
Sociedade De Fomento Predial Fu Wa (Macau), Limitada	Macau	MOP200,000	**100**	100	Property investment holding and hotel operations
Triumph King Ltd.	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	RMB451,000,000	**89.14**	89.14	Hot spring resort operations

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation or registration /operation	Particulars of issued share capital	Proportion of ordinary shares held by the group (%) 2016	2015	Principal activities
Yangzhou Hotel [3]	PRC/Mainland China	RMB44,000,000	**60**	60	Property investment holding and hotel operations
北京港中旅數碼科技有限公司 [2,4]	PRC/Mainland China	HK$3,900,000	**100**	100	Travel agency management and software system development
深圳市港中旅快綫運輸有限公司 [3,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation and investment holding
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**	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

39 CONTINGENT LIABILITIES

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

	2016 **HK$'000**	2015 HK$'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 2016, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	2016 **HK$'000**	2015 HK$'000
Investment properties:		
Within one year	**102,640**	93,742
In the second to fifth years, inclusive	**151,606**	67,354
After five years	**974**	67
	255,220	161,163
Equipment and motor vehicles:		
Within one year	**1,780**	1,524
In the second to fifth years, inclusive	**780**	–
After five years	**20**	–
	2,580	1,524

40 OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

At 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 HK$'000	2015 HK$'000
Land, buildings, equipment and motor vehicles#:		
Within one year	**69,471**	62,900
In the second to fifth years, inclusive	**110,516**	81,381
Later than five years	**231,942**	60,930
	411,929	205,211

\# 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:

	2016 HK$'000	2015 HK$'000
Property project, land and buildings:		
Contracted, but not provided for	**814,754**	1,217,592
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**9,106**	–
Leasehold improvements:		
Contracted, but not provided for	**–**	5,001
Scenic spots:		
Contracted, but not provided for	**168,061**	156,312

42 RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

	2016 HK$'000	2015 HK$'000
Travel-related income from (a)		
– immediate holding company#	**200,475**	269,005
– fellow subsidiaries	**29,675**	25,905
– associates	**49,508**	52,978
– other related parties	**4,008**	5,378
Hotel-related income from (a)		
– immediate holding company	**3,052**	2,262
– fellow subsidiaries	**1,434**	1,869
Management income from (b)		
– fellow subsidiaries	**18,082**	18,500
– associates and joint venture	**8,189**	8,781
Rental income from (c)		
– immediate holding company	**358**	1,425
– fellow subsidiaries	**2,750**	355
– associate and joint venture	**39,431**	38,354
Travel-related expense paid to (a)		
– fellow subsidiaries	**(65,389)**	(65,855)
– associate	**(2,498)**	(2,790)
– other related party	**(3,533)**	(2,402)
Management expense paid to (b)		
– fellow subsidiaries	**(9,635)**	(9,909)
Rental expenses paid to (c)		
– immediate holding company	**(17,061)**	(17,642)
– fellow subsidiaries	**(2,367)**	(2,536)
– associate	**(3,320)**	(4,783)

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.

42 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

Notes:

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

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

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

(b) Significant balances with related parties

(i) On 29 September 2016, a 1-year (extendable for up to two years beyond the initial term) 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 benchmark lending interest rate set by the People's Bank of China. As at 31 December 2016, the arrangement remained effective with RMB225,000,000 withdrawn. The balance is included in deposits, prepayments and other receivables.

(ii) 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 at 31 December 2016, the related deposit balance was RMB85,551,000.

(c) Transactions with the PRC government related entities

(i) 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.

(ii) 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.

On 13 December 2016, the Company disposed the entire interest of CTS (Xinyang), these Jigongshan Management and Jigongshan reserve management are no longer related parties of the Company.

42 RELATED PARTY TRANSACTIONS (Continued)

(d) 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:

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**11,115**	16,900
Equity-settled share option expense	**280**	–
Total remuneration paid to key management personnel	**11,395**	16,900

(e) 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.

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.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

	2016			
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**379,939**	**–**	**–**	**379,939**
Other payables and accruals	**1,961,790**	**–**	**–**	**1,961,790**
Amounts due to holding companies	**3,969**	**–**	**–**	**3,969**
Amounts due to fellow subsidiaries	**7,979**	**–**	**–**	**7,979**
Bank and other borrowings	**19,539**	**89,511**	**225**	**109,275**
	2,373,216	**89,511**	**225**	**2,462,952**

	2015			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	349,785	–	–	349,785
Other payables and accruals	1,778,338	–	–	1,778,338
Amounts due to holding companies	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

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, holding companies 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.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

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

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

	Increase in RMB rate %	Increase/ decrease in profit before tax HK$'000
2016		
If Hong Kong dollar weakens/strengthens against RMB	**5**	**67,907**
If Hong Kong dollar weakens/strengthens against RMB	**10**	**135,814**
2015		
If Hong Kong dollar weakens/strengthens against RMB	5	64,593
If Hong Kong dollar weakens/strengthens against RMB	10	129,186

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 2016, 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$935,000 (2015: HK$8,232,000). 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$19,985,000 (2015: HK$18,694,000).

