香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

2019
ANNUAL REPORT

CONTENTS

CORPORATION INFORMATION

DIRECTORS

Mr. Fu Zhuoyang *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Jiang Hong *(General Manager)*
Mr. You Cheng
Mr. Yang Hao
Mr. Wu Qiang *(Executive Deputy General Manager)*
Mr. Fan Dongsheng
Mr. Tse Cho Che Edward*
Mr. Zhang Xiaoke*
Mr. Huangg Hui*
Mr. Chen Johnny*
Mr. Song Dawei*

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Mr. Chen Johnny *(Chairman)*
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Song Dawei

REMUNERATION COMMITTEE

Mr. Chen Johnny *(Chairman)*
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Song Dawei
Mr. Fu Zhuoyang

NOMINATION COMMITTEE

Mr. Fu Zhuoyang *(Chairman)*
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

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 54, 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 2019 Final Results		31 March 2020
Announcement of 2019 Interim Results		30 August 2019
Announcement of 2018 Final Results		27 March 2019
Announcement of 2018 Interim Results		16 August 2018
Dividends	2019 Final	Nil
	2019 Interim	HK3 cents per share paid on 12 November 2019
	2018 Final	Nil
	2018 Interim	HK3 cents per share paid on 27 September 2018
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 26 May 2020 to 29 May 2020
Annual General Meeting in 2020		29 May 2020
Listing Date		11 November 1992
Authorised Shares		7,000,000,000 shares
Issued Shares		5,536,633,709 (as at 31 December 2019)
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%
Guangxi Ningming CTS Balai Tourism Culture Co., Ltd.	51%
Guangxi CTS Detian Waterfall Tourism Development Co., Ltd.	70%

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	97.09%

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%
China Travel Zhiye Culture Development (Shenzhen) Co., Ltd.	51%
CTS Scenery (Beijing) Tourism Management Limited	100%

TRAVEL AGENCY, TRAVEL DOCUMENT AND RELATED OPERATIONS

China Travel Service Property Investment Hong Kong Limited (formerly known as 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 RATIO HIGHLIGHTS

FINANCIAL RATIOS HIGHLIGHTS

		2019	2018
Profit & loss account ratios			
Interest coverage ratio		**N/A**	101.72
Earnings per share	HK cents	**7.08**	12.60
Earnings per share (Diluted)	HK cents	**7.08**	12.57
Dividend per share	HK cents	**3.00**	3.00
Dividend payout ratio	%	**42.39**	23.81
Balance sheet ratios			
Current ratio		**2.38**	2.08
Quick ratio		**1.58**	1.52
Net assets value per share	HK$	**2.91**	2.94
Net bank and other borrowings to equity		**-0.18**	-0.14
Debt to capital ratio	%	**14.36**	18.55
Rate of return ratios			
Return on average equity	%	**3.12**	4.81
Return on total capital and borrowings	%	**3.37**	4.88
Market price ratios			
Dividend yied			
Year low	%	**1.12**	0.83
Year high	%	**2.55**	1.46
Price to earning ratio			
Year low		**16.39**	16.27
Year high		**37.31**	28.65

Formula for financial ratios:

