香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

Annual Report 2017

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

KPMG

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
China Construction Bank Corporation
China Everbright Bank Co., Ltd., Hong Kong Branch
Bank of Communications Co., Ltd., Hong Kong Branch

FINANCIAL CALENDAR AND INVESTOR RELATION INFORMATION

Announcement of 2017 Final Results		27 March 2018
Announcement of 2017 Interim Results		29 August 2017
Announcement of 2016 Final Results		29 March 2017
Announcement of 2016 Interim Results		17 August 2016
Dividends	2017 Final	HK5.5 cents per share payable on 29 June 2018
	2017 Interim	HK3 cents per share paid on 10 October 2017
	2016 Final	HK1 cent per share paid on 23 June 2017
	2016 Special Final	HK1 cent per share paid on 23 June 2017
	2016 Interim	HK2 cents per share paid on 27 September 2016
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 25 May 2018 to 30 May 2018
Annual General Meeting in 2018		30 May 2018
Closure of Register of Members for ascertaining shareholders' entitlement to the proposed final dividend		Period from 7 June 2018 to 11 June 2018
Listing Date		11 November 1992
Authorised Shares		7,000,000,000 shares
Issued Shares		5,448,585,525 shares (as at 31 December 2017)
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%
Beijing Guang'anmen Grand Metropark Hotel	100%
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.	46%
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%
Zhuhai Evergrande Ocean Spring Land Co., Ltd.	49%
CTS (Anji) Tourism Development Company Limited	96.38%

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%
Changchun Jingyuetan Youle Co. Ltd.	30.2%

5. **Supplementary tourist attraction operations**

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

TRAVEL AGENCY, TRAVEL DOCUMENT AND RELATED OPERATIONS

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

PASSENGER TRANSPORTATION OPERATIONS

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

FINANCIAL RATIOS HIGHLIGHTS

		2017	2016
Profit & loss account ratios			
Interest coverage ratio		**320.15**	55.47
Earnings per share	HK cents	**21.07**	6.42
Earnings per share (Diluted)	HK cents	**21.05**	6.42
Dividend per share	HK cents	**8.50**	4.00
Dividend payout ratio	%	**40.34**	62.31
Balance sheet ratios			
Current ratio		**2.27**	2.91
Quick ratio		**1.69**	2.11
Net assets value per share	HK$	**2.98**	2.69
Net bank and other borrowings to equity		**-0.18**	-0.24
Debt to capital ratio	%	**19.75**	16.71
Rate of return ratios			
Return on average equity	%	**7.62**	3.55
Return on total capital and borrowings	%	**7.18**	3.60
Market price ratios			
Dividend yied			
Year low	%	**2.90**	1.23
Year high	%	**3.99**	1.92
Price to earning ratio			
Year low		**10.11**	32.40
Year high		**13.91**	50.78

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 45 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

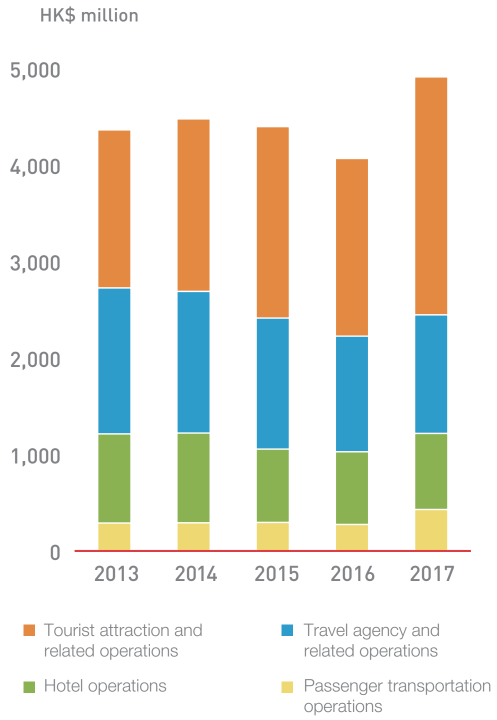
A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000 (restated)	2013 HK$'000 (restated)
RESULTS					
Continuing operations					
Revenue	**4,908,837**	4,065,999	4,395,389	4,475,142	4,359,918
Cost of sales	**(2,964,119)**	(2,253,779)	(2,391,052)	(2,417,299)	(2,275,542)
Gross profit	**1,944,718**	1,812,220	2,004,337	2,057,843	2,084,376
Other income and gains, net	**852,944**	140,054	262,360	1,048,465	194,882
Changes in fair value of investment properties	**80,843**	55,555	73,353	70,049	155,529
Selling and distribution costs	**(511,602)**	(490,039)	(536,472)	(503,597)	(587,758)
Administrative expenses	**(960,815)**	(992,205)	(932,331)	(996,108)	(992,106)
Finance income	**63,166**	120,677	129,001	140,081	107,515
Finance costs	**(4,966)**	(12,965)	(24,332)	(30,276)	(15,397)
Share of profits less losses of associates and joint ventures	**97,791**	144,895	132,947	104,562	81,835
Write back of provision for impairment of interest in an associate	**–**	–	–	–	175,000
Profit before taxation	**1,562,079**	778,192	1,108,863	1,891,019	1,203,876
Taxation	**(297,838)**	(205,129)	(239,635)	(310,182)	(225,404)
Profit for the year from continuing operations	**1,264,241**	573,063	869,228	1,580,837	978,472
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**20,538**	(64,815)	662,917	284,322	275,527
Profit for the year	**1,284,779**	508,248	1,532,145	1,865,159	1,253,999
Attributable to:					
Equity owners of the Company	**1,147,843**	352,053	1,352,750	1,738,884	1,151,889
Non-controlling interests	**136,936**	156,195	179,395	126,275	102,110
	1,284,779	508,248	1,532,145	1,865,159	1,253,999

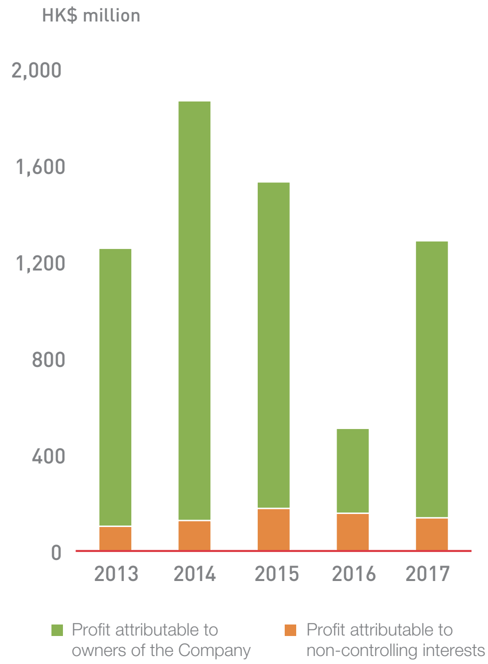
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**22,135,075**	19,975,771	21,216,252	20,950,844	19,227,969
Total liabilities	**(4,741,229)**	(4,203,178)	(4,717,424)	(4,318,061)	(3,900,692)
Non-controlling interests	**(1,181,217)**	(1,099,248)	(1,093,669)	(1,090,850)	(834,012)
Equity attributable to owners of the Company	**16,212,629**	14,673,345	15,405,159	15,541,933	14,493,265

FINANCIAL REVIEW

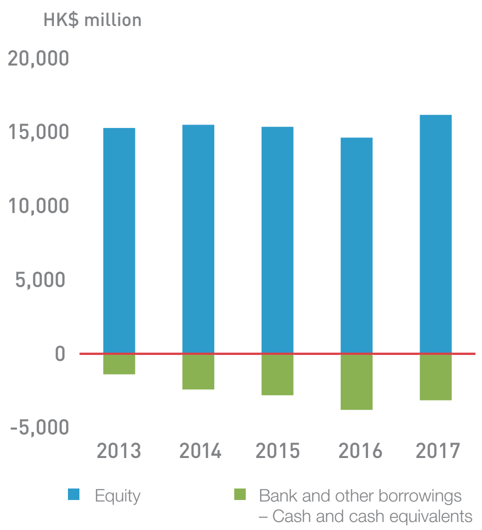
TURNOVER BY PRINCIPAL ACTIVITIES



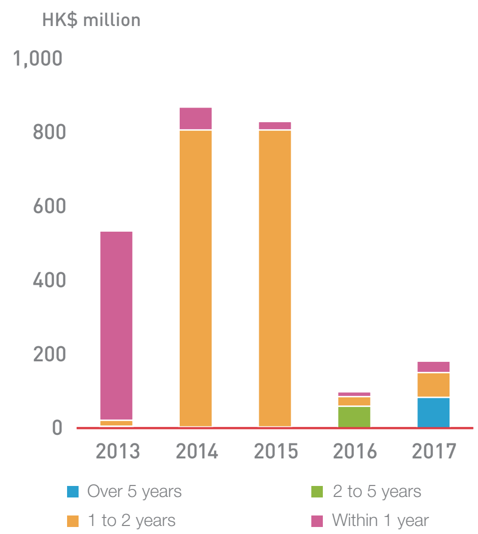
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



BANK & OTHER BORROWINGS MATURITY PROFILE



MR. ZHANG FENGCHUN *Chairman & Executive Director*
Aged 53, 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 and China National Travel Service Group Corporation Limited (formerly known as China National Travel Service Group Corporation), the Chairman of Hongkong New Travel Investments Ltd. (formerly known as Alliance Power Resources Ltd.), the substantial shareholder of the Company, the Chairman of 港中旅中財股權投資管理（上海）有限公司. 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 67, 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 Thirteenth 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 Chairman of Hong Kong Association of China Travel Organizers 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 48, 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, CTS Tycoon (Shenzhen) Golf Club Co. Ltd. and 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*
Aged 61, 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. since 2009 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. Mr. Liu is a qualified Senior Economist and graduated from Harbin University of Science and Technology.

MR. CHEN XIANJUN *Executive Director*

Aged 49, appointed in February 2017, is the general manager of strategic development department of China National Travel Service Group Corporation Limited 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.

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

Aged 93, 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 69, 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, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Ltd. and MGM China Holdings Limited. Mr. Wong is a deputy of the Thirteenth 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 77, 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 practiced for over 20 years. He is also a director of a number of Hong Kong listed companies.

MR. CHAN WING KEE *GBM, GBS, OBE, J.P.*
Independent Non-Executive Director
Aged 71, 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 and Kingboard Chemical Holdings Limited.

Mr. Chan is a Vice Chairman of China Overseas Friendship Association. He was also a Deputy of the 8th and 9th National People's Congress of China, Standing Committee Member of the 10th, 11th and 12th 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, Member of The Selection Committee of the H.K.S.A.R., 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, Permanent Honorary Chairman and Principal President of Federation of Hong Kong Guangdong Community Organisations, 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, Principal President of Hong Kong Federation of Dongguan Associations, 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

MR. ZHANG FENGCHUN

Chairman & Executive Director

On behalf of the Board of China Travel International Investment Hong Kong Limited, I 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 my fellow Board members, the management and staff for their hard work, creative ideas, contributions and achievements.

SUMMARY OF RESULTS

The year 2017 witnessed the significant growth of the world economy and a better-than-expected Chinese economy with good momentum. The tourism industry was ranked first among the "Five Happiness Industries" and became a new engine of the economic growth. The Company's tourist attraction operation and related business are offered good opportunities and are achieving satisfactory results. The Company's consolidated revenue and profit attributable to shareholders were approximately HK$4,910 million and HK$1,150 million respectively, representing a 21% and 226% increase compared with last year. Profit attributable to the operating tourism business was approximately HK$1,110 million, a 168% increase compared with last year. The increase in profit attributable to shareholders was mainly due to operating growth and a one-off gain generated from assets operation.

The Board declared a final dividend of HK5.5 cents per share for the year ended 31 December 2017. The final dividend will be paid to shareholders on 29 June 2018 upon approval at the annual general meeting. Together with the interim dividend of HK3 cents per share, the total dividend for the full year is HK8.5 cents per share, and the dividend payout ratio is 40%.

IMPLEMENTATION OF STRATEGIES

In 2017, the Company was firmly committed to the strategic development direction of becoming "an investor, developer and operator of top-tier travel destinations". We focused closely on tourism resources and customer base and further refined our strategic development plan to secure quality resources of tourist attractions and accelerated our strategic plan, reinforced implementation, optimized the business and development modes, and made great strides in enhancing our core competence to maintain growth momentum. At the same time, the quality and efficiency of our existing business were enhanced so as to effectively prevent and mitigate risks. In light of these efforts, the operation and management of the Company and its business development is constantly improved.

MR. ZHANG XING

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

The Company actively explored a new development model of cooperation with local governments through model innovation, searching new paths of development, building new platform and exploring new business model. It established a project platform based on the "new development path integrated with innovative product, quality resource and capital", acquired quality resources in key regions (including quality scenic spots), promoted the expansion and implementation of projects with creative product concepts such as China Travel National Holiday Parks, China Travel Resorts and Holistic Tourism, and increased its number of projects with quality resources, good market prospect and geographical advantages which offer great development potential. Through the transformation and upgrading of their own business models, especially on products and services, the Company's subsidiaries explored new operating model, added new source of revenue and created new paths to increase effectiveness. We succeeded in exploring the obstacles in the course of development including the exit of CTS Tycoon (Shenzhen) Golf Club and business expansion of the Songshan scenic spot by the adoption of innovative cooperation model combining heavy and light assets, and ultimately discovered a win-win solution towards the road of cooperative development.

The Company endeavored to improve the operational results of its existing subsidiaries and urged its subsidiaries to put more effort into product development, festival planning and marketing activity, and made new breakthroughs in terms of business expansion, service upgrade and refinement of management. As a result, the Company's asset quality was further improved and its profitability was further enhanced.

The Company completed the exit of CTS Tycoon (Shenzhen) Golf Club successfully and settled the arrangements of its employees properly to resolve a major operational risk. Also, the Company made appropriate measures to cope with the environmental protection risk of Shapotou scenic spot, minimising the loss suffered.

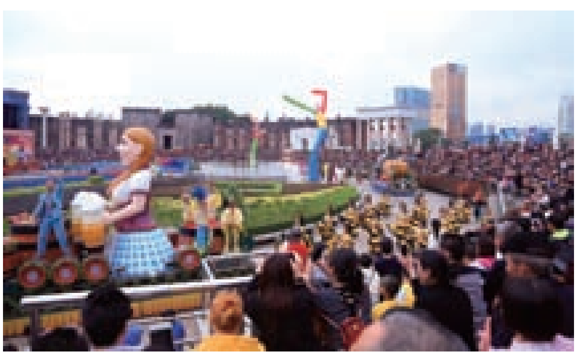
FUTURE PROSPECTS

Tourism has developed into one of China's key strategic pillar industries. The drive "To meet people's ever-increasing needs for a better life" has fueled a strong tourism industry of great potential and unprecedented development opportunities. The Company will maintain its strategic position of becoming "an investor, developer and operator of top-tier travel destinations". In fulfilling its mission of "creating new travel destinations and leading a new mass tourism lifestyle", the Company will focus on the development of natural and cultural scenic spots and leisure resort destinations, explore new model for the light-asset and professional tourism business, and strive to become a leader in comprehensive tourism destination service industry in China.

The Company will continue to implement an innovation-driven strategy of "leapfrog development". It will focus on continuously strengthening product services and marketing, will take advantage of model innovations to promote the governance of its structure, and will reform its systems, mechanisms and principles to enhance its brand reputation and influence, improve operating efficiency and benefits and core competitiveness, and boost development of all its lines of business.

The Company will continuously strengthen new business development to record revenue and profit contribution. Strategically, the Company will focus on securing quality resources to develop iconic and demonstrative projects. As to project profit cycles, the Company will develop short, medium and long-term projects and give priority to those which will contribute revenue and profit in the short run. The Company will place greater emphasis on the development of iconic projects such as Zhuhai Ocean Spring Resort ("OSR") Phase 2 Project and Songshan Shaolin Town, and push forward the key projects including Chongzuo Detian Project in Guangxi, Chengdu Sancha Lake in Sichuan, Dali Erhai Lake in Yunnan, Anji BC Zone Projects, Shapotou Expansion Project and Re-development Project of Hip Kee Godown (No.3) in Hung Hom, Hong Kong. Meanwhile, leveraging on its rich experience in the operation and management of scenic spots and its brand and industrial chain advantages, the Company will enhance the development of light-asset businesses such as China Travel Zhiye and management companies to expand their market influence, increase brand awareness and continuously improve competitiveness and profitability.

The Company will focus on improving the quality and efficiency of its existing business and assets. First, to achieve or maintain revenue growth, all subsidiaries will be urged to make a continuous effort in the areas of product innovation, service quality, precision marketing and refined management based on customer demand. Second, the Company will take various measures to overcome difficulties and turn around losses. In particular, it will make a sincere effort to turn around losses from the operation of Zhuhai OSR and Xianyang OSR, or execute a disposal plan. Third, the Company will explore and achieve added value in its ordinary business process through the vitalisation or disposal of portions of its existing assets.



The Company will strengthen the informatisation process and will promote digital transformation. The Company will pay close attention to the business impact of technological developments and changes in internet technology, artificial intelligence and blockchain, and will actively consider the necessity of engaging a chief information officer and a professional team. The Company will also study digital development trends in the business model for its scenic spots and their upstream and downstream businesses under the internet tourism industry, increase investment in resources, explore digital business models, and integrate internal resources and the sharing of external resources. This will contribute to its vigorous promotion of the intelligent operation and management of scenic spots, building of platforms for e-commerce direct sales, customer resources and intelligent management of smart scenic spots, and the high quality and efficient transformation and development of the Company.

Under the right strategic leadership, the Company is confident in its prospects for future development. It will endeavour to further improve operation and management, strengthen strategic implementation of model optimisation and control procedures, and enhance its core capabilities with a view to optimising its existing businesses. The Company will facilitate strategic plans for key regions to get hold of quality scenic spot resources, accelerate its digital transformation, achieve quality, effective and sustainable development, offer better products and services to customers, create a larger and firmer platform for its staff and generate higher return for shareholders.

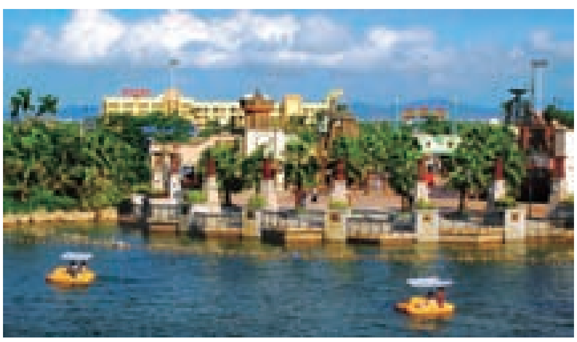
Zhang Fengchun
Chairman of the Board

Hong Kong, 27 March 2018

RESULTS OVERVIEW

In 2017, the Company's consolidated revenue and profit attributable to shareholders were approximately HK$4,910 million and HK$1,150 million respectively, representing a 21% and 226% increase compared with last year. Profit attributable to the operating tourism business was approximately HK$1,110 million, representing a 168% increase compared with last year. The increase in profit attributable to shareholders was mainly due to operating growth and a one-off gain generated from assets operation.

The Company's financial position remained stable and healthy, with strong investing and financing capabilities. As of 31 December 2017, total assets was approximately HK$22,135 million, an 11% increase compared with the end of last year; equity attributable to shareholders was approximately HK$16,213 million, a 10% increase compared with the end of last year. Cash and bank balances and wealth management products, etc, amounted to approximately HK$5,153 million, an 8% increase over last year, of which cash and bank balances amounted to approximately HK$3,271 million and after deducting bank loans and other borrowings, and loans from a holding company of approximately HK$181 million, net cash was approximately HK$3,090 million, a 19% decrease compared with the end of last year.