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2016 and 31 December 2015.

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 holding companies and fellow subsidiaries. Capital represents equity attributable to equity owners of the Company.

During 2016, the Group's strategy, which remained unchanged from that of 2015, was to maintain the debt-to-capital ratio at the lower end of the range from 10% to 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	2016 **HK$'000**	2015 HK$'000
Trade payables	**379,939**	349,785
Other payables and accruals	**1,961,790**	1,778,338
Amounts due to holding companies	**3,969**	8,215
Amounts due to fellow subsidiaries	**7,979**	9,438
Bank and other borrowings	**98,528**	828,327
Debt	**2,452,205**	2,974,103
Capital	**14,673,345**	15,405,159
Debt-to-capital ratio	**17%**	19%

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 Weihe Power, includes a contingent consideration. If the audited net profits after tax of 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.

The Group used discounted cash flow analysis to estimate contingent consideration by comparing current year Weihe Power profits and estimated future period Weihe Power profits to respective base value. During the year ended 31 December 2016, the Group recorded a net loss of HK$65 million (2015: net gain of HK$170 million), and the amount is included in note 44.

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 Weihe Power, which is principally engaged in the operation of power generation in Mainland China and is an associate of the Group.

As power generation operation was identified as one of separate operating business of the Group by management, the operations of Weihe Power was classified as discontinued operation in the consolidated financial statements. The disposal was completed in June 2015 which resulted in a net gain of approximately HK$429 million, while the share of profit of the investment in Weihe Power for the year ended 2015 was approximately HK$234 million. During the year ended 31 December 2016, the net loss on contingent consideration was approximately HK$65 million.

45 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
	Note	**2016** **HK$'000**	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,419**	4,819
Investment property		**3,900**	4,200
Interests in subsidiaries		**5,689,580**	5,790,705
Available-for-sale investment		**13,948**	13,948
Total non-current assets		**5,710,847**	5,813,672
Current assets			
Inventories		**144**	56
Deposits, prepayments, and other receivables		**30,617**	31,099
Amounts due from subsidiaries		**7,668,912**	9,020,946
Amount due from holding companies		**–**	156,990
Amounts due from fellow subsidiaries		**123**	57
Cash and bank balances		**532,700**	289,188
Total current assets		**8,232,496**	9,498,336
Total assets		**13,943,343**	15,312,008

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

Balance sheet of the Company (Continued)

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,096,434**	9,088,838
Reserves	a	**3,924,809**	4,070,409
		13,021,243	13,159,247
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		**–**	800,000
Total non-current liabilities		**–**	800,000
Current liabilities			
Other payables and accruals		**130,032**	55,934
Amounts due to subsidiaries		**713,545**	1,209,374
Amounts due to holding companies		**3,776**	–
Amounts due to fellow subsidiaries		**1,135**	875
Tax payable		**73,612**	86,578
Total current liabilities		**922,100**	1,352,761
Total liabilities		**922,100**	2,152,761
Total equity and liabilities		**13,943,343**	15,312,008

The balance sheet of the Company was approved by the Board of Directors on 29 March 2017 and was signed on its behalf:

....
Zhang Fengchun

....
Zhang Xing

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

Note (a) Reserve movement of the Company

	Treasury shares HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
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 repurchased	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 and at 1 January 2016	**–**	**11,606**	**4,058,803**	**4,070,409**
Profit for the year and total comprehensive income for the year	**–**	**–**	**464,009**	**464,009**
Repurchase of shares	**(259,792)**	**–**	**–**	**(259,792)**
Cancellation of shares repurchased	**259,792**	**–**	**(260,676)**	**(884)**
Equity – settled share option arrangement	**–**	**8,549**	**–**	**8,549**
Exercise of share options	**–**	**(2,071)**	**–**	**(2,071)**
Forfeiture of share options	**–**	**(39)**	**–**	**(39)**
2015 final dividend paid	**–**	**–**	**(246,408)**	**(246,408)**
2016 interim dividend paid	**–**	**–**	**(108,964)**	**(108,964)**
At 31 December 2016	**–**	**18,045**	**3,906,764**	**3,924,809**

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 2.26 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 2016

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

PARTICULARS OF PRINCIPAL INVESTMENT PROPERTIES

31 December 2016

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
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(Stock Code : 308)