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

* *Profit before taxation including continuing & discontinued operations*

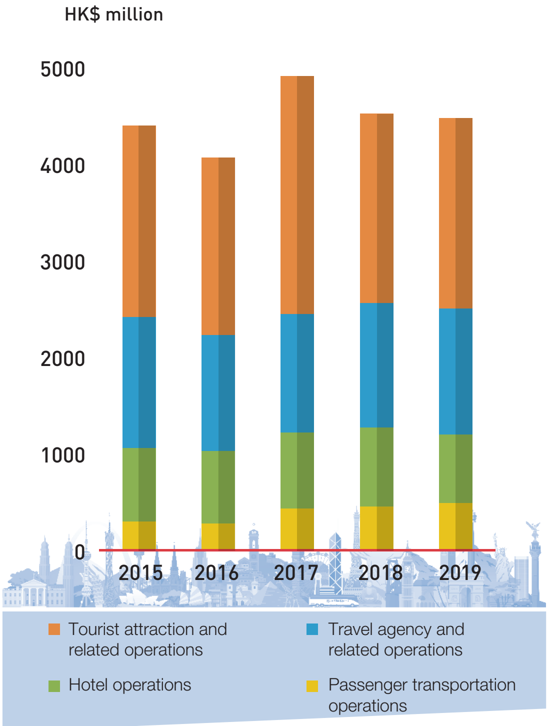
FIVE YEAR FINANCIAL SUMMARY

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

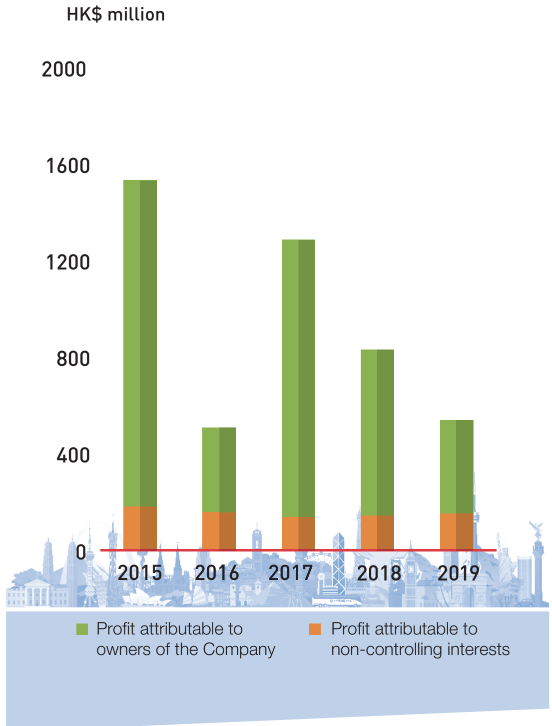
	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
RESULTS					
Continuing operations					
Revenue	**4,476,996**	4,518,180	4,908,837	4,065,999	4,395,389
Cost of sales	**(2,653,331)**	(2,560,183)	(2,964,119)	(2,253,779)	(2,391,052)
Gross profit	**1,823,665**	1,957,997	1,944,718	1,812,220	2,004,337
Other income and gains, net	**325,924**	144,260	852,944	140,054	262,360
Changes in fair value of investment properties	**(36,238)**	26,542	80,843	55,555	73,353
Selling and distribution costs	**(533,938)**	(519,038)	(511,602)	(490,039)	(536,472)
Administrative expenses	**(998,836)**	(980,308)	(960,815)	(992,205)	(932,331)
Finance income	**87,550**	80,352	63,166	120,677	129,001
Finance costs	**–**	(10,314)	(4,966)	(12,965)	(24,332)
Share of profits less losses of associates and joint ventures	**66,185**	339,373	97,791	144,895	132,947
Profit before taxation	**734,312**	1,038,864	1,562,079	778,192	1,108,863
Taxation	**(196,548)**	(208,948)	(297,838)	(205,129)	(239,635)
Profit for the year from continuing operations	**537,764**	829,916	1,264,241	573,063	869,228
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	20,538	(64,815)	662,917
Profit for the year	**537,764**	829,916	1,284,779	508,248	1,532,145
Attributable to:					
Equity owners of the Company	**386,880**	687,076	1,147,843	352,053	1,352,750
Non-controlling interests	**150,884**	142,840	136,936	156,195	179,395
	537,764	829,916	1,284,779	508,248	1,532,145
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**21,806,928**	21,491,775	22,135,075	19,975,771	21,216,252
Total liabilities	**(4,442,761)**	(4,379,751)	(4,741,229)	(4,203,178)	(4,717,424)
Non-controlling interests	**(1,277,892)**	(1,098,557)	(1,181,217)	(1,099,248)	(1,093,669)
Equity attributable to owners of the Company	**16,086,275**	16,013,467	16,212,629	14,673,345	15,405,159