DIVIDENDS

The Board declared a final dividend of HK5.5 cents per share (2016: a final dividend of HK1 cent and a special final dividend of HK1 cent per share) for the year ended 31 December 2017. The final dividend will be paid to shareholders on 29 June 2018 upon approval at the annual general meeting. Together with the 2017 interim dividend of HK3 cents (2016: HK2 cents) per share, the total dividend for the full year is HK8.5 cents per share, with a dividend payout ratio of 40%.

CORE PRINCIPAL OPERATIONS AND OPERATIONAL FIGURES

(I) Travel Destination Operations

1. Business overview

City hotels

Five hotels in Hong Kong and Macau

Two hotels in Mainland China (one of which was disposed of during the year)

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 Scenic Spot")

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

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

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")

Non-controlling scenic spot investments
Huangshan Yuping Cable Car Company Limited ("Huangshan Yuping Cable Car")
Huangshan Taiping Cable Car Co., Ltd.
Changsha Colorful World Company Limited
Nanyue Cable Car Co., Ltd., which was disposed of during the year
Changchun Jingyuetan Youle Co. Ltd.

Supplementary tourist attraction operations
CTS Tycoon (Shenzhen) Golf Club Company Limited ("Golf Club")
China Heaven Creation International Performing Arts Co., Ltd.

2. ***Key Operational Figures***

In 2017, revenue from travel destination operations was approximately HK$3,250 million, a 25% increase compared with last year; and attributable profit was approximately HK$850 million, a 275% increase compared with last year.

In 2017, revenue from the Company's hotel operations was HK$790 million, a 5% increase compared with the same period last year; and attributable profit was HK$150 million, a significant increase of 34% compared with last year. Benefited from signs of stable growth in the Hong Kong and Macau tourism industry, visitors to Hong Kong and the overall average occupancy rate increased compared with last year. While the overall average occupancy rate of our five hotels in Hong Kong and Macau increased by 7 percentage points, the average room rate also increased by 7%. Additionally, the average room rate of Beijing Metropark Hotel increased by 15%, leading to an 11% increase in room revenue. The rise in office rental prices resulted in an increase of 11% in rental revenue. As a result, overall revenue recorded a year-on-year increase of 8% and the net profit recorded a year-on-year increase of 16%. The overall results of hotel business operations were satisfactory.

Revenue from theme parks was HK$800 million, a 5% increase compared with the same period last year; and attributable profit was HK$130 million, an 18% increase compared with the same period last year. Theme parks maintained stable growth in terms of visitor numbers, revenue and profit. Window of the World and Splendid China continued to enrich their products and expand their business to regain vitality. The theme park business remained the major contributor to the revenue and profit of the Company's scenic spots business.

Revenue from natural and cultural scenic spots was HK$560 million, a 3% decrease compared with last year; and attributable profit was HK$40 million, a 6% increase compared with last year. Songshan Scenic Spot implemented an interactive marketing model integrated with online branding, offline theme activities and direct sales channels, resulting in an increase in the number of visitors by approximately 110,000, or a year-on-year increase of 4%. As most of the visitors joined in activities by group, revenue decreased by 2% year-on-year. The Shapotou Scenic Spot introduced

a glass bridge over the Yellow River, set up three marketing operation centers in provincial cities, connected bus tours in 16 cities and launched package tickets for special projects, all of which helped increase in the number of visitors – mostly composed of elderly and student groups – by 12%, resulting in a slight 2% year-on-year increase in revenue. Also during the year, the Tourist Distribution Center was opened, incurring preliminary expenses and depreciation costs. Profit attributable to this business decreased by 9% year-on-year.

Revenue from leisure resort destinations was approximately HK$900 million, a 167% increase compared with last year. Attributable loss was approximately HK$70 million, an increase compared with last year. The substantial increase in overall revenue from leisure resort destinations was mainly attributable to revenue recognised from Ocean Spring Resort Garden and Anji Real Estate project. The increased loss was largely due to the joint venture, Evergrande Real Estate, not yet handovering the properties to customer and resulting in the loss incurred during the year. Despite the total number of visitors to Zhuhai OSR decreasing by 1% during the year, the completed upgrading and renovation of Caribbean Water World and the introduction of an evening party, Romantic Zhuhai, stimulated increases in ticket price and food and beverage income, resulting in a year-on-year increase of 1% in revenue. Meanwhile visitors to Xianyang OSR and revenue both decreased dramatically, though losses were reduced through cost control measures and the assets impairment last year decreased the depreciation cost. Sales performance of the Anji Real Estate project was satisfactory although the hotel business recorded losses due to the startup costs incurred in its operational trial period, profit was attained for the whole year.

Attributable profit from non-controlling scenic spot investments was approximately HK$40 million, a 12% increase compared with last year. The considerable increase of attributable profit was due to the substantial increase in share of profit as a result of a rising number of visitors after the completion of upgrade work at Huangshan Yuping Cable Car.

Due to the closure of business of CTS Tycoon Golf Course from 6 November 2017, both the revenue and profit of Golf Club were affected, but a one-off after tax gain of approximately HK$560 million was recorded upon completion of the assets operation and turned loss into profit when compared with last year.

In 2017, revenue from China Heaven Creation International Performing Arts Co, Ltd was HK$130 million, a 113% increase compared with last year, mainly due to a substantial increase in revenue from arts performance consulting projects undertaken during the year. Despite that such consulting projects usually generated lower gross profit margins, the operating profit maintained stable growth.

(II) Travel Agency, Travel Document and Related Operations

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

In 2017, revenue from the Company's travel agency, travel document and related operations was HK$1,230 million, a 2% increase compared with last year. Attributable profit was HK$140 million, a 4% increase compared with last year. The revenue increase was largely due to an increase in the business volume under the travel document operations, and as a result of the reduced cost, profit from the segment increased by 9%.

(III) Passenger Transportation Operations

In 2017, revenue from the Company's passenger transportation operations was HK$430 million, a 56% increase compared with the same period last year. Attributable profit was HK$130 million, a 12% decrease compared with the same period last year.

The year-on-year increases of 56% in revenue and 4% in profit of China Travel Tours Transportation Services Hong Kong Limited ("China Travel Tours") were largely attributable to revenue contributions from a jointly-controlled entity which became a subsidiary of China Travel Tours in accordance with its amended articles of association. Excluding this factor, the existing China Travel Tours business recorded a 2% year-on-year increase in revenue, mainly attributable to an increase in the number of passengers. Profit recorded a year-on-year increase of 9%, mainly attributable to the increase in revenue and effective cost control.

The associate Shun Tak-China Travel Shipping Investments Limited's share of profits decreased as a result of the higher fuel price, and increases in maintenance and labour costs.

DEVELOPMENT STRATEGY

The Company will maintain its strategy of becoming "an investor, developer and operator of top-tier travel destinations". With its mission of "creating new travel destinations and leading a new mass tourism lifestyle", the Company will focus on the development of natural and cultural scenic spots and leisure resort destinations, explore new models for the light-asset and professional tourism business, and strive to become a leader in comprehensive tourism destination service industry in China.

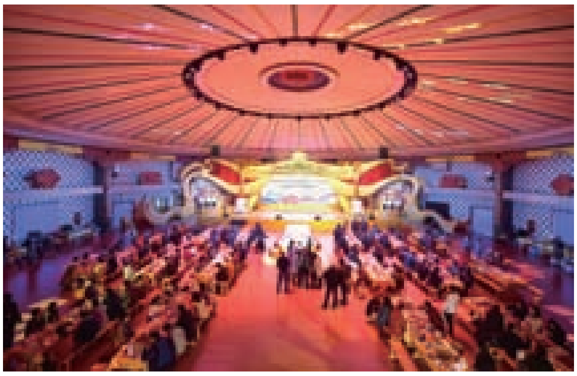
The Company will vigorously push forward the execution of its development strategy by acquiring strategic quality scenic spot resources to foster new profit growth. The Company will focus on regions which are rich in tourism resources and tourists, and scenic spots with potential for expansion and appreciation. The Company will acquire scenic spot resources through various forms of cooperation including joint ventures, provision of management services and entrusted operations, and will foster new profit growth through large-scale expansion.

The Company will increase its emphasis on enhancing quality and efficiency, and will optimize the operation of existing businesses. It will continue to devote serious effort to achieving turnaround of loss situations for loss-making subsidiaries, and a turnaround of the overall performance of Zhuhai OSR and Xianyang OSR, as soon as possible. The Company will further optimize its existing product and business portfolio to maintain continuous growth of its existing business. Additionally, the Company will strengthen the implementation of subsequent work on existing projects including Songshan Shaolin Town, Shapotou Expansion Project, land development of Anji BC Zones and Zhuhai OSR Phase 2 Project, to achieve its targets.

The Company will expedite the optimization of its asset structure and improve asset management efficiency. The Company will actively vitalize its existing assets and comprehensively improve the asset quality to achieve an increase in asset efficiency and optimisation of asset structure. To achieve this, the Company will systematically analyze inefficient and negative assets, and formulate and implement vitalizing plans for existing assets. It will also secure current profits and maintain steady growth by acquiring new businesses to vitalize existing assets.

The Company will give full opportunity to leverage its capital operation, optimize its capital structure and improve efficiency. It will continue to strengthen communication with the capital market, and actively explore solutions for capital optimisation of its various operational assets to maximize their value. As to market research on major overseas destinations and alongside the "Belt and Road", the Company will give close attention to potential opportunities for mergers and acquisitions and will take the opportunity to expand overseas.

The Company will attach importance to development innovation and will promote digital construction, paying greater attention to innovations in product research and development, and its models of business, profit, management and control. The Company will focus particularly on the innovative development of business models for scenic spots and creating iconic projects, and will evolve a replicable and propagable product portfolio and development model for achieving the recreation and duplication of its business model. The Company will expedite the informatization and digital construction, promote the intelligent transformation of scenic spots, improve management and control efficiency and big data resource value, and build an efficient, strongly collaborative and highly integrated enterprise digital operation system.



NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2017, the Group had 6,641 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 2017, the cash and bank balances of the Group amounted to HK$3,271 million whereas the bank and other borrowings and loans from a holding company amounted to HK$181 million. The debt-to-capital ratio was 20% and the debt includes bank and other borrowings, trade and other payables, loans from a holding company, amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

The Group has certain assets, borrowings, and major transactions which are denominated in foreign currencies, thus is exposed 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 2017, the Group's bank deposits of approximately HK$38 million (31 December 2016: HK$60 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 2017, certain of the Group's buildings with net carrying amounts of HK$1,295,000 (31 December 2016: HK$1,916,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Please refer to notes 38 and 39 under notes to the Consolidated Financial Information regarding acquisition and disposal of the subsidiaries of the Company during the year. Apart from the foregoing, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures for the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. The Group will only consider any potential investments which are in the interests of the Company and the Shareholders as a whole. No agreement for material investment has been conducted as at the date of this report.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2016: HK$0.3 million).

SIGNIFICANT INVESTMENT HELD

To utilize the Group's idle funds more efficiently without affecting operating cash while ensuring fund safety, the Group used some of the idle funds to subscribe for RMB denominated wealth management products. At at 31 December 2017, the wealth management products held by the Group amounted to a total of RMB1,180 million (equivalent to HK$1,412 million). During the year, the income from financial assets at fair value through profit or loss was approximately HK$66 million. The movements of the subscribed wealth management products during the year were as follows:

	31 December 2016 HK$'000	Subscribed during the year HK$'000	Recovered during the year HK$'000	Exchange difference HK$'000	Income receivable from financial assets at fair value through profit or loss HK$'000	31 December 2017 HK$'000	Tenor (Month)	Expected annualized yields (%)
Issuers								
With agreed maturity date								
China Resources Bank Of Zhuhai Co.,Ltd.	525,427	703,710	542,203	42,809	4,740	734,483	6	4.57-4.9
Ping An Bank Co., Ltd.	–	726,782	680,637	1,707	362	48,214	2-6	3.2-3.9
Industrial Bank Co., Ltd.	–	582,580	409,536	6,402	4,059	183,505	6-7	4.2-4.6
China Minsheng Banking Corp., Ltd.*	–	576,812	576,812	–	–	–	5	4.65
China Construction Bank Corporation	–	551,432	551,432	–	–	–	3-4	3.4-3.7
China Merchants Bank Co., Ltd.*	–	715,246	438,377	10,243	2,819	289,931	3-6	4.1-4.6
China Citic Bank	–	688,713	538,742	5,548	59	155,578	1-6	3.8-4.65
Agricultural Bank of China Ltd.	–	115,362	115,362	–	–	–	1	3.5-4
Without agreed maturity date								
Bank of Communications Co., Ltd.	12,297	115,362	128,052	393	–	–	N.A.	2.95-3.05
	537,724	**4,775,999**	**3,981,153**	**67,102**	**12,039**	**1,411,711**		

* Issuers have no early termination rights

The key terms for the wealth management products above are:

(i) Type of return: Principal-protected with floating yields

(ii) Payment of principal and income: The principal and the earned income of the wealth management products will be paid one-off within 1-3 business days subsequent to the agreed maturity date or confirmed redemption date.

(iii) Terms of redemption: During the agreed holding period, subscribers have no rights to redeem the products. For products without agreed maturity date, subscribers can perform the redemption on the business days.

(iv) Early termination rights: Subscribers are not entitled to terminate such products early. Unless otherwise specified, issuers are entitled to early termination. In case of early termination, issuers shall settle the one-off payment of the principal and the earned income of the wealth management products within 2-3 business days subsequent to the termination day.

The subscriptions above belong to the principal-protected with floating yields investments. The Group continuously monitors in a proactive manner the income risks derived from such financial assets as well as diversifies the relevant investment risks via appropriate asset allocation.

During the year, in respect of each subscription above, the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) calculated by the Group were all less than 5%, which did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The above outstanding wealth management products at the end of the year with agreed maturity date will be gradually recovered before the mid of this year; whereas the outstanding wealth management products without agreed maturity date will be redeemed where appropriate according to the funds position of the Group.

BUSINESS PROSPECTS

As Chinese economy enters a new era, the principal contradiction facing Chinese society has evolved. What we now face is the contradiction between unbalanced and inadequate development, and the people's ever-growing need for a better life. The tourism industry, which ranks first among the "Five Happiness Industries", has developed into a key strategic pillar industry for China. It is an important carrier for "fostering new growth areas and drivers of growth" required for the construction of a modern economic system, and has great development potential and space.

At present, positioned by the parent company, China National Travel Service Group Corporation Limited, as its core business, the Company will push forward the integrated operation of leisure resort destinations, scenic spots and tourism real estate, which is a strong supplement for our business. As the Company's strategic objectives become more specific, its paths of implementation more clearly defined, its business structure further optimized, the construction of core capabilities continuously increased, and the optimization of existing businesses and expansion of new projects improves and makes breakthroughs, its corporate governance capabilities will be enhanced and its fundamentals will significantly improve. As such, the Company faces more opportunities than challenges.

The Company will strengthen the formulation and execution of strategy in accordance with its overall development plan, expedite strategic plans for key regions, continue to enhance the professional competence, quality and efficiency of existing businesses, impose a cooperative model for joint development and sharing, seek out strategic resources to create iconic products, and develop an innovative business model that will achieve high-quality sustainable development for the Company and bring better return to shareholders.

REPORT OF THE DIRECTORS

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 2017.

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 40 to the consolidated financial statements. Save for the closure of golf club operations, 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 2017, 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 23, the "Financial Review" section on page 8, the "Corporate Governance Report" section on pages 38 to 47, the "Environment, Social and Governance Report" section on pages 48 to 62 and note 45 to the consolidated financial statements on pages 163 to 167 of the Annual Report.

GROUP PROFIT

The Group's profit for the year ended 31 December 2017 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 69 to 170.

DIVIDENDS

An interim dividend of HK3 cents per share (2016: an interim dividend of HK2 cents per share) were paid on 10 October 2017. The Directors recommend the payment of a final dividend of HK5.5 cents per ordinary share (2016: a final dividend of HK1 cent per share and a special final dividend of HK1 cent per ordinary share) in respect of the year to shareholders whose names appear on the register of members of the Company on 11 June 2018.

SHARE CAPITAL

During the year, the Company issued 2,684,000 shares for cash of HK$4,562,800 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 36 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 47 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were existed during the year. For the year ended 31 December 2017, the Company has not entered into any equity-linked agreements.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 297 and 299 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$4,194,858,000, of which HK$299,672,000 has been proposed as a final dividend.

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

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUMMARY FINANCIAL INFORMATION

A summary of the Group's results and assets and liabilities for the last five financial years, is set out on pages 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 *(Chairman)*
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)*
Mr. Fu Zhuoyang *(Resigned on 24 February 2017)*
Mr. Qu Simon Tao *(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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considered all the Independent Non-Executive Directors as independent.

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

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

Biographical details of the Directors of the Company are set out on pages 9 to 11 of the Annual Report.

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 2017 Interim Report are set out below:

Name of Director	Changes
Zhang Xing	Appointed as the chairman of CTS Tycoon (Shenzhen) Golf Club Company Limited, a wholly-owned subsidiary of the Company, with effect from 13 November 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' INTEREST 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017 and up to the date of this annual report, the Group had the following connected transactions and continuing connected transactions, details of which are as follows:

Connected Transactions

(i) On 19 May 2017, the Company, as lender, entered into a loan agreement with China Travel Financial Investment Holdings Co., Limited ("CTS Finance Investment"), as borrower, for a term of one year commencing from 19 May 2017 and ending on 18 May 2018, pursuant to which the Company has agreed to provide a loan of US$20,000,000 to CTS Finance Investment.

    CTS (Holdings) is a substantial shareholder of the Company. CTS Finance Investment is a wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the loan agreement will constitute connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements thereunder. For detailed information, please refer to the announcement of the Company dated 19 May 2017.

(ii) On 24 August 2017, the Company entered into a share transfer agreement with China International Travel Service Group Corporation ("CITS Corporation"), pursuant to which the Company agreed to dispose of and CITS Corporation agreed to acquire the 5% registered capital of CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. (the "Target Company") for a consideration of RMB38,173,300. On the same date, the Company and CITS Corporation entered into a concert party agreement, pursuant to which CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the Company after the completion of the disposal, and the financial results and financial positions of the Target Company will continue to be consolidated into the consolidated financial statements of the Group.

As China National Travel Service Group Corporation Limited (formerly known as China National Travel Service Group Corporation, hereinafter referred to as "China CTS") holds the entire issued 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. CITS Corporation is a wholly-owned subsidiary of China CTS and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the share transfer agreement will constitute connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements thereunder. For detailed information, please refer to the announcement of the Company dated 24 August 2017.

Continuing Connected Transactions

(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 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 2017 was RMB134,341,000. 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 2017 was RMB230,000,000. 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));

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

(f) Lease arrangements with the China CTS Group as lessee (note (5)).

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 ended 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.

On 28 December 2017, the Company entered into a tour group services master agreement with China CTS for a term commenced on 1 January 2018 and ending on 31 December 2020 where the Group and the China CTS Group will continue to provide tour group services to each other. According to the pricing policy under the Group's internal governing guideline in relation to the income and cost of the connected transaction of the Group, the management should solicit at least two other contemporaneous transactions with unrelated third parties for services in similar nature with quotations to determine if the price and terms offered under the connected transactions are fair and reasonable and comparable to those offered by unrelated third parties. Such quotations shall include but not limited to (1) the calculation basis of payment; (2) the standard terms and conditions of provided services; and (3) relevant mediation mechanism and indemnity clauses of the contract.

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 28 December 2017.

(5) On 21 July 2017, the Company and China CTS entered into a master lease agreement to govern the lease arrangements with the China CTS Group as lessee for a term commencing from 21 July 2017 and ending on 31 December 2019.

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 21 July 2017.

The maximum aggregate annual consideration for the above-said continuing connected transactions for the year ended 31 December 2017 and the actual amounts of such transactions for the year ended 31 December 2017 are as follows:

	Caps for the years ended/ending 31 December				Actual amounts for the year ended 31 December
	2016	2017	2018	2019	2017
	'000	'000	'000	'000	'000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration by CTSHK	HK$290,000	HK$290,000	HK$290,000	N/A	HK$199,104
(b) Lease arrangements with the CTS (Holdings) Group as lessor	HK$26,000	HK$28,500	HK$31,500	N/A	HK$18,328
(c) Provision of ASP related services to the CTS (Holdings) Group	HK$4,000	HK$5,000	HK$6,250	N/A	HK$2,290
(d) Provision of hotel management services to the CTS (Holdings) Group	RMB15,000	RMB16,500	RMB18,200	N/A	RMB5,420
II. Continuing connected transactions with the China CTS Group					
(e) Provision of tour group services to the China CTS Group	HK$36,000	HK$43,000	HK$35,000	HK$45,000	HK$26,474
(f) Provision of tour group services by the China CTS Group to the Group	HK$88,000	HK$105,000	HK$90,000	HK$108,000	HK$59,761
(g) Lease arrangements with the China CTS Group as lessee	N/A	RMB6,430	RMB7,720	RMB9,270	RMB5,222

(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 2017 was RMB6,815,000. 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 2017 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.

KPMG, the Company's auditors, were engaged to report on the Group's continuing connected transactions for the year ended 31 December 2017 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. KPMG 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 2017, 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

	Interests in shares					
Name of Director	Corporate interest	Personal interest	Family interest	Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 31 December 2017
Mr. Zhang Fengchun	–	1,770,000	–	–	1,770,000	0.03%
Mr. Lo Sui On	–	600,000	–	770,000	1,370,000	0.03%
Mr. Zhang Xing (Note 1)	–	–	–	2,000,000	2,000,000	0.04%
Mr. Chen Xianjun (Note 2)	–	–	–	1,300,000	1,300,000	0.02%
Dr. Fong Yun Wah	50,000 (Note 3)	–	–	–	50,000	0.00%

Note 1: Mr. Zhang Xing was appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 24 February 2017

Note 2: Mr. Chen Xianjun was appointed as an Executive Director of the Company on 24 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 37 to the consolidated financial statements.

The 2002 Share Option Scheme

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

	Number of share options								
Name or category of participant	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Reclassified during the year	Balance as at 31 December 2017	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors									
Zhang Fengchun	890,000	–	(890,000)	–	–	–	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 (Note 3)	1,770,000	–	–	–	(1,770,000)	–	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	3,430,000	–	(890,000)	–	(1,770,000)	770,000			
Other employees in aggregate	19,968,000	–	(1,794,000)	–	1,770,000	19,944,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	23,398,000	–	(2,684,000)	–	–	20,714,000			

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 2017 was 20,714,000, representing 0.38% of the total number of issued shares of the Company as at the date of this annual report.

Note 3 Mr. Fu Zhuoyang was resigned as an Executive Director of the Company on 24 February 2017.

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 2017 are set out below.

Name or category of participant	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Reclassified during the year	Balance as at 31 December 2017	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors									
Qu Simon Tao (Note 2)	3,000,000	–	–	(3,000,000)	–	–	15 September 2016	15 September 2018 to 14 September 2021	2.304
Zhang Xing (Note 3)	–	–	–	–	2,000,000	2,000,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
Chen Xianjun (Note 4)	–	–	–	–	1,300,000	1,300,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
Sub-Total	3,000,000	–	–	(3,000,000)	3,300,000	3,300,000			
Other employees in aggregate	148,640,000	–	–	(9,400,000)	(3,300,000)	135,940,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
	17,500,000	–	–	(1,100,000)	–	16,400,000	30 December 2016	30 December 2018 to 29 December 2021	2.304
Sub-Total	166,140,000	–	–	(10,500,000)	–	152,340,000			
Grand Total	169,140,000	–	–	(13,500,000)	–	155,640,000			

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 resigned as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 8 February 2017.

Note 3 Mr. Zhang Xing was appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 24 February 2017.

Note 4 Mr. Chen Xianjun was appointed as an Executive Director of the Company on 24 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 2017, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.41% 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 2017, 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 2017, 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 2017
China CTS	Interest of controlled corporation (Note 1)	3,276,164,728	60.13%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Notes 1 and 2)	3,276,164,728	60.13%
Hongkong New Travel Investments Ltd. (formerly known as Alliance Power Resources Ltd.)	Beneficial owner (Note 2)	1,109,952,705	20.37%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,109,952,705	20.37%
CNC Corporation Limited (formerly known as GUOXIN International Investment Corporation Limited)	Interest of controlled corporation (Note 3)	1,115,340,456	20.47%
Ryden Holdings Company Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.47%
中國華馨投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.47%
博遠投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.47%

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 Hongkong New Travel Investments 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 Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Note 3: 1,109,952,705 shares are held directly by Hongkong New Travel Investments 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 CNC 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, CNC 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 Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 31 December 2017, 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 2017 are set out in note 34 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, China Travel Service (Hong Kong) Limited, 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 25 July 2017, 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% direct or indirect 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. Pursuant to the aforesaid facility agreements, the Company undertakes with the Bank that CTS (Holdings) shall hold, directly or indirectly, not less than 50% of the issued share capital of the Company.

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 47.

AUDITORS

On 12 December 2017, PricewaterhouseCoopers has resigned as auditor of the Company and KPMG were first appointed as auditor of the Company to fill the casual vacancy following the resignation of PricewaterhouseCoopers, and to hold office until the conclusion of the next annual general meeting of the Company.

The financial statements of the Company for the year ended 31 December 2017 were audited by KPMG. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2018 annual general meeting to re-appoint KPMG and to authorise the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Zhang Fengchun
Chairman

Hong Kong, 27 March 2018

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 2017, 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 24 to 37.

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 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 transactions 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 Company organized a training programme for Directors to update the Directors on the continuing obligation of Hong Kong listed companies. During the year, the Directors participated in the following professional developments:

	Type of Trainings		
Name of Directors	**Attending seminars and/or conferences and/or forums**	**Giving talks at seminars and/or conferences and/or forums**	**Reading newspapers, journals and updates relating to the economy, general business, tourism or Director's duties and responsibilities etc.**
Executive Directors:			
Zhang Fengchun	√	√	√
Lo Sui On	√	√	√
Zhang Xing*	√	–	√
Liu Fengbo*	√	–	√
Chen Xianjun*	√	–	√
Fu Zhuoyang*	√	–	√
Qu Simon Tao*	–	–	√
Independent Non-executive Directors:			
Fong Yun Wah	√	√	√
Wong Man Kong, Peter	√	–	√
Sze, Robert Tsai To	√	–	√
Chan Wing Kee	√	–	√

* *Mr. Zhang Xing appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) with effect from 24 February 2017.*

* *Mr. Liu Fengbo appointed as an Executive Director of the Company with effect from 24 February 2017.*

* *Mr. Chen Xianjun appointed as an Executive Director of the Company with effect from 24 February 2017.*

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

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

Board Meetings

During the year ended 31 December 2017, the Board held five 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 2017 and reviewed the audited financial statements for the year ended 31 December 2016 and the unaudited interim financial statements for the six months ended 30 June 2017. 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 2017 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 Director:	Mr. Zhang Fengchun

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 2017 are disclosed in the notes to the consolidated financial statements.

The Remuneration Committee held one meeting in 2017 and reviewed the Directors' fees for 2017.

Nomination Committee

Members:

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

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

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

The Nomination Committee held one meeting in 2017 and reviewed the re-election of retiring Directors at the 2017 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 *(Chairman)* 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 2017 and discussed an investment proposal, reviewed the Company's capital expenditure and financial plan for 2017.

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 2017 are set out as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2017					
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	5/5	N/A	1/1	1/1	1/1	1/1
Lo Sui On	4/5	N/A	N/A	N/A	N/A	1/1
Zhang Xing [Note 1]	5/5	N/A	N/A	N/A	N/A	1/1
Liu Fengbo [Note 2]	4/5	N/A	N/A	N/A	N/A	1/1
Chen Xianjun [Note 3]	3/5	N/A	N/A	N/A	0/1	1/1
Fu Zhuoyang [Note 4]	N/A	N/A	N/A	N/A	N/A	N/A
Qu Simon Tao [Note 5]	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:						
Fong Yun Wah	4/5	N/A	N/A	N/A	N/A	1/1
Wong Man Kong, Peter	5/5	2/2	1/1	1/1	1/1	1/1
Sze, Robert Tsai To	5/5	2/2	1/1	1/1	1/1	1/1
Chan Wing Kee	5/5	1/2	1/1	1/1	1/1	1/1

Note 1: Mr. Zhang Xing appointed as an Executive Director and Executive Deputy General Manager (in charge of overall operation) with effect from 24 February 2017.

Note 2: Mr. Liu Fengbo appointed as an Executive Director of the Company with effect from 24 February 2017.

Note 3: Mr. Chen Xianjun appointed as an Executive Director and a member of the Strategy and Development Committee with effect from 24 February 2017.

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 resigned as an Executive Director and Executive Deputy General Manager (in charge of overall operation) of the Company on 8 February 2017.

DIRECTOR'S 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 2017.

AUDITORS' REMUNERATION

On 12 December 2017, PricewaterhouseCoopers has resigned as auditor of the Company and KPMG were first appointed as auditor of the Company. During the year ended 31 December 2017, the remuneration to PricewaterhouseCoopers and KPMG, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	5,413
Non-audit services	1,141
Total	6,554

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 63 to 68.

RISK MANAGEMET 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 include risk strategy, risk management policy and procedures, risk organisation, risk management process and other risk management supporting elements.

Risk Governance Structure

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness on an ongoing basis;

- Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk Management Committee

- Review the effectiveness of the Group's risk management and internal control systems at least annually and report the result to the Board, and such review should cover all material controls including financial, operational and compliance controls;
- Consider major findings on risk management and internal control matters, and report and propose the recommendations to the Board.

Risk Management Office

- Facilitate the performance of risk assessment;
- Monitor the operation of risk management and review risk profile on a regular basis;
- Periodically report the riks management matters to Risk Management Committee.

Business Unit Management

- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks in day-to-day operations.

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.

We have established the risk management system and are endeavouring to improve the risk management system by continuously promoting the risk management culture, performing annual risk assessments and reviewing the measures of risk responses etc.

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. The internal audit department conducts audits in accordance with a risk-based annual 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 over the effectiveness 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 key 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. 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 2017.

During the review, the Board also assessed and considered the resources, staff qualifications and experience, training programs 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 2017, the Company held press and analyst conferences following the release of its 2016 annual results and 2017 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.

INTRODUCTION

We are pleased to present our second Environmental, Social and Governance (ESG) Report covering certain environmental and social responsibility aspects underlying our business operations for the financial year from 1 January 2017 to 31 December 2017.

This report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide ("HKEx ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An index is attached at the end of the report to map the disclosures against the Key Performance Indicators (KPIs) listed in the HKEx ESG Guide, in accordance with the "comply or explain" provisions.

The report scope includes the principal business activities, which are Natural and Cultural Scenic Spot Destinations, Leisure Resort Destinations (both to be referred to "travel destinations"), City hotels ("hotels"), Theme parks, travel agency and related operations, passenger transportation operations and artistic performances. The quantitative environmental performance of our operation is based on data collected from the 12 operation units which have significant impacts.

The Board of Directors is responsible for the leadership, decision-making and supervision of our ESG performance measures, policies and processes.

OUR APPROACH TO SUSTAINABILITY

We have put in place a set of management policies and embedded sustainability principles in our business activities to deliver long-term value to our stakeholders. Based on the results of robust stakeholder engagement, we conducted a materiality assessment to set the priorities of our ESG management. Through all levels and business units in our organisation, we aim to raise awareness of sustainability and to empower our people to develop environmental friendly initiatives. With oversight from the Board, our sustainability targets cover the following four aspects: Environment, People, Operating Practices, and Community. Our measures in these areas will be described in detail in the following pages.

Stakeholder Engagement

We serve a wide range of stakeholders including government, investors, employees, customers, contractors, suppliers and the community. Regular and effective communication through different channels is crucial to understanding the issues that matter most to our stakeholders. This ensures that we can direct our efforts to aligning our business with their goals and sustainability concerns.

We have also engaged representatives from different business functions to identify relevant ESG issues and assess their materiality to our business through holding internal discussions and reviewing our operations. Disclosures relating to the material ESG issues identified have been included in this ESG report, which aims to provide a balanced representation of our ESG performance on environment, social and governance matters.

The table below shows the material ESG issues identified, relevant stakeholder, and our engagement.

Stakeholders	Material Issues	Engagement
Government	• Alignment with national development plans and policies • Legal compliance • Anti-corruption • Appreciation of state-owned assets • Economic development	❖ Respond to national policies and plans ❖ Evaluate current operations according to updates in policies ❖ Respond to inquiries from Government departments ❖ Fulfil social responsibility
Investors	• Performance growth and return on investment • Information disclosure • Business operation risks	❖ Convene regular shareholder meetings ❖ Publish financial and ESG reports
Employees	• Career development and promotion opportunities • Remuneration and benefits protection • Health and safety	❖ Internal and external employee training ❖ Employee caring activities ❖ Company Intranet ❖ Opinion surveys and feedback
Customers	• Product quality and customer safety • Complaint handling • Customer privacy protection	❖ Customer hotline ❖ Grievance mechanisms ❖ Social media and communication
Contractors and Suppliers	• Open, fair and just procurement • Responsible purchasing • Integrity	❖ Open tendering ❖ Examination and evaluation ❖ Regular communication
Community	• Support community development • Ecological conservation • Urban Greenhouse Gas emissions • Resource utilisation	❖ Supervise the construction process ❖ Examine Environmental Impact Assessment Report ❖ Set energy-saving and emission reduction targets ❖ Poverty alleviation projects

Materiality Assessment of ESG Issues

To further our growth in line with the expectation of our stakeholders, we conduct comprehensive materiality analysis to identify their opinions and concerns with regards to our business and sustainable development. Through active communication with stakeholders, in conjunction with management's own expectations, and with the assistance of a third-party professional entity, the following issues were identified to be material. These issues are highly important to both our stakeholders and business, which will be discussed in more detail when addressing the four sustainability aspects in the corresponding sections of this report.

Sustainability aspects	Material ESG issues for us
Environmental	1. Greenhouse gas emissions and mitigation 2. Waste management 3. Use of energy and water 4. Environmental management
Social – People	5. Labour practices 6. Occupational health and safety 7. Training and development 8. Prevention of child and forced labour
Social – Operating practices	9. Supply chain management 10. Service responsibility 11. Intellectual property and data privacy 12. Anti-corruption
Social – Community	13. Contribution to community

To consider our ESG development process and ensure the data accuracy, of all our business operations, the quantitative environmental performance of 12 operation units from our hotels, tourist attractions, and passenger transportation operations were identified and collected this year. We will expand the scope of environmental data in the future to better demonstrate our overall environmental performance. Up to now, detailed disclosure information has been identified and marked in the following sections of the report.

Achievements

During the year, we focused on innovation and successfully established a professional talent pool for tourism investment, development, planning, operations and management. As we have devoted ourselves to the strategic goal of becoming "Top-class Tourist Attraction Investment and Development Operators", we have been honoured to receive a total of 26 awards, including the award "Travel Destinations-Social Responsibility Recommendation" from the China Tourist Attractions Association in 2017.

OUR ENVIRONMENT

We are committed to applying robust sustainability principles throughout all business operations. With a view to complying with the applicable environmental laws and regulations, such as the Environmental Protection Law of the People's Republic of China and the Regulation on the Administration of Construction Project Environmental Protection, we have developed internal policies, programmes, and systems to drive continuous improvement. For example, Xianyang Ocean Spring Resort Co., Ltd ("Xianyang OSR") has required all employees to strictly implement its "Office Management Policy", so as to eliminate energy waste from lighting, water taps, and air-conditioning, as well as to minimise paper usage. The construction projects in travel destinations are all subject to Environmental Impact Assessment (EIA) to evaluate and mitigate any potential impact to the local environment, so as to sustain the development of tourism places. There were no non-compliance cases noted in relation to environmental laws and regulations in 2017.

We also encourage our employees, who are vital to our overall success, to adopt environmentally responsible behaviour including saving energy and water, cutting down greenhouse gas (GHG) emissions and adopting waste reduction measures.

Energy and Resources

Efficient management of energy and other resources reduces operation costs and benefits the environment. Therefore, going beyond legal compliance, we are continually improving our environmental management practices and measures to reduce our use of energy and other resources. For example, the China Travel Hong Kong (Zhuhai) Ocean Spring Resort Co., Ltd ("Zhuhai OSR") has adopted the "Implementation Rules for Energy-saving Management", adjusting energy use structures according to the actual situation of the hotel, with the goal of reducing energy consumption in both customer-facing and management functions. With continuous monitoring, the intensity of electricity consumption has been reduced to about 81 kWh/m^2 comparing with last year's 84 kWh/m^2. Considering the complexity of our business, the specific energy intensity based on each operation will be disclosed in the future.

To achieve higher energy efficiency, we have also implemented the following key initiatives:

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

(ii) Switching off lights and air-conditioning in meeting rooms, and computers at work stations when not in use; and

(iii) Using energy-saving LED lights in our properties, which save the energy compared with fluorescent lights.

By implementing regular measurement and monitoring systems, we can reduce our energy consumption without affecting the experience of our customers. Shenzhen Splendid China Development Co., Ltd ("Splendid China") has carried out "Water and Electricity Consumption Data Collection Procedures and Energy-saving Measures", whereby energy conservation specialists are responsible for collecting weekly and monthly energy statistics. The data summary is subsequently analysed and reported in the management meetings to track our progress on energy conservation. Various employee education activities have been actively carried out to raise environmental awareness of resources and energy conservation, and to encourage employees to take action proactively.

Electricity and other resource consumption figures for 2017 are shown in the following table.

Energy Consumption[1]				
Electricity use	81,223,275.43	kWh	54,060.73	tCO_2e [2]
Natural gas	1,109,075.00	m^3	2,410.14	tCO_2e
Gasoline	567,480.63	L	1,252.61	tCO_2e
Diesel fuel	4,431.31	tonnes	13,858.92	tCO_2e
Liquefied petroleum	349.89	tonnes	1,101.72	tCO_2e
Gas	7,337,992.00	MJ	481.40	tCO_2e
Refrigerant	789.40	kg	1,407.14	tCO_2e

Notes:

1. Data from all 12 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, and China Travel Tours Transportation Services.

2. tCO_2e. Definition: Tonnes of carbon dioxide equivalent, which is describing how much global warming a given type and amount of greenhouse gas may cause, using the functionally equivalent amount or concentration of carbon dioxide (CO_2) as the reference.

Case Studies
Hotels
Metropark Hotel Mongkok
Central Water System The Central Water System of Metropark Hotel Mongkok can adjust water flow and temperature according to time, weather and occupancy rate, saving energy for heating water.
Travel destinations
Zhuhai OSR
Energy Indicators Our energy conservation specialists in the Engineering Department are responsible for the collection of energy statistics, including weekly and monthly usage of electricity, water, gas and diesel. The statistical summary is reported in regular management meetings. We have real-time access to energy usage information and can identify abnormalities for rectification.
Cooling tower repair and improvement works We strive to carry out technical reforms which save energy. To improve the operational efficiency of its central air-conditioning system and to reduce energy consumption, Zhuhai OSR has introduced environmental-friendly refrigerant and solved its tray leakage problem. According to the statistics, the electricity consumption of the central air-conditioner from April to October dropped by 137,000 kWh compared with the same period the previous year.
Passenger transportation operations
China Travel Tours Transportation Services Hong Kong Ltd. (“China Travel Tours Transportation Services”)
Environmental Education In respect of energy conservation, we value the cultivation of staff awareness of energy conservation. Various education activities have been actively carried out to raise environmental awareness of resources and energy conservation, and to encourage employees to take action proactively.

Emissions

We have launched a series of policies and activities to manage greenhouse gas emissions in a systematic way. We have also conducted regular tests on GHG emissions. For example, Zhuhai OSR entrusts a third-party inspection agency to conduct regular tests on air pollutants emitted, including nitrogen oxide, sulphur dioxide, and dust particles, which mainly comes from the combustion of the diesel boilers. The test results are reported to our management for setting reduction targets and to the Environmental Protection Bureau of the Government on a quarterly basis, in line with regulations. Calculated GHG emission figures for 2017 are shown in the following table.

Scope of emission	Overall usage in 2017[1]	Main energy source
Scope 1 Emissions[2]	20,420.22 tCO_2e	Natural gas, gasoline, diesel fuel, liquefied petroleum, gas, refrigerant
Scope 2 Emissions[3]	54,152.45 tCO_2e	Electricity purchased, gas

Notes:

1. Data from all 12 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, and China Travel Tours Transportation Services.

2. Scope 1 greenhouse gas emissions are calculated based on the total electricity consumption according to the total consumption of natural gas, gasoline, diesel fuel, liquefied petroleum, gas and refrigerant.

3. Scope 2 greenhouse gas emissions are calculated based on the emission factors for purchased gas with reference to the information released by Towngas, and purchased electricity with reference to the information released by CLP, HEC, CEM, Southern, Northern and North western regional power grids; for example, the emissions of the Hong Kong hotels located on Hong Kong Island were calculated by HEC emission factors.

In 2017, China Travel Tours Transportation Services had a total of 221 operating vehicles, which were wholly compliant with the relevant environmental laws and regulations. As we strive to control the GHG emissions and to strengthen the inspection of current vehicles, there were 12 buses which did not comply with the emissions standards, and which are being replaced this year with environmental-friendly models that meet international and domestic requirements. During the year, passenger transportation operations has successfully reduced GHG emissions. Information on GHG emissions by type is shown in the following table.

Emissions[1]			Source
Carbon Monoxide (CO)	2.83	tonnes	Total fuel consumption and vehicle emission of China Travel Tours Transportation Services Hong Kong Limited
Carbon Oxides	2.45	tonnes	
Nitrogen Oxide (NO_x)	7.53	tonnes	
Particulate Matter (PM)	0.19	tonnes	

Note:

1. Emission data was calculated on the basis of fuel consumption and vehicle emission standards by China Travel Tours Transportation Services.

Case Studies
Hotels
Metropark Hotel Kowloon
To minimise GHG emissions, Metropark Hotel Kowloon has been constantly monitoring the fuel usage of its operations.
Beijing Guang'anmen Grand Metropark Hotel
Responding to the requirements of the Environmental Protection Agency, Beijing Guang'anmen Grand Metropark Hotel has replaced gas boilers and transformers with energy-saving boilers and transformers.
Travel destinations
Shenzhen The World Miniature Co., Ltd. ("Window of the World")
"The Ice-snow World in Alpine" 300 kWp Distributed Photovoltaic Project Window of the World has been purchasing photovoltaic panels and generating solar energy to further reduce its overall carbon footprint. The roof of "The Alpine World of Ice and Snow" is a distributed photovoltaic power station with a total installed capacity of 302.94 kWp. The project supplies electricity for the spontaneous needs of the skating rink, and the remaining power goes to the power supply network. The cumulative power generation of this project is 625,692 kWh, with a reduction of 623.55 tCO_2e.

Water

Water is a valuable resource and we are committed to conserving it in all of our operations through effective measures. In order to improve the water efficiency of our hotels and travel destinations we have set goals for reducing water consumption and implemented best practices to conserve water. Especially in our theme parks, Window of the World and Splendid China, various water conservation strategies have been introduced, including water efficient technologies for reusing and recycling landscaping water. In 2017, total water consumption was 2,978,064.97 tonnes[1].

Case Studies
Hotels
Beijing Guang'anmen Grand Metropark Hotel
Energy-efficient Toilets Beijing Guang'anmen Grand Metropark Hotel installed energy-efficient water-conserving toilets, reducing consumption from an original flush of 12 litres to a current flush of 6 litres.
Travel Destinations
Window of the World
Fountain Self-Priming Pump Treatment Facilities In 2017, the water recycled percentage for Window of the World reached 19.94%. We have maximised the use of rainwater in the greening of tourist spots, in order to achieve the greatest effect of energy-saving emission reduction by scientific means. We have also installed fountain self-priming pump treatment facilities, so as to reuse fountain water.
Zhuhai OSR
Steam Condensate Recovery System Upgrade Zhuhai OSR upgraded its Steam Condensate Recovery System, whereby steam is produced by 4 diesel boilers, and passes through a pipeline to the hotel laundry room, where it is used for the laundry functions of the entire park. After this upgrade, the intensity of total water usage reduced to be around 4.6 tonnes per square metre.

Note:

1. Data from all 12 operating units including six hotels of Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, and China Travel Tours Transportation Services.

Waste Management

We take a holistic approach to waste management through developing solutions specific to the different industries where we operate. All waste is properly handled and disposed of by an authorised third party. Waste separation facilities have been set up in our hotels and travel destinations, as we believe the correct categorization of waste can facilitate efficient cycling. We also strive to reduce, reuse and recycle throughout our operations to minimise the disposal of waste to landfill. For example, Beijing Guang'anmen Grand Metropark Hotel has implemented a "Green Office Policy" and actively promotes the use of electronic versions of documents. We also provide appropriate facilities in offices and engage with employees to facilitate source separation and waste recycling. No substantial hazardous waste was produced during the year.

The first five categories of waste listed below are recycled by professional recycling companies, waste batteries are recycled by the recycling company designated by the Government. Scrapped vehicles are recovered by a repairer.

Waste Disposed (by types)[1]			
Non-hazardous waste	***Produced***	***Recycled***	***Unit***
Paper	2,403.00	150.00	kg
Glass	6,300.00	6,300.00	kg
Hazardous waste	***Produced***	***Recycled***	***Unit***
Fluorescent Tubes	17.00	17.00	kg
Pesticide Bottles	95.00	95.00	Units
Waste Electrical and Electronic Equipment	52.00	52.00	kg
Waste Batteries	270.00	270.00	Units
Scrapped Vehicles	12.00	12.00	Units

Note:

1. Data from China Travel Tours Transportation Services is included.

Case Studies
Hotels
Metropark Hotel Kowloon
Recycling Activities Metropark Hotel Kowloon cooperated with ASB Chun Yip (Hong Kong) Ltd., Confidential Materials Destruction Service Ltd., and Friends of the Earth in 2017 to recycle waste oil, used paper and second hand clothes respectively.
Metropark Hotel Causeway Bay Hong Kong
Environmental-friendly Bathroom Toiletries In order to reduce plastic consumption, travel-sized bathroom toiletries such as shampoo and shower gel, have gradually been replaced with family-sized products which the packaging can be reused.
Travel destinations
Xianyang OSR
Technical requirements for sewage outflow In order to minimise the impact of water pollution, sewage treatment facilities and the outflow location of the Xianyang OSR are governed by the requirements of the "Technical Specification for Pollution Source Monitoring".

OUR PEOPLE

People are our most valuable resources and the cornerstone of our business. We are committed to grow and nurture our people through continuous training and development to help them reach their full potential while building a motivated workforce to drive the business. We actively engage our employees through various platforms and dedicated to sustaining a healthy, safe and harmonious work environment.

Employee Benefits and Welfare

Recruiting and retaining talent is fundamental to the sustainability of our business. Our human resources policies strictly adhere to the applicable employment laws and regulations in mainland China, Hong Kong and the other regions where we operate. Such regulations include the new Law of the People's Republic of China on Employment Contracts, the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Labour Relations Law, Social Security System and Legal Framework on the Compensation for Accidents at Work and Occupational Diseases. Child and forced labour are strictly prohibited in our organisation.

We engage our employees through a range of benefits, welfare and programmes. Employment policy and Employee handbooks are in place to govern compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare, in accordance with relevant laws and regulations.

We strive to become an equal opportunity employer that does not discriminate on grounds of gender, disability, pregnancy, race, religion, age or family status. Our employees have access to a range of benefits, wellbeing initiatives and advancements including training, promotion, recognition of achievements and compensation.

In this reporting year, we had a total of 6,641 employees. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement. In this vital area of retention and development of new and current employees, we continue to look for factors to make us an employer of choice.

Health and Well-being

We recognise the importance of an engaged workforce that generates positive energy in service delivery and maintains a high performing working environment. A wide range of benefits including comprehensive medical and life insurance, and retirement schemes are provided to employees. Communication channels collecting feedback from employees are available, which can identify areas of improvement. Social and recreational activities are arranged for employees in different business units to achieve work-life balance.

The seventh "Company Day" was held, where subsidiaries organised different activities including orienteering, hiking, and visiting theme parks to nurture a collaborative workforce and corporate culture. Birthday celebrations were also organised in all headquarters offices, one of the best platforms for generating cohesion and team spirit.

Birthday Party

As part of our commitment to promoting employee benefits and diversity, our policies are enhanced to improve inclusivity. In all of our business units, women are granted paid maternity leave whilst joint parental leave and paternity pay are also provided for men. Lactation rooms have been equipped in Metropark Hotel Causeway Bay Hong Kong and Metropark Hotel Mongkok to assist working parents in combining their working and caring responsibilities.

To ensure our employees enjoy a respectful, safe and healthy work environment, China Travel Tours Transportation Services provides employees with health check-ups and workplace site-inspections by qualified organisations. In Beijing Guang'anmen Grand Metropark Hotel, we organise seminars for employees to consult with Chinese medicine practitioners.

Case Studies
Hotels
Metropark Hotel Macau
Metropark Hotel Macau emphasises the motto "People-oriented, Safety first". To improve safety management and risk control, the hotel conducts monthly safety meetings and security patrols. The hotel also invites government departments and professional organisations, including the Labour Bureau, the Health Bureau, and The Institute of Tourism, to conduct training courses on hospitality values, food safety, work and health, first aid care, electricity safety, fire drills, occupational safety and health, prevention of occupational musculoskeletal disorders, and emergency management.

Training and Development

Career development is vitally important to our employees and we develop specific training programmes at all levels of the organization. We 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. We also encourage staff to attend external training programmes to support career development where relevant. With prior approval, courses and examination fees may be subsidised or reimbursed upon the successful completion of programmes leading to an academic qualification. Training activities provided to staff in 2017 included orientation for new employees, finance and taxation enhancement training, seminars hosted by expert scholars and advisory bodies to host training seminars, and management skills training for executives, etc.

Seminar hosted by expert scholar

Case Studies
Headquarters
This year we have implemented a large-scale training initiative to improve the management skills of 52 managers across different business units. We conducted the first round of middle-to-upper managerial training, which was brought to a successful conclusion on 14 July 2017, in Shenzhen and Shapotou. The objective of this training is to strengthen operations management, enhance product quality and improve marketing strategy. To achieve our objective of improving marketing strategy, the instructor introduced a practical marketing training project. Trainees were divided into 4 groups and provided with a limited budget. They then had to formulate marketing solutions and carry out real-life marketing tasks on tourists at 4 destinations to further promote consumption. In extremely hot weather, all 4 groups showed great capability and reached their potential to achieve spectacular returns. The highest performing group achieved revenue growth of 27%, despite the number of tourists being fewer than normal. Through the activity, trainees developed negotiation skills and learned how to exploit opportunities. Most importantly, the training course motivated and reinvigorated employees.
Hotels
Metropark Hotel Macau
Metropark Hotel Macau organises training for employee in accordance with Macao Occupational Skills Recognition System, a joint effort between the Tourism Industry of Macao and IFT, with the main objective of upgrading human resources in the Macao tourism industry through recognition system of a series of occupations. This certification scheme has covered a number of occupations including cook in Chinese cuisine, bartender, customer relations officer, travel consultant, and has helped our employees to understand the which they need to excel.

OPERATING PRACTICES

Maintaining our high-quality and responsible services is essential to developing sustainable partnerships with our stakeholders and our business. We adhere to applicable laws regulating health and safety, advertising, labelling, and privacy.

Supply Chain

We work with a wide range of suppliers. All suppliers are required to go through procurement and supply chain assessment in alignment with the applicable laws and regulations. We prioritised contractors and suppliers that uphold high environmental and social standards. We have published a document "Administrative Measures of the Tendering Procedures", setting out the policies for selection of tender candidates, procedures for tendering and evaluation of standards for tendering. During the year, we were not aware of any significant adverse findings made against any key supplier regarding business ethics, environmental protection, human rights, or labour practices, nor any non-compliance incident in respect of human rights issues.

Our hotels implement stringent supplier admission reviews to overcome any potential challenges along the supply chain. We have engaged more than 1,400 suppliers and service providers in Hong Kong, Macau and mainland China. Suppliers in Hong Kong all possess Hong Kong Business Registration Certificates, so as to ensure that our products and services comply with applicable laws and regulations in Hong Kong.

Case Studies
Hotels
Our hotels prioritised suppliers that are recommended by peers, have third-party certification and are of good reputation. We have established a qualified suppliers' list in which their performances are evaluated monthly. Pursuing cost-effective products, our analysts conduct market research regularly including measurement of a trial sites and collection of the latest information on new products across the hotel industry. We have strict requirements for food safety. Therefore, it is especially important for us to make sure that all suppliers of high-risk products such as salmon, bread, crab, and blue mussels are qualified. We have developed a supplier performance rating system including measures of quality of product, price, packaging, and delivery time. Continuous poor performance leads to termination of contract. In Metropark Hotel Causeway Bay Hong Kong, we have adopted centralised procurement for 90% of the purchasing expenses of our supply chain. All of our hotels in Hong Kong share over 80% of the centralised suppliers so that we can ensure added buying power by combining the needs of various hotels. This approach enables more efficient inventory control and a better and more sustained business relationships with suppliers.

Service Responsibility

To deliver quality services across our hotels and travel destinations, our staff are well trained and our equipment for managing the health and safety of our customers is comprehensive. Each of our business units is committed to continuous improvement and our customer satisfaction ratings are assessed and used to identify specific areas for further improvement.

Our company aims to strengthen the responsibility of central management: to improve the safety control systems of headquarters and project companies; to incorporate production safety into the performance appraisal system; to strengthen the daily supervision of production safety and risk prevention; to strengthen the training of employees; and to improve emergency management.

Case Studies
Hotels
Metropark Hotel Macau and Metropark Hotel Kowloon provide first aid courses with defibrillator training sessions for hotel managers and security personnel twice a year. This could empower our members to take appropriate measures in an emergency. Most of our hotels conduct fire drills to ensure that all employees fully understand how to take care of our guests, and also to test whether fire evacuation plans are effective, as well as to improve certain aspects of our fire risk provisions. Metropark Hotel Kowloon has formed an internel fire prevention team to conduct training every month focusing on the use of fire control systems and fire extinguishers. Throughout the year, 12 training sessions were successfully organised, 8 of which were held in guests' rooms to simulate emergency scenarios.
Travel destinations
The Security Department of Zhuhai OSR successfully achieved a technical reformation costing a total of RMB 1.1 million. Six Fire Control Rooms in the park were successfully merged into one on 30 April 2017 to facilitate the safety supervision of the entire scenic area. The system has demonstrated its stability during a trial period of six months.

Intellectual Property and Data Privacy

Maintaining customer confidentiality and the security of our systems is of significant importance. We have implemented information-privacy and data-security procedures to protect individual privacy, and data-security procedures to safeguard our customers' and employees' information as below:

(i) Only personal data that is believed to be relevant and required to conduct our business may be collected; and

(ii) Personal data may only be used for the purpose for which it is collected or for a directly related purpose unless additional consent is obtained.

In 2017, we were not aware of any incidents of non-compliance with regulations and policies concerning the provision and use of our 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 us.

Anti-Corruption

A reliable anti-corruption system is a foundation for efficient operations that ensure the delivery of high-quality services. Corruption, bribery, extortion and money-laundering activities are prohibited in any form and relevant policies and procedures are clearly stated in the Code of Conduct. Employees are regularly advised of the relevant policies and guidelines, including any updates or revisions. We have 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, in which case we immediately notify appropriate law enforcement agencies.

We have also established complaint channels through which employees can confidentially report unethical or illegal behaviour, and have adopted a whistle-blowing policy to encourage the reporting of any possible improprieties. Training on anti-corruption matters has been incorporated into the orientation process for new employees. Hotels in Hong Kong and Macau also invite government specialists to hold seminars to raise internal awareness of ethical conduct and to emphasise local and national policies on conflicts of interest.

In 2017, no legal cases concerning corrupt practices were brought against us or any of our subsidiaries or employees.

COMMUNITY

We devote ourselves to engaging with and contributing to the social and economic development of the local communities where our travel destinations and hotels are located. Being a responsible corporate citizen, we offer financial support to registered charitable organisations and encourage employees in volunteering to help the underprivileged and deserving members of the community. During the reporting period, we have made donations to support charity programmes in poor villages. A total of 15 volunteering activities were carried out with organisations including Friends of the Earth and the Red Cross, which resulted in a contribution of over 1,300 service hours in Hong Kong, Macau and mainland China.

Furthermore, we are committed to promoting local economic development by creating business opportunities for the local community. Our business operations, especially tourism, plays an important role in supporting the local communities where we operate. We accept and embrace our role in the national mission and in fulfilling our social responsibilities by devoting ourselves to assisting those in need. We actively develop tourism in local areas to increase the income of local residents, as well as to expand direct and indirect employment in the areas where we operate. In order to achieve our goals of reducing poverty and supporting local communities, we continue to pursue poverty alleviation projects in areas including Baise and Hechi in Guangxi Province, Pingquan, Luanping, Longhua, Fengning, and Weichang. In addition, professional training is given to local residents to equip them with necessary business skills and knowledge.

Case Studies
Travel destinations
Bashan Grand Canyon Tourism Development
Bashan Grand Canyon Tourism Development Project (the "Project"), is a national tourism poverty alleviation demonstration project, being a key element of poverty alleviation measures in Dazhou city, Sichuan Province. The Project covers 5 key rural communities with a population of 90,000. Our work has been strongly and continuously supported by the local government. We are dedicated to assisting Xuanhan tourism in achieving the goal of receiving a total of 2 million passengers by 2020, and guiding local residents engaged in catering, accommodation, retail, farming and other local businesses. Our work and cooperation will drive the economy of the core area of 48 villages in Bashan Grand Canyon and surrounding areas, improving the lives of more than 90,000 poverty-affected residents. The scenic project has also been designed and developed to establish tourism brands, to sustain and develop industry, and to facilitate professional training. We are strongly convinced that it is our mission to give back to society and plan more poverty alleviation projects in the near future.

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KPMG

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

OPINION

We have audited the consolidated financial statements of China Travel International Investment Hong Kong Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 69 to 170, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2017 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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 (Continued)

Impairment assessment of property, plant and equipment relating to resort operations

Refer to note 3.1 and note 13 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017, the Group held two resort operations, Zhuhai Ocean Spring Resort and Xianyang Ocean Spring Resort, which the related property, plant and equipment ("the Resorts Related Assets") were stated at cost less accumulated depreciation and impairment losses at amounts of HK$1,253 million and HK$303 million respectively. At the financial reporting date, the Group reviewed the resort operations to determine whether there were any indicators of impairment. When indicators of impairment are identified management assesses the recoverable amounts of the Resorts Related Assets. An impairment loss is recognised as an expense in the consolidated income statement if the carrying amounts of the Resorts Related Assets exceed their recoverable amounts. The recoverable amounts of the Resorts Related Assets are the greater of the fair value less costs of disposal and value in use.	Our audit procedures to assess the impairment of property, plant and equipment relating to the Group's resort operations included the following: • discussing with management whether there were any indicators of impairment of the Resorts Related Assets as at 31 December 2017; • assessing the reasonableness of the impairment assessment models and assessing whether the impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards; • obtaining and inspecting the valuation reports prepared by the external property valuer engaged by the Group; • meeting the external property valuer, to discuss and challenge the key estimates and assumptions adopted in the valuations, including comparable market transactions and to assess the independence, objectivity, qualification and expertise of the external property valuer in the properties being valued; • with the assistance of our internal property valuation specialists, assessing the valuation methodology adopted by the external property valuer and comparing the key estimates and assumptions adopted in the valuation of the Resorts Related Assets, including comparable market transactions, with available market data;

KEY AUDIT MATTERS (Continued)

Impairment assessment of property, plant and equipment relating to resort operations

Refer to note 3.1 and note 13 to the consolidated financial statements

The Key Audit Matter

The calculation of the recoverable amounts of the Resorts Related Assets is performed by the Group's management. The fair value less costs of disposal are assessed by the Group based on independent valuations prepared by a qualified external property valuer which takes into account the recent transactions in nearby locations. In assessing the value in use, the projected cash flows associated with the Resort Related Assets are discounted using risk-adjusted discount rates. The preparation of discounted cash flow forecasts can be highly subjective and requires the exercise of significant management judgement and estimation, in particular in determining forecast room rates, forecast occupancy rates, forecast guests spending, growth rates and discount rates applied.

We identified assessing impairment of property, plant and equipment relating to the Group's resort operations as a key audit matter because of the significant management judgement and estimation required in making assumptions and estimations which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

- obtaining and reading the value in use calculations of the Resorts Related Assets prepared by the Group's management;
- with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the value in use calculations of the Resort Related Assets prepared by the Group's management, including forecast room rates, forecast occupancy rates, forecast guests spending, growth rates and discount rates applied, with available market data and government statistics;
- evaluating the historical accuracy of the key assumptions and most significant inputs used in the prior year's discounted cash flow forecast, including room rates, occupancy rates and growth rates, by comparison with the actual outcomes in the current year and enquiry of management in respect of the reasons for any significant variations identified;
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for the Resorts Related Assets to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY 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. This report is made 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.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- 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.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 Lee Ka Nang.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000
Continuing operations			
Revenue	5	**4,908,837**	4,065,999
Cost of sales		**(2,964,119)**	(2,253,779)
Gross profit		**1,944,718**	1,812,220
Other income and gains, net		**852,944**	140,054
Changes in fair value of investment properties		**80,843**	55,555
Selling and distribution costs		**(511,602)**	(490,039)
Administrative expenses		**(960,815)**	(992,205)
Operating profit	7	**1,406,088**	525,585
Finance income	6	**63,166**	120,677
Finance costs	6	**(4,966)**	(12,965)
Finance income, net	6	**58,200**	107,712
Share of profits less losses of			
– associates		**98,410**	139,991
– joint ventures		**(619)**	4,904
Profit before taxation		**1,562,079**	778,192
Taxation	10	**(297,838)**	(205,129)
Profit for the year from continuing operations		**1,264,241**	573,063
Discontinued operations			
Profit/(loss) for the year from discontinued operations	46	**20,538**	(64,815)
Profit for the year		**1,284,779**	508,248

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Attributable to:			
Equity owners of the Company		**1,147,843**	352,053
Non-controlling interests		**136,936**	156,195
Profit for the year		**1,284,779**	508,248
Earnings per share for profit attributable to equity owners of the Company (HK cents)	12		
Basic earnings/(loss) per share			
From continuing operations		**20.69**	7.60
From discontinued operations		**0.38**	(1.18)
		21.07	6.42
Diluted earnings/(loss) per share			
From continuing operations		**20.67**	7.60
From discontinued operations		**0.38**	(1.18)
		21.05	6.42

The notes on pages 78 to 170 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Profit for the year		**1,284,779**	508,248
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Gain on property valuation, net of tax	10(c)	**25,479**	80,030
Items that may be reclassified to profit or loss:			
Share of hedging reserve of an associate, net of tax	10(d)	**1,336**	20,932
Release of exchange difference upon disposal of subsidiaries		**(977)**	(4,463)
Exchange differences on translation of foreign operations, net		**656,854**	(608,831)
Other comprehensive income for the year, net of tax		**682,692**	(512,332)
Total comprehensive income for the year		**1,967,471**	(4,084)
Attributable to:			
Equity owners of the Company		**1,766,468**	(109,988)
Non-controlling interests		**201,003**	105,904
Total comprehensive income for the year		**1,967,471**	(4,084)

The notes on pages 78 to 170 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**7,398,349**	7,451,863
Investment properties	14	**1,754,106**	1,567,692
Prepaid land lease payments	15	**2,250,352**	426,540
Goodwill	16	**1,323,828**	1,320,591
Other intangible assets	17	**210,682**	163,076
Interest in associates	19	**1,076,902**	1,020,209
Interest in joint ventures	20	**7,084**	51,761
Available-for-sale investments	21	**30,041**	26,104
Prepayments and other receivables	26	**37,310**	307,554
Deferred tax assets	35	**147,990**	50,726
Total non-current assets		**14,236,644**	12,386,116
Current assets			
Inventories	22	**21,339**	34,070
Properties under development	23	**1,883,541**	2,071,597
Completed properties held for sale	24	**92,092**	–
Trade receivables	25	**158,484**	182,417
Deposits, prepayments and other receivables	26	**748,103**	609,434
Loan to a fellow subsidiary	29	**156,831**	–
Amounts due from holding companies	29	**19,724**	21,047
Amounts due from fellow subsidiaries	29	**83,860**	26,262
Tax recoverable		**13,622**	4,896
Financial assets at fair value through profit or loss	27	**1,411,711**	537,724
Pledged time deposits	28	**37,720**	59,761
Cash and bank balances	28	**3,271,404**	3,937,193
		7,898,431	7,484,401
Assets of a disposal group classified as held for sale	30	**–**	105,254
Total current assets		**7,898,431**	7,589,655
Total assets		**22,135,075**	19,975,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	36	**9,102,708**	9,096,434
Reserves		**7,109,921**	5,576,911
		16,212,629	14,673,345
Non-controlling interests		**1,181,217**	1,099,248
Total equity		**17,393,846**	15,772,593
LIABILITIES			
Non-current liabilities			
Deferred income	33	**735,441**	1,088,118
Bank and other borrowings	34	**67,590**	85,467
Deferred tax liabilities	35	**453,069**	424,492
Total non-current liabilities		**1,256,100**	1,598,077
Current liabilities			
Trade payables	31	**397,206**	379,939
Other payables and accruals	32	**2,560,050**	1,961,790
Loans from a holding company	29	**82,545**	–
Amounts due to holding companies	29	**57,487**	3,969
Amounts due to fellow subsidiaries	29	**6,455**	7,979
Tax payables		**350,521**	178,889
Bank and other borrowings	34	**30,865**	13,061
		3,485,129	2,545,627
Liabilities of a disposal group classified as held for sale	30	**–**	59,474
Total current liabilities		**3,485,129**	2,605,101
Total liabilities		**4,741,229**	4,203,178
Total equity and liabilities		**22,135,075**	19,975,771

The financial statements on pages 69 to 170 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf:

Zhang Fengchun **Zhang Xing**

The notes on pages 78 to 170 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity owners of the Company											
	Share capital HK'000 (note 36)	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 2017	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
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	1,147,843	1,147,843	136,936	1,284,779
Other comprehensive income for the year:												
Item that will not be reclassified subsequently to profit or loss:												
Gain on property revaluation, net of tax	-	-	-	25,169	-	-	-	-	-	25,169	310	25,479
Items that may be reclassified subsequently to profit or loss:												
Share of hedging reserve of an associate, net of tax	-	-	-	-	1,336	-	-	-	-	1,336	-	1,336
Release of exchange difference upon disposal of subsidiaries	-	-	-	-	-	-	-	(977)	-	(977)	-	(977)
Exchange differences on translation of foreign operations, net	-	-	-	-	-	-	-	593,097	-	593,097	63,757	656,854
Total other comprehensive income for the year, net of tax	-	-	-	25,169	1,336	-	-	592,120	-	618,625	64,067	682,692
Total comprehensive income for the year	-	-	-	25,169	1,336	-	-	592,120	1,147,843	1,766,468	201,003	1,967,471
Transactions with owners												
Transfer from retained profits	-	-	-	-	-	-	42,611	-	(42,611)	-	-	-
Equity-settled share option arrangement	-	-	31,611	-	-	-	-	-	-	31,611	-	31,611
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	43,138	43,138
Exercise of share options	6,274	-	(1,711)	-	-	-	-	-	-	4,563	-	4,563
Forfeiture of share options	-	-	(2,556)	-	-	-	-	-	-	(2,556)	-	(2,556)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(176,327)	(176,327)
Disposal of subsidiaries	-	-	-	-	-	11,566	-	-	-	11,566	14,155	25,721
2016 final dividend paid	-	-	-	-	-	-	-	-	(108,940)	(108,940)	-	(108,940)
2017 interim dividend paid	-	-	-	-	-	-	-	-	(163,428)	(163,428)	-	(163,428)
Total transactions with owners for the year	6,274	-	27,344	-	-	11,566	42,611	-	(314,979)	(227,184)	(119,034)	(346,218)
At 31 December 2017	9,102,708	-	45,389	527,137	4,101	(547,172)	212,227	314,468	6,553,771	16,212,629	1,181,217	17,393,846

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity owners of the Company											
	Share capital HK'000 (note 36)	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 for the year, net of tax	–	–	–	80,030	20,932	–	–	(563,003)	–	(462,041)	(50,291)	(512,332)
Total comprehensive income 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)
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

The notes on pages 78 to 170 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 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before taxation and profit/(loss) for the year from discontinued operations		**1,582,617**	713,377
Adjustments for:			
Finance costs		**4,966**	12,965
Finance income		**(63,166)**	(120,677)
Gain on disposal of subsidiaries, net		**(28,574)**	(72,394)
Gain on disposal of joint ventures		**(10,534)**	–
Loss on disposal of available-for-sale investment		**690**	–
(Gain)/loss on disposal of discontinued operations	46	**(20,538)**	64,815
Loss on disposal of property, plant and equipment		**66,711**	5,435
Gain derived from assets operation		**(673,740)**	–
Income from financial assets at fair value through profit or loss		**(66,399)**	(17,898)
Depreciation		**404,169**	414,467
Amortisation of prepaid land lease payments		**31,700**	27,635
Amortisation of other intangible assets		**3,020**	3,061
Provision for impairment of available-for-sale investments, prepaid land lease payments, property, plant and equipment and properties under development		**23,642**	116,645
Provision for impairment of trade and other receivables and amount due from an associate, net		**21,548**	3,776
Changes in fair value of investment properties		**(80,843)**	(55,555)
Share of profits less losses of associates		**(98,410)**	(139,991)
Share of profits less losses of joint ventures		**619**	(4,904)
Equity-settled share option expense		**29,055**	8,549
		1,126,533	959,306
Decrease in inventories		**12,764**	540
Decrease/(increase) in properties under development and completed properties held for sale		**232,586**	(210,097)
(Increase)/decrease in trade receivables, deposits, prepayments and other receivables		**(34,917)**	15,037
(Increase)/decrease in amounts due from associates		**(22,822)**	8,787
Increase in amounts due from joint ventures		**–**	(948)
Decrease/(increase) in amounts due from holding companies		**57,786**	(5,009)
Increase in amounts due from fellow subsidiaries		**(14,949)**	(870)
(Decrease)/increase in trade payables, other payables and accruals		**(302,766)**	264,464
(Decrease)/increase in amounts due to associates		**(8,231)**	79,910
Decrease in amounts due to joint ventures		**–**	(1,799)
Decrease in amounts due to fellow subsidiaries		**(1,524)**	(1,482)
(Decrease)/increase in deferred income, net of sales tax		**(62,753)**	27,315
Cash generated from operations		**981,707**	1,135,154
Hong Kong, PRC and Macau profits taxes paid		**(208,734)**	(204,533)
Overseas taxes paid		**(2,799)**	(3,725)
Net cash flows generated from operating activities		**770,174**	926,896

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Finance income received		**75,674**	159,385
Dividends received from associates and joint ventures		**109,027**	97,855
Purchases of property, plant and equipment and prepaid land lease payments		**(607,006)**	(922,420)
Proceeds from disposal of property, plant and equipment		**3,299**	7,721
Net cash inflow for a joint venture company transferred to a subsidiary	39(a)	**52,234**	–
Net cash paid for acquisition of a subsidiary	39(b)	**(51,626)**	–
Capital contribution to newly incorporated associates		**(31,790)**	–
Disposal of subsidiaries, net of cash	38(a)	**55,850**	394,645
Proceeds upon disposal of a joint venture and available-for-sale investments		**22,064**	–
Decrease in amount due from a non-controlling shareholder		**–**	70,156
Decrease in amount due from a related party		**–**	86,526
Increase in entrustment loan receivables		**(5,768)**	(5,846)
Loan to a fellow subsidiary		**(155,578)**	–
Proceeds upon disposal of financial assets at fair value through profit or loss		**4,254,052**	6,477,654
Additions to financial assets at fair value through profit or loss		**(4,988,268)**	(5,454,617)
Decrease/(increase) in pledged time deposits		**25,043**	(4,715)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**275,744**	927,958
Net cash flows (used in)/generated from investing activities		**(967,049)**	1,834,302
Cash flows from financing activities			
Loans from a holding company		**79,600**	–
Finance cost paid		**(4,966)**	(12,965)
Dividends paid		**(272,368)**	(355,372)
Exercise of share option		**4,563**	5,525
Dividends paid to non-controlling shareholders		**(176,327)**	(137,091)
Contribution from non-controlling shareholders		**2,884**	90,579
Proceeds of new bank loans		**195,076**	2,220,408
Repayment of bank loans		**(201,879)**	(2,929,420)
Repurchase of shares		**–**	(260,676)
Net cash flows used in financing activities		**(373,417)**	(1,379,012)
Net (decrease)/increase in cash and cash equivalents		**(570,292)**	1,382,186
Cash and cash equivalents at beginning of year		**2,948,066**	1,717,421
Effect of foreign exchange rate changes, net		**127,618**	(151,541)
Cash and cash equivalents at end of year		**2,505,392**	2,948,066
Analysis of balances of cash and cash equivalents			
Cash and bank balances	28	**3,271,404**	3,937,193
Cash included in assets held for sales		**–**	7,168
Deposits with maturity of more than three months		**(766,012)**	(996,295)
Cash and cash equivalents		**2,505,392**	2,948,066

The notes on pages 78 to 170 are an integral part of these 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 and related operations
- Travel agency, travel document and related operations
- Hotel operations
- Passenger transportation operations

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

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

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 28(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Clarification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group’s financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (“FVTPL”) and (3) fair value through other comprehensive income (“FVTOCI”):

- The classification for debt instruments is determined based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity’s business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurement upon the adoption of HKFRS 9.

With respect to the Group’s financial assets currently classified as “available-for-sale”, these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. If this designation option is elected, the Group will recognise any fair value changes in respect of these investments in other comprehensive income as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group’s policies set out in notes 2.12 and 2.13. This change in policy will have no significant financial impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKFRS 9, Financial instruments (Continued)

(b) *Impairment*

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model may result in earlier recognition of credit losses. The Group expects this will not have significant financial impact.

HKFRS 15, Revenue from contracts with customers

Under HKFRS 15, revenue from sale of goods and provision of services will be recognised when the customer obtains control of the promised good or service in the contract. Management has assessed the impact of the adoption of HKFRS 15 and expected no significant financial impact.

HKFRS 16, Leases

Under HKFRS 16, a lessee is required to recognise at its inception a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the income statement. Management has initially assessed that the adoption of HKFRS 16 would affect the leases of properties as a lessee currently classified as operating leases, which result in an increase in both assets and liabilities and to impact on the timing of recognition in the income statement over the period of the leases. As disclosed in note 42(b), a portion of the Group's future minimum lease payments under non-cancellable operating leases is payable between 1 and 5 years after the end of the reporting period. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will perform a more detailed analysis taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

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. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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 of disposal 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) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities 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 a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) 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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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

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

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Hotel properties	Over the shorter of the lease terms and 75 years
Buildings	Over the shorter of the lease terms and 40 years
Scenic spots establishments	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 recognised 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 borrowing costs.

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's associate designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow 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.

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 nonfinancial 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'.

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 realisable value as estimated by the Directors. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

2.18 Properties under development

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(j) sale of properties, upon the later of execution of a formal sale and purchase agreement or the issue of a completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalment received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under receipt in advance.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Share-based payments (Continued)

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

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

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

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

(b) Share-based payment transactions among group entities

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

2.27 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Other employee benefits (Continued)

Retirement benefit schemes (Continued)

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

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

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

2.28 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Borrowing costs (Continued)

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.

2.29 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Foreign currencies (Continued)

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.

2.30 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 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. As the future is inherently uncertain, actually results may differ from these estimates. 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 the 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 value; (b) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections or fair value less costs of disposal of the asset; 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 rate or the growth rate assumption in the cash flow projections, could significantly affect the Group's reported financial position and results of operations.

Management judgement is also required in the area of properties 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.

The Group 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 and the recoverable amount being the higher of the value in use and fair value less costs of disposal.

Based on 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 as of 31 December 2017.

(ii) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market 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 the reporting period.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Critical accounting estimates and assumptions (Continued)

(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 unit 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 unit 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 35 to the consolidated financial statements.

(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 to the consolidated financial statements.

The principal assumptions for the Group's estimation of the fair value include those related to current market prices for similar properties 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 note 14 to the consolidated financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Critical accounting estimates and assumptions (Continued)

(vii) Provision for impairment of trade and other receivables

The Group's policy for provision for impairment of trade and other receivables 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. No operating segments have been aggregated to form the reportable segments. A summary of details of the operating segments is as follows:

(a) the tourist attraction and related operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities, hotspring resorts, other resorts, golf club, arts performance and tourism property development mainly located in Mainland China;

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

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

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

4 OPERATING SEGMENT INFORMATION (Continued)

The power generation operations engage in the generation of electricity in the 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 was 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. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) attributable to equity owners of the Company of each reportable operating segment excluding changes in fair value of investment properties, result from disposal or impairment of investments, property, plant and equipment, prepaid land lease payments, properties under development and share option expenses.

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 payables and deferred tax liabilities, except for head office and corporate liabilities that are managed on a group basis.

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

The reportable segments have changed starting from 1 January 2017 in order to align with the information reviewed by the chief operating decision maker. Prior year corresponding information have been reclassified to conform to current year presentation.

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Continuing operations							Discontinued operations	
	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated HK$'000
Segment revenue:									
Sales to external customers	2,464,547	1,227,803	787,977	428,510	4,908,837	–	4,908,837	–	4,908,837
Inter-segment revenue	11,419	4,050	4,755	1,509	21,733	16,360	38,093	–	38,093
	2,475,966	1,231,853	792,732	430,019	4,930,570	16,360	4,946,930	–	4,946,930
Elimination of inter-segment revenue					(21,733)	(16,360)	(38,093)	–	(38,093)
Revenue					4,908,837	–	4,908,837	–	4,908,837
Segment results	699,069	142,699	147,599	131,562	1,120,929	(15,114)	1,105,815	–	1,105,815
Non-controlling interests							136,936	–	136,936
Segment operating results before non-controlling interests							1,242,751	–	1,242,751
Changes in fair value of investment properties, net of tax							68,329	–	68,329
Net gain on disposal of subsidiaries, net of tax							22,619	20,538	43,157
Gain on disposal of joint ventures							10,534	–	10,534
Loss on disposal of available-for-sale investment							(690)	–	(690)
Provision for impairment of property, plant and equipment and prepaid land lease payments							(23,642)	–	(23,642)
Net loss on disposal of property, plant and equipment, net of tax							(26,605)	–	(26,605)
Share option expense							(29,055)	–	(29,055)
Profit for the year							1,264,241	20,538	1,284,779

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017 (Continued)

	Continuing operations							Discontinued operations	
	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated HK$'000
Segment assets	10,575,200	2,905,577	4,055,566	386,665	17,923,008	3,128,081	21,051,089	–	21,051,089
Interest in associates	539,910	–	–	516,816	1,056,726	20,176	1,076,902	–	1,076,902
Interest in joint ventures	7,598	–	–	(514)	7,084	–	7,084	–	7,084
Inter-segment receivables	1,347	652,553	367,926	4,912	1,026,738	15,135,052	16,161,790	–	16,161,790
	11,124,055	3,558,130	4,423,492	907,879	20,013,556	18,283,309	38,296,865	–	38,296,865
Elimination of inter-segment receivables							(16,161,790)		(16,161,790)
Total assets							22,135,075		22,135,075
Segment liabilities	3,455,533	435,519	516,940	89,719	4,497,711	243,518	4,741,229	–	4,741,229
Inter-segment payables	3,345,240	41,062	2,307,115	394,999	6,088,416	10,073,374	16,161,790	–	16,161,790
	6,800,773	476,581	2,824,055	484,718	10,586,127	10,316,892	20,903,019	–	20,903,019
Elimination of inter-segment payables							(16,161,790)		(16,161,790)
Total liabilities							4,741,229		4,741,229
Other segment information:									
Share of profits less losses of									
– associates	14,291	–	–	84,345	98,636	(226)	98,410	–	98,410
– joint ventures	(619)	–	–	–	(619)	–	(619)	–	(619)
Capital expenditure (note a)	807,775	3,987	23,377	53,292	888,431	367	888,798	–	888,798
Depreciation and amortisation	264,035	22,088	128,882	22,239	437,244	1,645	438,889	–	438,889
Provision for impairment/(write back of provision for impairment) recognised in the income statement, net (note b)	29,265	2,819	(2,096)	–	29,988	15,202	45,190	–	45,190

Notes:

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

(b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, property, plant and equipment, prepaid land lease payments and amount due from an associate.

4 OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Continuing operations							Discontinued operations	
	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated HK$'000
Segment revenue:									
Sales to external customers	1,839,813	1,198,273	753,456	274,457	4,065,999	–	4,065,999	–	4,065,999
Inter-segment revenue	10,785	4,974	4,085	1,670	21,514	15,800	37,314	–	37,314
	1,850,598	1,203,247	757,541	276,127	4,087,513	15,800	4,103,313	–	4,103,313
Elimination of inter-segment revenue					(21,514)	(15,800)	(37,314)	–	(37,314)
Revenue					4,065,999	–	4,065,999	–	4,065,999
Segment results	115,495	137,490	110,045	149,546	512,576	(99,238)	413,338	–	413,338
Non-controlling interests							156,195	–	156,195
Segment operating results before non-controlling interests							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
Provision for impairment of available-for-sale investments, property, plant and equipment and properties under development							(116,645)	–	(116,645)
Net loss on disposal of property, plant and equipment							(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 and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000	Power generation operations HK$'000	Consolidated HK$'000
Segment assets	8,938,245	2,899,429	4,141,374	209,002	16,188,050	2,715,751	18,903,801	–	18,903,801
Interest in associates	502,273	–	–	517,936	1,020,209	–	1,020,209	–	1,020,209
Interest in joint ventures	15,049	–	–	36,712	51,761	–	51,761	–	51,761
Inter-segment receivables	1,185	763,710	405,870	5,245	1,176,010	17,230,368	18,406,378	–	18,406,378
	9,456,752	3,663,139	4,547,244	768,895	18,436,030	19,946,119	38,382,149	–	38,382,149
Elimination of inter-segment receivables							(18,406,378)		(18,406,378)
Total assets							19,975,771		19,975,771
Segment liabilities	2,784,785	461,074	589,130	89,828	3,924,817	278,361	4,203,178	–	4,203,178
Inter-segment payables	3,210,379	184,360	2,477,789	441,279	6,313,807	12,092,571	18,406,378	–	18,406,378
	5,995,164	645,434	3,066,919	531,107	10,238,624	12,370,932	22,609,556	–	22,609,556
Elimination of inter-segment 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	(1,289)	–	–	6,193	4,904	–	4,904	–	4,904
Capital expenditure (note a)	558,670	13,996	57,720	65,708	696,094	631	696,725	–	696,725
Depreciation and amortisation	261,873	26,206	131,678	23,520	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)	121,084	4	(667)	–	120,421	–	120,421	–	120,421

Notes:

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

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

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassification have no impact on the Group's total equity as at both 31 December 2017 and 2016, or on the Group's profits for the years ended 31 December 2017 and 2016.

4 OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**1,632,302**	1,493,574
Mainland China (including Macau)	**2,910,471**	2,202,530
Overseas	**366,064**	369,895
	4,908,837	4,065,999

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

(b) Non-current assets

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**5,242,893**	5,258,692
Mainland China (including Macau)	**8,727,586**	6,963,328
Overseas	**83,468**	82,347
	14,053,947	12,304,367

The information about the Group's non-current assets is based on the physical location of assets which exclude available-for-sale investments, other receivables (note 26) and deferred tax assets.

Information about major customers

There was no revenue from any sales to any single external customer that contributed over 10% of the total sales of the Group during the year ended 31 December 2017 (2016: Nil).

5 REVENUE

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

An analysis of revenue is as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Tourist attraction and related operations	**2,464,547**	1,839,813
Travel agency, travel document and related operations	**1,227,803**	1,198,273
Hotel operations	**787,977**	753,456
Passenger transportation operations	**428,510**	274,457
	4,908,837	4,065,999

6 FINANCE INCOME, NET

	2017 HK$'000	2016 HK$'000
Interest income:		
Bank deposits and entrustment loans	**63,166**	120,677
Finance income	**63,166**	120,677
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(4,966)**	(12,965)
Finance costs	**(4,966)**	(12,965)
Finance income, net	**58,200**	107,712

7 OPERATING PROFIT

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

	2017 HK$'000	2016 HK$'000
Depreciation	**404,169**	414,467
Amortisation of prepaid land lease payments	**31,700**	27,635
Amortisation of other intangible assets	**3,020**	3,061
Auditors' remuneration		
– Audit services	**6,536**	8,558
– Non-audit services	**2,122**	4,682
Employee benefit expenses (including directors' remuneration (note 8)):		
– Wages and salaries	**1,190,139**	1,108,111
– Equity-settled share option expenses	**31,611**	8,549
Less: Forfeited option expenses	**(2,556)**	(39)
– Equity-settled share option expenses, net	**29,055**	8,510
– Retirement benefit scheme contributions*	**65,153**	77,280
Total employee benefit expenses	**1,284,347**	1,193,901
Minimum lease payments under operating leases:		
– Land and buildings	**76,708**	74,882
– Plant and machinery and motor vehicles	**21,080**	23,069
Provision for impairment of trade and other receivables, net	**6,345**	3,776
Provision for impairment of amount due from an associate	**15,203**	–
Provision for impairment of available-for-sale investments	**–**	258
Provision for impairment of property, plant and equipment and prepaid land lease payments	**23,642**	87,984
Provision for impairment of properties under development	**–**	28,403
Rental income on investment properties	**(37,831)**	(42,911)
Direct operating expenses of investment properties	**1,546**	1,660
Income from financial assets at fair value through profit or loss	**(66,399)**	(17,898)
Government grants#	**(33,217)**	(37,971)
Commission income	**(1,315)**	(1,170)
Management fee income	**(2,215)**	(2,741)
Gain derived from assets operation	**(673,740)**	–
Foreign exchange differences, net	**(6,217)**	72,453
Gain on disposal of subsidiaries, net	**(28,574)**	(72,394)
Gain on disposal of joint ventures	**(10,534)**	–
Loss on disposal of available-for-sale investment	**690**	–
Loss on disposal of property, plant and equipment, net	**66,711**	5,435
Cost of properties sold	**522,840**	–

7 OPERATING PROFIT (Continued)

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

* At 31 December 2017, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2016: Nil).

\# Various government grants have been received in respect of developing and promoting the tourist industry and organising performances that promoted the Chinese traditional culture.

8 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director is set out below:

For the year ended 31 December 2017:

	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										
Mr. Zhang Fengchun	330	-	-	-	-	481	-	-	-	811
Mr. Lo Sui On	240	-	-	-	-	-	-	-	-	240
Mr. Zhang Xing (note (b))	204	605	143	545	379	-	94	-	-	1,970
Mr. Liu Fengbo (note (b))	204	668	500	758	-	-	-	-	-	2,130
Mr. Chen Xianjun (note (b))	204	-	-	-	246	-	-	-	-	450
Mr. Fu Zhouyang (note (c))	36	-	-	-	-	-	-	-	-	36
Mr. Qu Simon Tao (note (d))	25	257	184	125	-	-	3	-	-	594

8 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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 the connection with 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 (e))	44	–	–	–	–	–	–	–	–	44
Mr. Lo Sui On	240	–	–	–	–	–	–	–	–	240
Mr. Zhang Fengchun	257	–	–	–	–	–	–	–	–	257
Mr. Xu Muhan (note (f))	228	–	–	–	–	1,035	–	–	–	1,263
Mr. Fu Zhouyang (note (c))	240	–	–	–	–	–	–	–	–	240
Mr. Qu Simon Tao (note (d))	208	2,400	1,442	223	168	–	18	–	–	4,459

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 37 to the consolidated financial statements. The fair value of such options which has been recognised in the consolidated income statement over the vesting period was determined as at the date of grant, and the amount is included in the above Directors' remuneration disclosures.

Notes:

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

(b) Appointed on 24 February 2017

(c) Resigned on 24 February 2017

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

(e) Resigned on 19 February 2016

(f) Resigned on 23 September 2016

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 (2016: 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 (2016: 1). Details of the remuneration of the five highest paid individuals for the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, housing allowances, other allowances and benefits in kind	**10,006**	12,954
Equity-settled share option expenses	**1,131**	487
Retirement benefit scheme contributions	**71**	226
	11,208	13,667

The emoluments fell within the following bands:

	Number of employees	
	2017	2016
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	2
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 37 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

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Under the Provisional Regulations on Land Appreciation Tax ("LAT"), all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

	2017 **HK$'000**	2016 HK$'000
Current – Hong Kong		
Charge for the year	**59,815**	48,011
(Over)/under-provision in prior years	**(1,969)**	711
Current – Mainland China and Macau		
Charge for the year	**334,557**	138,682
Over-provision in prior years	**(46,355)**	(632)
Current – Overseas		
Charge for the year	**1,524**	668
Over-provision in prior years	**(642)**	–
LAT	**12,261**	–
Deferred tax	**(61,353)**	17,689
Total tax charge for the year	**297,838**	205,129

(b) 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:

10 TAXATION (Continued)

(b) (Continued)

	2017 HK$'000	2016 HK$'000
Profit before taxation	**1,562,079**	778,192
Share of profits less losses of associates and joint ventures	**(97,791)**	(144,895)
	1,464,288	633,297
Tax at the applicable tax rates	**329,883**	139,221
Lower tax rates for specific provinces or enacted by local authority	**–**	(7,596)
Adjustments in respect of current tax of previous periods	**–**	2,581
Income not subject to tax	**(60,026)**	(51,390)
Expenses not deductible for tax purposes	**45,884**	88,302
Effect of withholding tax on the distributed/distributable profits of the Group's PRC subsidiaries, associates and joint ventures	**24,145**	10,798
Tax losses utilised from previous periods	**(18,787)**	(2,157)
Prior year unrecognised tax losses now recognised	**(4,610)**	–
Tax losses not recognised	**18,054**	25,291
LAT	**12,261**	–
(Over)/under-provision in prior years, net	**(48,966)**	79
Tax charge at the Group's effective rate	**297,838**	205,129

The share of tax attributable to associates and joint ventures amounting to HK$26,625,000 (2016: HK$29,725,000) and HK$Nil (2016: HK$793,000) respectively, is included in "Share of profits less losses of associates and joint ventures" in the consolidated income statement.

(c) The gain on property revaluation as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$662,000 (2016: HK$15,747,000).

(d) The share of hedging reserve of an associate as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$264,000 (2016: HK$4,136,000).

11 DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Interim dividend, paid, of HK3 cents (2016: HK2 cents) per ordinary share	**163,428**	108,964
Final dividend, proposed, of HK5.5 cents (2016: HK1 cent) per ordinary share	**299,672**	54,459
Special final dividend, proposed, Nil (2016: HK1 cent) per ordinary share	**–**	54,459
	463,100	217,882

At a board meeting held on 27 March 2018, the Directors proposed a final dividend of HK5.5 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 2018.

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:

	2017	2016
Basic earnings per share		
Profit from continuing operations attributable to equity owners of the Company (HK$'000)	**1,127,305**	416,868
Profit/(loss) from discontinued operations attributable to equity owners of the Company (HK$'000)	**20,538**	(64,815)
Profit attributable to equity owners of the Company (HK$'000)	**1,147,843**	352,053
Weighted average number of ordinary shares in issue	**5,447,098,878**	5,479,490,618
Basic earnings per share from continuing operations (HK cents)	**20.69**	7.60
Basic earnings/(loss) per share from discontinued operations (HK cents)	**0.38**	(1.18)
	21.07	6.42

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

Diluted earnings per share

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

	2017	2016
Profit from continuing operations attributable to equity owners of the Company (HK$'000)	**1,127,305**	416,868
Profit/(loss) from discontinued operations attributable to equity owners of the Company (HK$'000)	**20,538**	(64,815)
Profit attributable to equity owners of the Company (HK$'000)	**1,147,843**	352,053
Weighted average number of ordinary shares in issue	**5,447,098,878**	5,479,490,618
Adjustments for:		
– Share options	**6,384,780**	7,219,527
Weighted average number of ordinary shares for diluted earnings per share	**5,453,483,658**	5,486,710,145
Diluted earnings per share from continuing operations (HK cents)	**20.67**	7.60
Diluted earnings/(loss) per share from discontinued operations (HK cents)	**0.38**	(1.18)
	21.05	6.42

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 2017						
At 31 December 2016 and at 1 January 2017:						
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
At 1 January 2017	3,138,866	1,583,255	576,596	1,238,843	914,303	7,451,863
Additions	–	26,073	1,042	455,344	139,099	621,558
Acquisitions of subsidiaries (note 39)	–	–	–	–	24,389	24,389
Disposals and write-off	–	(10,174)	(13,991)	(25,934)	(19,911)	(70,010)
Depreciation	(96,805)	(57,241)	(56,880)	–	(193,243)	(404,169)
Transfer to prepaid land lease payments	(6,735)	(285,522)	–	(149,668)	(1,079)	(443,004)
Transfer to investment properties	–	(31,361)	–	–	–	(31,361)
Transfer within property, plant and equipment	–	65,988	91,068	(276,846)	119,790	–
Impairment	–	(21,229)	–	(652)	–	(21,881)
Currency translation differences	28,618	53,314	41,206	98,623	49,203	270,964
At 31 December 2017	3,063,944	1,323,103	639,041	1,339,710	1,032,551	7,398,349
At 31 December 2017:						
Cost	5,431,639	2,369,816	1,731,118	1,340,386	2,876,632	13,749,591
Accumulated depreciation and impairment	(2,367,695)	(1,046,713)	(1,092,077)	(676)	(1,844,081)	(6,351,242)
	3,063,944	1,323,103	639,041	1,339,710	1,032,551	7,398,349

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 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 for sale (note 30)	(49,825)	–	–	–	(8,946)	(58,771)
Depreciation	(102,970)	(86,879)	(57,426)	–	(167,192)	(414,467)
Transfer to investment properties	(13,571)	(4,574)	–	–	–	(18,145)
Transfer 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)

At 31 December 2017, included in the Group's land and buildings amounting to HK$73,474,000 (2016: HK$348,117,000) 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 2017, certain of the Group's buildings with net carrying amounts of HK$1,295,000 (2016: HK$1,916,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

At 31 December 2017, accumulated impairment losses amounted to HK$396,987,000 (2016: HK$420,806,000).

During the year ended 31 December 2017, due to continued underperformance of Zhuhai Ocean Spring Resort ("Zhuhai Resort") and Xianyang Ocean Spring Resort ("Xianyang Resort"), the management conducted impairment assessments of Zhuhai Resort and Xianyang Resort.

As at 31 December 2017, the major assets of Zhuhai Resort are land and properties with carrying values amounting to HK$1,252,876,000 (2016: HK$1,210,416,000) which belongs to tourist attraction and related 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 value.

As at 31 December 2017, the major assets of Xianyang Resort are land and properties with carrying values amounting to HK$302,919,000 (2016: HK$385,648,000) which belongs to tourist attraction and related 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 value.

14 INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At fair value		
At 1 January	**1,567,692**	1,439,590
Changes in fair value recognised in income statement	**80,843**	55,555
Gain on property valuation recognised in other comprehensive income	**26,141**	95,777
Transfer from property, plant and equipment and prepaid land lease payments	**31,361**	20,140
Currency translation differences	**48,069**	(43,370)
At 31 December	**1,754,106**	1,567,692

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

	2017 HK$'000	2016 HK$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**865,000**	835,400
Outside Hong Kong:		
– Commercial properties	**889,106**	732,292
	1,754,106	1,567,692

The Group measures their investment properties at fair value. The investment properties were revalued on 31 December 2017 by RHL Appraisal Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK$1,754,106,000 (2016: HK$1,567,692,000). 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 valuers 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 management, audit committee and valuers 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:

- Verify all major inputs to the independent valuation report;
- Assess property valuations movements by comparing with the prior year valuation report;
- Hold discussions with the independent valuers.

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 2017 and 31 December 2016, the range of premium/(discount) used in the direct comparison approach is as follows:

	2017 **Range of premium/(discount)**
Hong Kong	**-20% to 15%**
Outside Hong Kong	**-30% to -7%**

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

15 PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
At 1 January	**452,056**	456,307
Transfer to assets of a disposal group classified as held for sale (note 30)	**–**	(30,372)
Disposal of subsidiaries (notes 38(b) and (c))	**–**	(38,208)
Additions and transfer from property, plant and equipment	**1,758,227**	121,400
Amortisation	**(31,700)**	(27,635)
Transfer to investment properties	**–**	(1,995)
Impairment	**(1,761)**	–
Currency translation differences	**101,972**	(27,441)
At 31 December	**2,278,794**	452,056
Current portion included in deposits, prepayments and other receivables	**(28,442)**	(25,516)
Non-current portion	**2,250,352**	426,540

At 31 December 2017, included in the Group's prepaid land lease payments amounting to HK$1,612,835,000 (2016: HK$Nil) were certain land payments of which the Group was in the progress of applying the land use right certificate as at the end of the reporting period.

16 GOODWILL

	2017 HK$'000	2016 HK$'000
At 1 January		
Cost	**1,626,724**	1,636,284
Accumulated impairment	**(306,133)**	(306,133)
Net book amount	**1,320,591**	1,330,151
At 31 December		
Cost	**1,626,724**	1,636,284
Accumulated impairment	**(306,133)**	(306,133)
Acquisition of a subsidiary (note 39(b))	**3,237**	–
Disposal of a subsidiary (note 38(b))	**–**	(9,560)
Net book amount	**1,323,828**	1,320,591

16 GOODWILL (Continued)

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 and related operations
- Passenger transportation operations

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

The recoverable amount of the travel agency, travel document and related operations cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13% (2016: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

Tourist attraction and related operations cash-generating unit

The recoverable amount of the tourist attraction and related 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% (2016: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

Passenger transportation operations cash-generating unit

The recoverable amount of the passenger transportation operations 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% per annum. Cash flows beyond the five-year period are extrapolated with growth of 3.5%.

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

	Travel agency, travel document and related operations		Tourist attraction and related operations		Passenger transportation operations		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Carrying amount of goodwill	**1,244,769**	1,244,769	**75,822**	75,822	**3,237**	–	**1,323,828**	1,320,591

Key assumptions were used in the value in use calculation of the travel agency, travel document and related operations and tourist attraction operations cash-generating units for the years ended 31 December 2017 and 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

16 GOODWILL (Continued)

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

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

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

17 OTHER INTANGIBLE ASSETS

	Ticketing operation rights	Trademarks	Passenger service licences and quota	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Net book value				
At 1 January 2017	**94,680**	**34,291**	**34,105**	**163,076**
Acquisition of a subsidiary	**–**	**–**	**41,638**	**41,638**
Amortisation	**(3,020)**	**–**	**–**	**(3,020)**
Currency translation differences	**8,988**	**–**	**–**	**8,988**
At 31 December 2017	**100,648**	**34,291**	**75,743**	**210,682**
At 31 December 2017:				
Cost	**125,270**	**34,291**	**75,743**	**235,304**
Accumulated amortisation	**(24,622)**	**–**	**–**	**(24,622)**
	100,648	**34,291**	**75,743**	**210,682**
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

Amortisation of HK$3,020,000 for the year ended 31 December 2017 (2016: HK$3,061,000) is included in administrative expenses in the consolidated income statement.

18 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

Material non-controlling interests

The total non-controlling interests as at 31 December 2017 is HK$1,181,217,000, of which HK$318,442,000 is attributable to 49% interest in Shenzhen The World Miniature Co., Ltd. ("Window of the World"), HK$264,041,000 attributable to 54% interests in CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou") and HK$286,821,000 attributable to 49% interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("CTS (Dengfeng)"). The non-controlling interests in respect of other subsidiaries are not material individually.

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statement of financial position

	Window of the World		Shapotou		CTS (Dengfeng)	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets	**357,475**	327,735	**388,676**	332,213	**336,817**	309,264
Current assets	**455,519**	415,309	**315,688**	394,521	**302,443**	251,220
Non-current liabilities	**–**	–	**(107,347)**	(86,911)	**–**	–
Current liabilities	**(158,201)**	(138,705)	**(110,121)**	(122,577)	**(126,960)**	(115,593)
Net assets	**654,793**	604,339	**486,896**	517,246	**512,300**	444,891

Summarised income statement

	Window of the World		Shapotou		CTS (Dengfeng)	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**560,925**	548,536	**230,996**	234,386	**276,286**	282,543
Profit after taxation and other comprehensive income	**253,638**	205,939	**12,194**	43,444	**66,468**	39,972
Total comprehensive income attributable to non-controlling interests	**124,261**	100,910	**(355)**	21,288	**30,318**	19,586
Dividends paid to non-controlling interests	**(99,560)**	(103,348)	**(35,312)**	(15,355)	**–**	(24,614)

18 SUBSIDIARIES (Continued)

Summarised statement of cash flows

	Window of the World		Shapotou		CTS (Dengfeng)	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Net cash flows generated from operating activities	**238,501**	263,697	**72,454**	79,501	**41,485**	33,019
Net cash flows (used in)/ generated from investing activities	**(54,637)**	21,658	**(326,764)**	(61,663)	**(61,503)**	(98,809)
Net cash flows (used in)/ generated from financing activities	**(203,185)**	(210,914)	**(49,279)**	90,690	**(2,973)**	89,973
Net (decrease)/increase in cash and cash equivalents	**(19,321)**	74,441	**(303,589)**	108,528	**(22,991)**	24,183
Cash and cash equivalents at end of year	**99,350**	111,572	**82,079**	370,898	**167,440**	178,751

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

19 INTEREST IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets	**1,080,528**	1,023,835
Provision for impairment	**(3,626)**	(3,626)
	1,076,902	1,020,209

19 INTEREST IN ASSOCIATES (Continued)

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 2017	2016	Principal activities
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. #	RMB20,000,000	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 Limited #	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 KPMG

(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.

19 INTEREST IN ASSOCIATES (Continued)

Summarised financial information for associates

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

	Shun Tak – China Travel		Other associates in aggregate		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Non-current assets	**782,306**	788,202	**857,420**	561,901	**1,639,726**	1,350,103
Current assets	**1,501,446**	1,479,519	**2,872,849**	1,156,418	**4,374,295**	2,635,937
Non-current liabilities	**(29,568)**	(29,192)	**(15,280)**	(9,243)	**(44,848)**	(38,435)
Current liabilities	**(470,875)**	(450,978)	**(2,057,532)**	(287,567)	**(2,528,407)**	(738,545)
Net assets	**1,783,309**	1,787,551	**1,657,457**	1,421,509	**3,440,766**	3,209,060
Revenue	**2,553,957**	2,548,138	**702,207**	927,115	**3,256,164**	3,475,253
Profit after taxation	**291,156**	360,125	**136,623**	163,821	**427,779**	523,946
Other comprehensive income	**4,602**	72,179	**–**	(293)	**4,602**	71,886
Total comprehensive income	**295,758**	432,304	**136,623**	163,528	**432,381**	595,832
Dividends received from associates	**(87,000)**	(87,000)	**(22,027)**	(48,676)	**(109,027)**	(135,676)

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

Reconciliation of summarised financial information

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

	Shun Tak – China Travel		Other associates in aggregate		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Net assets						
At 1 January	**1,787,551**	1,655,247	**1,421,509**	1,427,413	**3,209,060**	3,082,660
Profit for the year	**291,156**	360,125	**136,623**	163,821	**427,779**	523,946
Other comprehensive income	**4,602**	72,179	**–**	(293)	**4,602**	71,886
Capital contribution to new associates	**–**	–	**109,690**	–	**109,690**	–
Currency translation differences	**–**	–	**93,147**	58,863	**93,147**	58,863
Dividend	**(300,000)**	(300,000)	**(103,512)**	(228,295)	**(403,512)**	(528,295)
At 31 December	**1,783,309**	1,787,551	**1,657,457**	1,421,509	**3,440,766**	3,209,060
Group's interest	**29%**	29%	**–**	–	**–**	–
Share of net assets	**517,160**	518,390	**563,368**	505,445	**1,080,528**	1,023,835

20 INTEREST IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets	**7,084**	51,761

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

	2017 HK$'000	2016 HK$'000
Non-current assets	**10,554**	21,971
Current assets	**6,188**	50,595
Current liabilities	**(9,658)**	(20,805)
Net assets	**7,084**	51,761
Revenue	**–**	78,147
Expenses	**(619)**	(72,450)
Taxation	**–**	(793)
Profit after taxation and total comprehensive income	**(619)**	4,904
Dividends received from joint ventures	**–**	–

(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 unlisted equity securities, whose fair values cannot be measured reliably. The investments are stated at cost less accumulated impairment.

22 INVENTORIES

	2017 HK$'000	2016 HK$'000
Food and beverages	**11,145**	11,353
Spare parts and consumables	**1,366**	987
General merchandise	**8,828**	21,730
	21,339	34,070

23 PROPERTIES UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
At 1 January	**2,071,597**	2,026,394
Additions	**290,254**	212,474
Transfer to properties for sales	**(611,647)**	–
Impairment	**–**	(28,403)
Currency translation differences	**133,337**	(138,868)
At 31 December	**1,883,541**	2,071,597

	2017 HK$'000	2016 HK$'000
Properties under development comprise:		
Land use rights	**1,159,686**	1,155,808
Construction cost and capitalised expenditures	**723,855**	915,789
	1,883,541	2,071,597

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

24 COMPLETED PROPERTIES HELD FOR SALE

	2017 HK$'000	2016 HK$'000
At 1 January	**–**	–
Transfer from properties under development	**611,647**	–
Sold during the year	**(522,840)**	–
Currency translation differences	**3,285**	–
At 31 December	**92,092**	–

25 TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**177,978**	198,100
Less: provision for impairment	**(19,494)**	(15,683)
	158,484	182,417

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

At 31 December 2017 and 2016, 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:

	2017 HK$'000	2016 HK$'000
Within 3 months	**141,790**	167,789
Over 3 months to 6 months	**9,486**	7,602
Over 6 months to 12 months	**3,448**	5,293
Over 1 year to 2 years	**3,435**	809
Over 2 years	**325**	924
	158,484	182,417

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

	2017 HK$'000	2016 HK$'000
At 1 January	**15,683**	12,282
Provision for impairment	**6,908**	5,921
Impairment losses reversed	**(3,434)**	(2,145)
Currency translation differences	**337**	(375)
At 31 December	**19,494**	15,683

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 2017, trade receivables of HK$16,694,000 (2016: HK$14,628,000) 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:

25 TRADE RECEIVABLES (Continued)

	2017 HK$'000	2016 HK$'000
Over 3 months to 6 months	**9,486**	7,602
Over 6 months to 12 months	**3,448**	5,293
Over 1 year to 2 years	**3,435**	809
Over 2 years	**325**	924
	16,694	14,628

As at 31 December 2017, trade receivables of HK$19,494,000 (2016: HK$15,683,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Over 3 months to 6 months	**31**	–
Over 6 months to 12 months	**5,771**	–
Over 1 year to 2 years	**2,788**	5,107
Over 2 years	**10,904**	10,576
	19,494	15,683

The provision and reversal of provision for impairment loss on trade 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.

26 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Deposits, prepayments and other receivables		**433,101**	598,884
Entrustment loan receivables from non-controlling shareholders	(a)	**275,149**	251,534
Amounts due from non-controlling shareholders	(b)	**38,818**	43,201
Amounts due from associates	(c)	**29,907**	22,289
Amount due from a joint venture	(c)	**–**	1,080
Amount due from a related company	(c)	**8,438**	–
		785,413	916,988
Less: non-current portion of prepayments		**(32,644)**	(302,635)
non-current portion of other receivables		**(4,666)**	(4,919)
		748,103	609,434

26 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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.

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 RMB80 million and RMB150 million (2016: RMB75 million and RMB150 million) withdrawn respectively, as at 31 December 2017. 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 People's Bank of China ("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 RMB32 million (2016: RMB35 million), which is unsecured and the principal bears interest at 5.52% per annum.

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

27 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 of 1 year or less.

Their notional amount approximate their fair values and as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 year	**1,411,711**	537,724

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)

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

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017:

	2017			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**–**	**1,411,711**	**–**	**1,411,711**

	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

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 (2016: Nil).

Changes in fair value of financial assets at fair value through profit or loss are recorded in other income and gains, net 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 (2017: 3.9%-4.9%; 2016: 2.95%-3.35%). The fair values are within level 2 of the fair value hierarchy.

28 CASH AND BANK BALANCES

(a)

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**1,244,427**	1,181,185
Time deposits	**2,064,697**	2,815,769
	3,309,124	3,996,954
Less: Pledged time deposits	**(37,720)**	(59,761)
	3,271,404	3,937,193
Cash and bank balances in the consolidated statement of financial position	**3,271,404**	3,937,193
Cash included in assets held for sales	**–**	7,168
Less: Deposits with maturity of more than three months	**(766,012)**	(996,295)
Cash and cash equivalents in the consolidated cash flow statement	**2,505,392**	2,948,066

28 CASH AND BANK BALANCES (Continued)

(a) (Continued)

	2017 HK$'000	2016 HK$'000
Maximum exposure to credit risks	3,298,518	3,986,182

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.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$1,937,756,000 (2016: HK$3,107,278,000). 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.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings $'000	Loans from a holding company $'000	Interest payable $'000	Total $'000
At 1 January 2017	98,528	–	–	98,528
Changes from financing cash flows:				
Proceeds from new bank loans	195,076	–	–	195,076
Repayment of bank loans	(201,879)	–	–	(201,879)
Proceeds from new loans from a holding company	–	79,600	–	79,600
Finance cost paid	–	–	(4,966)	(4,966)
Total changes from financing cash flows	(6,803)	79,600	(4,966)	67,831
Other change				
Finance costs (note 6)	–	–	4,966	4,966
Currency translation differences	6,730	2,945	–	9,675
At 31 December 2017	98,455	82,545	–	181,000

29 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES

Except for loan to a fellow subsidiary and loans from a holding company, all other balances with holding companies and fellow subsidiaries of the Group mainly represent receivables and payables which are of trade nature.

The loan to a fellow subsidiary is unsecured, interest-bearing at the six month United Stated dollars London Interbank Offered Rate plus 2.6% per annum and repayable on 18 May 2018.

The loans from a holding company are unsecured, interest-bearing at 1.2% per annum and repayable on demand.

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:

	2017 **HK$'000**	2016 HK$'000
Amounts due from holding companies		
Within 1 year	**18,115**	18,948
1 to 2 years	**1,609**	2,099
	19,724	21,047
Amounts due from fellow subsidiaries		
Within 1 year	**83,733**	26,209
1 to 2 years	**71**	–
Over 2 years	**56**	53
	83,860	26,262

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.

	2017 **HK$'000**	2016 HK$'000
Amounts due to holding companies		
Within 1 year	**57,487**	3,969
Amounts due to fellow subsidiaries		
Within 1 year	**6,455**	7,979

30 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 RMB52,650,000. 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 gain on disposal of HK$28,570,000 is recognised during the year and included in other income and gains, net of consolidated income statement.

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

	Note	2016 HK$'000
Property, plant and equipment	13	58,771
Prepaid land lease payments	15	30,372
Deferred tax asset	35	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

	Note	2016 HK$'000
Trade payables		1,401
Tax payables		10
Other payables and accruals		54,328
Deferred tax liabilities	35	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

31 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:

	2017 HK$'000	2016 HK$'000
Within 3 months	**343,884**	327,790
Over 3 months to 6 months	**16,100**	14,431
Over 6 months to 12 months	**4,617**	6,603
Over 1 year to 2 years	**5,532**	4,965
Over 2 years	**27,073**	26,150
	397,206	379,939

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

32 OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Construction in progress payables	**749,348**	480,944
Accrued employee benefits	**336,174**	325,386
Receipts in advance	**200,245**	399,005
Amounts due to the non-controlling shareholders	**5,671**	4,929
Amounts due to an associate and a joint venture	**71,679**	85,950
Contingent consideration on subsidiary disposal	**–**	72,017
Other payable and accruals	**1,196,933**	593,559
	2,560,050	1,961,790

Contingent consideration loss payable was related to disposal of the Group's interest in Chadwick Developments Limited ("Chadwick") and it was derivative financial instruments (note 45), which was 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. The contingent consideration was finalised during the year ended 31 December 2017. Change in fair value of net financial liabilities at fair value through profit or loss is recorded in discontinued operations (note 46) 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.

33 DEFERRED INCOME

Deferred income primarily represents government grant income.

34 BANK AND OTHER BORROWINGS

	2017			2016		
	Contractual interest rate per annum (%)	Maturity	HK$'000	Contractual interest rate per annum (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	3-Year PBOC Benchmark loan interest rate	2018	23,926	3-Year PBOC Benchmark loan interest rate	2017	11,179
Bank loans – unsecured	1.975	2018	499	1.975	2017	482
Bank loans – unsecured	1.5	2018	1,287	1.5	2017	282
Other borrowings – unsecured	Interest-free	on demand	3,957	–	–	–
Other loans – unsecured	Interest-free	on demand	1,196	Interest-free	on demand	1,118
			30,865			13,061
Non-current						
Bank loan – unsecured	3-Year PBOC Benchmark loan interest rate	2019	65,796	3-Year PBOC Benchmark loan interest rate	2019	78,254
Bank loan – unsecured	1.975	2020	829	1.975	2020	1,282
Bank loan – unsecured	1.5	2019	965	1.5	2019	1,974
Other borrowings – unsecured	–	–	–	Interest-free	2017-2024	3,957
			67,590			85,467
Total bank and other borrowings			98,455			98,528

34 BANK AND OTHER BORROWINGS (Continued)

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

	2017 **HK$'000**	2016 HK$'000
Hong Kong dollar	**3,957**	3,957
Renminbi	**90,919**	90,551
Japanese Yen	**1,328**	1,764
Korean Won	**2,251**	2,256
	98,455	98,528

At 31 December 2017, the Group's borrowings were repayable as follows:

	2017 **HK$'000**	2016 HK$'000
Bank loans:		
Within 1 year	**25,712**	11,943
Between 1 and 2 years	**67,260**	23,968
Between 2 and 5 years	**330**	57,542
	93,302	93,453
Other borrowings:		
Within 1 year	**5,153**	3,284
Between 2 and 5 years	**–**	1,566
Over 5 years	**–**	225
	5,153	5,075
	98,455	98,528

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

35 DEFERRED TAX

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 allowance 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 2017	**110,688**	**73,637**	**229,731**	**10,436**	**424,492**
Deferred tax charged/(credited) to the income statement	**4,224**	**21,046**	**1,161**	**2,901**	**29,332**
Currency translation differences	**(961)**	**(755)**	**–**	**–**	**(1,716)**
Acquisition of a subsidiary	**961**	**–**	**–**	**–**	**961**
At 31 December 2017	**114,912**	**93,928**	**230,892**	**13,337**	**453,069**
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)
Reclassified to liabilities held for sale (note 30)	–	–	(3,735)	–	(3,735)
At 31 December 2016	110,688	73,637	229,731	10,436	424,492

35 DEFERRED TAX (Continued)

Deferred tax assets

	Unrealised gain on land contribution to associate HK$'000	Provision and accruals HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2017	**(34,854)**	**–**	**(15,789)**	**(83)**	**(50,726)**
Deferred tax (credited)/charged to the income statement	**(852)**	**(84,459)**	**653**	**(6,027)**	**(90,685)**
Currency translation differences	**(2,601)**	**(3,125)**	**(853)**	**–**	**(6,579)**
At 31 December 2017	**(38,307)**	**(87,584)**	**(15,989)**	**(6,110)**	**(147,990)**
At 1 January 2016	(37,214)	–	(18,996)	(83)	(56,293)
Deferred tax charged to the income statement	–	–	2,507	–	2,507
Currency translation differences	2,360	–	1,072	–	3,432
Reclassified to liabilities held for sale (note 30)	–	–	(372)	–	(372)
At 31 December 2016	(34,854)	–	(15,789)	(83)	(50,726)

The following is an analysis of the deferred tax balance of the Group for financial reporting purposes:

	2017 HK$'000	2016 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(147,990)**	(50,726)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**453,069**	424,492
	305,079	373,766

The Group has tax losses arising in Hong Kong of HK$80,709,000 (2016: HK$77,872,000) 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$370,584,000 (2016: HK$527,221,000) and overseas of HK$17,844,000 (2016: HK$20,523,000) 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.

36 SHARE CAPITAL

	2017 Number of shares	2017 HK$'000	2016 Number of shares	2016 HK$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**5,445,901,525**	**9,096,434**	5,549,763,525	9,088,838
Shares cancelled upon repurchase of own shares (note a)	**–**	**–**	(107,112,000)	–
Share issued upon share option scheme	**2,684,000**	**6,274**	3,250,000	7,596
At 31 December	**5,448,585,525**	**9,102,708**	5,445,901,525	9,096,434

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 transaction 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.

37 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.

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. Each option is settled gross in shares.

37 SHARE OPTION SCHEME (Continued)

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:

	2017		2016	
	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	**2.231**	**192,538**	1.700	26,648
Granted during the year	**–**	**–**	2.304	169,840
Forfeited during the year	**2.304**	**(13,500)**	2.304	(700)
Exercised during the year	**1.700**	**(2,684)**	1.700	(3,250)
At 31 December	**2.233**	**176,354**	2.231	192,538

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

2017 Number of options '000	**Exercise price# HK$ per share**	**Exercise period**
6,214	**1.700**	**18 June 2012 – 17 June 2020**
6,214	**1.700**	**18 June 2013 – 17 June 2020**
8,286	**1.700**	**18 June 2014 – 17 June 2020**
45,949	**2.304**	**15 September 2018 – 14 September 2021**
45,949	**2.304**	**15 September 2019 – 14 September 2021**
47,342	**2.304**	**15 September 2020 – 14 September 2021**
5,412	**2.304**	**30 December 2018 – 29 December 2021**
5,412	**2.304**	**30 December 2019 – 29 December 2021**
5,576	**2.304**	**30 December 2020 – 29 December 2021**
176,354		

37 SHARE OPTION SCHEME (Continued)

2016 Number of options '000	Exercise price# HK$ per share	Exercise period
7,019	1.700	18 June 2012 – 17 June 2020
7,019	1.700	18 June 2013 – 17 June 2020
9,360	1.700	18 June 2014 – 17 June 2020
50,041	2.304	15 September 2018 – 14 September 2021
50,041	2.304	15 September 2019 – 14 September 2021
51,558	2.304	15 September 2020 – 14 September 2021
5,775	2.304	30 December 2018 – 29 December 2021
5,775	2.304	30 December 2019 – 29 December 2021
5,950	2.304	30 December 2020 – 29 December 2021
192,538		

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$29,055,000 (2016: HK$8,549,000) during the year ended 31 December 2017.

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)	2.304

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.

38 DISPOSAL OF SUBSIDIARIES

(a) 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 Hotel, at consideration of approximately RMB52,650,000. The Yangzhou Hotel operates hotel in Mainland China. The transaction was completed in February 2017. The gain on disposal of HK$28,570,000 is recognised during the year and included in other income and gains, net of the consolidated income statement.

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

	HK$'000
Assets	
Property, plant and equipment	83,240
Prepaid land lease payments	2,436
Inventories	1,224
Trade receivables	2,545
Deposits, prepayments and other receivables	2,059
Deferred tax assets	544
Cash and bank balances	2,257
	94,305
Liabilities	
Trade payables	(7,319)
Other borrowings	(41,577)
	(48,896)
Net assets	45,409
Non-controlling interest, release of reserve and cost of disposal	(14,430)
Gain on disposal of a subsidiary	28,570
Total consideration	59,549
Satisfied by cash	59,549
Net cash flows arising from the disposal	
Cash consideration received	59,549
Cash and cash equivalents disposed of	(2,257)
Direct cost of disposal	(1,442)
	55,850

38 DISPOSAL OF SUBSIDIARIES (Continued)

(b) 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

38 DISPOSAL OF SUBSIDIARIES (Continued)

(c) 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

39 BUSINESS COMBINATIONS

(a) A joint venture company transferred to a subsidiary

On 1 January 2017, Macao CTS Passenger Road Transport Company LTD. became subsidiary of the Group pursuant to the revised articles that confer the Group the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities.

The following table summarises the net assets of the company at the date of acquisition. The joint venture company had a carrying value of HK$73,424,000 before the change of control. The acquisition resulted in a net cash inflow of HK$52,234,000 and no goodwill or bargain purchase was recognised from this transaction.

	1 January 2017 HK$'000
Purchase consideration	
– Carrying value of equity interest in above companies held before the business combination	36,712
– Fair value adjustment on purchase consideration	3,542
Total purchase consideration	**40,254**
Recognised amounts of identifiable assets acquired and liabilities assumed fair value	
Cash and bank balances	52,234
Property, plant and equipment	13,925
Available-for-sale investments	11,477
Other non-current assets	1,005
Inventories	33
Accounts receivables, prepayments and other receivables	25,394
Accounts payables, receipt in advance, accruals and other payables	(23,559)
Total identifiable net assets	80,509
Non-controlling interest	(40,254)
	40,255

	1 January 2017 HK$'000
Inflow of cash to acquire business	
– cash and bank balances in subsidiary acquired	52,234

The acquired business contributed revenues of HK$147,215,000 and net profit of HK$9,507,000 to the Group for the period from 1 January 2017 to 31 December 2017.

39 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of a subsidiary

On 30 March 2017, the Group acquired 100% of the issued shares in Associated Motor Service and Repair Limited, a company focus on passenger transportation, for consideration of HK$51,855,000.

The following table summarises the consideration paid for Associated Motor Service and Repair Limited, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	30 March 2017 HK$'000
Purchase consideration	
– Cash paid	49,800
– Payable	2,055
Total purchase consideration	51,855
Recognised amounts of identifiable assets acquired and liabilities assumed fair value	
Cash and bank balances	229
Property, plant and equipment	10,464
Intangibles:	
– PSL	21,600
– Quota	20,038
Other receivables	351
Accounts payables	(3,103)
Deferred tax liabilities	(961)
Total identifiable net assets	48,618
Goodwill	3,237
	51,855

	30 March 2017 HK$'000
Outflow of cash to acquire business, net of cash acquired	
– cash consideration	51,855
– cash and bank balances in subsidiary acquired	(229)
Cash outflow on acquisition	51,626

The acquired business contributed revenues of HK$9,658,000 and net profit of HK$2,049,000 to the Group for the period from 1 April 2017 to 31 December 2017. If the acquisition had occurred on 1 January 2017, consolidated revenue and consolidated profit for the half year ended 31 December 2017 would have been HK$12,877,000 and HK$2,732,000 respectively.

40 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 (%) 2017	2016	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 Guang'anmen Grand Metropark Hotel Co., Ltd. (formerly known as "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

40 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 (%) 2017	2016	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. [4]	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
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
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
CTS Tycoon (Shenzhen) Golf Club Co. Ltd. [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
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

40 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 (%) 2017	2016	Principal activities
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
Yangzhou Hotel [3,4]	PRC/Mainland China	RMB44,000,000	**–**	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

40 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 (%) 2017	2016	Principal activities
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	**96.38**	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 [1,5,6]	PRC/Mainland China	RMB192,117,800	**46**	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
內蒙古港中旅天創景區建設管理有限公司[3,4]	PRC/Mainland China	RMB50,000,000	**78**	–	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 the translation of 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 KPMG

5 Directly owned by the Company

6 Proportion of ordinary shares held by the group is less than 51%, but the Group remains control over the entity

41 CONTINGENT LIABILITIES

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

	2017 **HK'000**	2016 HK$'000
Performance bond given to a customer for due performance of a sales contract	**300**	300

42 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 2017, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	2017 **HK'000**	2016 HK$'000
Investment properties:		
Within one year	**52,918**	102,640
In the second to fifth years, inclusive	**56,060**	151,606
After five years	**–**	974
	108,978	255,220
Equipment and motor vehicles:		
Within one year	**4,567**	1,780
In the second to fifth years, inclusive	**576**	780
After five years	**–**	20
	5,143	2,580

(b) As lessee

At 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 **HK'000**	2016 HK$'000
Land, buildings, equipment and motor vehicles#:		
Within one year	**62,137**	69,471
In the second to fifth years, inclusive	**109,866**	110,516
Later than five years	**279,156**	231,942
	451,159	411,929

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.

43 COMMITMENTS

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

	2017 **HK'000**	2016 HK$'000
Property project, land and buildings:		
Contracted, but not provided for	**742,768**	814,754
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**49,746**	9,106
Authorised, but not contracted for	**54,405**	–
Scenic spots:		
Contracted, but not provided for	**127,265**	168,061
Unpaid capital contribution to an associate:		
Contracted, but not provided for	**20,935**	–

44 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

	Note	**2017** **HK'000**	2016 HK$'000
Travel-related income from	(a)		
– immediate holding company#*		**201,586**	200,475
– fellow subsidiaries*		**27,049**	29,675
– associates		**71,837**	49,508
– other related parties*		**3,017**	4,008
Hotel-related income from	(a)		
– immediate holding company		**2,502**	3,052
– fellow subsidiaries		**2,002**	1,434
Management income from	(b)		
– fellow subsidiaries*		**9,416**	18,082
– associates and a joint venture		**9,991**	8,189
– a non-controlling shareholder		**66,961**	–
Rental income from	(c)		
– fellow subsidiaries*		**5,487**	2,750
– an associate		**41,661**	39,431
– a non-controlling shareholder		**2,601**	–
– a related party		**1,945**	28

44 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

	Note	2017 HK'000	2016 HK$'000
Interest income from a loan to			
– a fellow subsidiary		**3,986**	–
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		**(51,498)**	(65,389)
– an associate		**(2,430)**	(2,498)
– other related parties*		**(12,094)**	(3,533)
– a non-controlling shareholder		**(1,497)**	–
Management expenses paid to	(b)		
– fellow subsidiaries*		**(10,328)**	(9,635)
Rental expenses paid to	(c)		
– immediate holding company*		**(16,053)**	(17,061)
– fellow subsidiaries*		**(2,903)**	(2,367)
– an associate		**(2,097)**	(3,320)
– a non-controlling shareholder		**(2,607)**	–
– other related parties		**(22,516)**	(22,867)
Other operating expenses paid to			
– a related party		**(24,732)**	(24,138)

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.

* These related party transactions contain connected transactions or continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The disclosures required by the Listing Rules are provided in section "Connected transactions and continuing connected transactions" of the Directors' Report. The amounts disclosed above include certain income/expenses which are exempted from the announcements and reporting requirements as they are below de minimis threshold under the Listing Rule 14A.76(1).

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.

44 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant balances with related parties

(i) On 26 May 2017, China CTS, as lender, entered into the Loan Agreement with Shapotou, as borrower, for a term of three years commencing from 26 May 2017 and with repayable on demand clause, pursuant to which China CTS has agreed to provide a loan of RMB30,000,000 to Shapotou. The interest rate shall be the fixed rate 1.2% per annum. As at 31 December 2017, the arrangement remained effective with RMB30,000,000 withdrawn.

(ii) On 24 May 2017, China CTS, as lender, entered into the Loan Agreement with CTS (Anji) Tourism Development Company Limited ("Anji"), as borrower, for a term of three years commencing from 24 May 2017 and with repayable on demand clause, pursuant to which China CTS has agreed to provide a loan of RMB39,000,000 to Anji. The interest rate shall be the fixed rate 1.2% per annum. As 31 December 2017, the arrangement remained effective with RMB39,000,000 withdrawn.

(iii) On 19 May 2017, the Company, as lender, entered into the Loan Agreement with China Travel Financial Investment Holdings Co., Ltd. ("CTS Finance Investment"), as borrower, for a term of one year commencing from 19 May 2017 and ending on 18 May 2018, pursuant to which the Company has agreed to provide a loan of US$20,000,000 to CTS Finance Investment. The interest rate shall be the six month US$ LIBOR plus 2.6% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 6 months from the loan drawdown date. As at 31 December 2017, the arrangement remained effective with US$20,000,000 withdrawn.

(iv) 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 Rate set by PBOC. As at 31 December 2017, the arrangement remained effective with RMB230 million withdrawn. The balance is included in deposits, prepayments and other receivables.

(v) On 14 January 2016, the Company and China National Travel Service (HK) Finance Company Limited ("CTS Finance") entered into a financial services framework agreement in respect of the provision of (i) deposit services, (ii) the comprehensive credit line services, (iii) the entrustment loan services; and (iv) the cross-border RMB cash pooling services by CTS Finance for a term commenced from 14 January 2016 and ending on 31 December 2018. As at 31 December 2017, the related deposit balance was RMB134,341,000.

(vi) On 24 August 2017, the Company entered into a share transfer agreement with China International Travel Service Group Corporation ("CITS Corporation"), pursuant to which the Company agreed to dispose of and CITS Corporation agreed to acquire the 5% registered capital of Shapotou (the "Target Company") for a consideration of RMB38,173,300. On the same date, the Company and CITS Corporation entered into a concert party agreement, pursuant to which CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the company after the completion of the disposal, and the financial results and financial positions of the Target Company will continue to be consolidated into the financial statements of the Group.

The above related party transactors in respect of (iii), (iv), (v) and (vi) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and the disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions and continuing connected transactions" of the Directors' Report.

44 RELATED PARTY TRANSACTIONS (Continued)

(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.

(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:

	2017 **HK'000**	2016 HK$'000
Short term employee benefits	**10,929**	11,115
Equity-settled share option expense	**1,174**	280
Total remuneration paid to key management personnel	**12,103**	11,395

Total remuneration is included in "employee benefit expenses" (note 7).

(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 the holding company of 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.

45 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.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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

	2017			
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**397,206**	**–**	**–**	**397,206**
Other payables and accruals	**2,560,050**	**–**	**–**	**2,560,050**
Loans from a holding company	**82,545**	**–**	**–**	**82,545**
Amounts due to holding companies	**57,487**	**–**	**–**	**57,487**
Amounts due to fellow subsidiaries	**6,455**	**–**	**–**	**6,455**
Bank and other borrowings	**35,183**	**70,742**	**–**	**105,925**
	3,138,926	**70,742**	**–**	**3,209,668**

	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

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.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the consolidated financial statements.

Foreign currency risk

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

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

	Increase in RMB rate %	Increase/ decrease in profit before tax HK$'000
2017		
If Hong Kong dollar weakens/strengthens against RMB	**5**	**54,960**
If Hong Kong dollar weakens/strengthens against RMB	**10**	**109,920**
2016		
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 2017, 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$933,000 (2016: HK$935,000). Similarly, it is estimated that a general increase/decrease in 0.5% of the savings rate, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$16,546,000 (2016: HK$19,985,000).

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

45 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 2017 and 31 December 2016.

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 2017, the Group's strategy, which remained unchanged from that of 2016, 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.

	2017 **HK$'000**	2016 HK$'000
Trade payables	**397,206**	379,939
Other payables and accruals	**2,560,050**	1,961,790
Loans from a holding company	**82,545**	–
Amounts due to holding companies	**57,487**	3,969
Amounts due to fellow subsidiaries	**6,455**	7,979
Bank and other borrowings	**98,455**	98,528
Debt	**3,202,198**	2,452,205
Capital	**16,212,629**	14,673,345
Debt-to-capital ratio	**20%**	17%

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation

The disposal of the Group's interest in Chadwick, which held an equity interest in Shaanxi Weihe Power Co., Ltd. ("Weihe Power"), include 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.

For the year ended 31 December 2016, the Group used discounted cash flow analysis to estimate contingent consideration by comparing respective year Weihe Power profits and estimated future period Weihe Power profits to respective base value. During the year ended 31 December 2017, the Group recorded a net gain of HK$21 million (2016: net loss of HK$65 million), and the amount is included in discontinued operations in the consolidated income statement.

46 DISCONTINUED OPERATIONS

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 future adjustments).

Chadwick owns 51% equity interest in Weihe Power, which is principally engaged in the operation of power generation in Mainland China and was 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 operations in the consolidated financial statements. The disposal was completed in June 2015. During the year ended 31 December 2016, the net loss on contingent consideration was approximately HK$65 million. During the year ended 31 December 2017, the contingent consideration was finalised and a net gain of approximately HK$21 million was recognised. The results from discontinued operations are attributable entirely to equity owners of the Company.

47 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,942**	3,419
Investment property	**3,800**	3,900
Interests in subsidiaries	**5,662,336**	5,689,580
Available-for-sale investment	**13,948**	13,948
Total non-current assets	**5,682,026**	5,710,847
Current assets		
Inventories	**62**	144
Deposits, prepayments, and other receivables	**29,769**	30,617
Amounts due from subsidiaries	**7,599,699**	7,668,912
Amounts due from fellow subsidiaries	**45,875**	123
Loan to a fellow subsidiary	**156,831**	–
Cash and bank balances	**686,675**	532,700
Total current assets	**8,518,911**	8,232,496
Total assets	**14,200,937**	13,943,343

47 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

	Note	As at 31 December **2017** **HK$'000**	 2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,102,708**	9,096,434
Reserves	a	**4,240,247**	3,924,809
		13,342,955	13,021,243
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**592**	–
Total non-current liabilities		**592**	–
Current liabilities			
Other payables and accruals		**67,204**	130,032
Amounts due to subsidiaries		**648,289**	713,545
Amounts due to holding companies		**55,967**	3,776
Amounts due to fellow subsidiaries		**784**	1,135
Tax payable		**85,146**	73,612
Total current liabilities		**857,390**	922,100
Total liabilities		**857,982**	922,100
Total equity and liabilities		**14,200,937**	13,943,343

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2018 and was signed on its behalf:

Zhang Fengchun **Zhang Xing**

47 STATEMENT OF FINANCIAL POSITION 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 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 and 1 January 2017	**–**	**18,045**	**3,906,764**	**3,924,809**
Profit for the year and total comprehensive income for the year	**–**	**–**	**560,462**	**560,462**
Equity-settled share option arrangement	**–**	**31,611**	**–**	**31,611**
Exercise of share options	**–**	**(1,711)**	**–**	**(1,711)**
Forfeiture of share options	**–**	**(2,556)**	**–**	**(2,556)**
2016 final dividend paid	**–**	**–**	**(108,940)**	**(108,940)**
2017 interim dividend paid	**–**	**–**	**(163,428)**	**(163,428)**
At 31 December 2017	**–**	**45,389**	**4,194,858**	**4,240,247**

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 2017

Location	Attributable interest of the Group	Lease term
Beijing Guang'anmen Grand Metropark Hotel *(formerly known as "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 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

PARTICULARS OF PRINCIPAL INVESTMENT PROPERTIES

31 December 2017

Location	Use	Lease term
Portions of Basement Levels 2 and 3, 1st to 9th, 11th, 12th and 16th Floor Beijing Guang'anmen Grand Metropark Hotel (formerly known as "CTS (HK) Grand Metropark Hotel Beijing") No. 338 Guanganmen Nei Street, Xicheng District, Beijing, PRC	Carpark/Shop/Office	Medium
The Whole of Ground Floor with its Flat Roof, China Travel Building, No. 77 Queen's Road Central, Hong Kong	Shop	Long

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)