FINANCIAL REVIEW

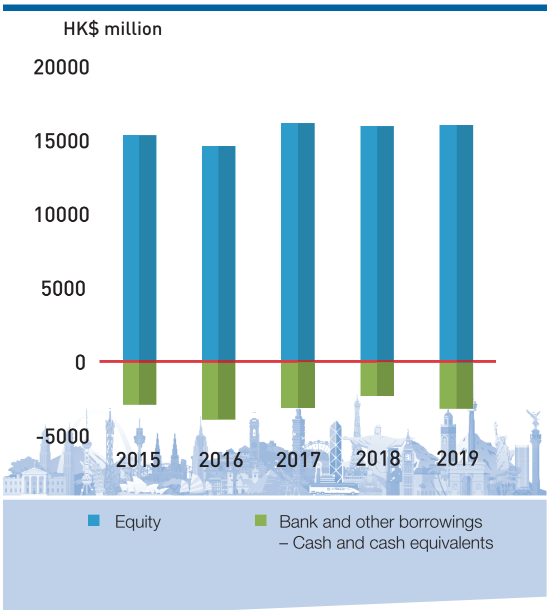
TURNOVER BY PRINCIPAL ACTIVITIES



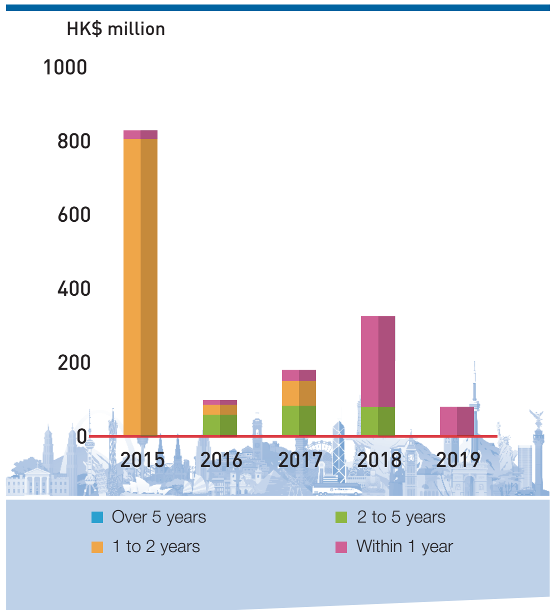
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



BANK & OTHER BORROWINGS MATURITY PROFILE



BIOGRAPHIES OF DIRECTORS

MR. FU ZHUOYANG *Chairman & Executive Director*
Aged 60, appointed in June 2018, is a member of the Remuneration Committee and the Chairman of the Nomination Committee of the Company. Mr. Fu is the Chairman of Hong Kong China Travel Service Investment (China) Limited, a wholly owned subsidiary of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"). Mr. Fu is also a Director of Common Bond Investments Limited, a subsidiary of the Company. Mr. Fu was the Deputy General Manager of China National Travel Service Group Corporation Limited ("China CTS") and CTS (Holdings), the Deputy General Manager of China Travel Service (Holdings) Corporation of China, the General Manager of China National Tourism Trading & Service Corporation, and the Chairman of China Spacesat Company Limited, a company listed on the Shanghai Stock Exchange. He was also an Executive Director of the Company from November 2010 to February 2017, a member of the Strategy and Development Committee of the Company from June 2012 to February 2017, and the chairman of CTS International Logistics Corporation Limited, a company listed on the Shanghai Stock Exchange, from October 2016 to September 2017. Mr. Fu has extensive experience in investment management and capital operation. Mr. Fu graduated from Xiamen University with a Bachelor of Arts degree in 1982, and graduated from Graduate School, Chinese Academy of Social Sciences in 1998.

MR. LO SUI ON *Vice Chairman & Executive Director*
Aged 69, 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. JIANG HONG *Executive Director and General Manager*
Aged 50, appointed in October 2018, graduated from the Peking University Law School in 1991 with a Bachelor of Laws degree. Mr. Jiang is a director of Shun Tak – China Travel Shipping Investments Limited, an associate of the Company. He was the director and general manager of Hong Kong China Travel Service Investment (China) Limited, a company specialized in the development of urban and tourism real estate and a wholly-owned subsidiary of CTS (Holdings). He was the deputy general manager (in charge of overall operation) of the strategic investment department and the general manager of the corporate development and management department of CTS (Holdings). Mr. Jiang was a cadre in the marketing division of National Tourism Administration; an officer of the general office, the legal counsel, and the securities affairs representative of China Pan-Tourism Industry Development Co., Ltd. (a company listed on the Shanghai Stock Exchange); the general manager of Pan-Tourism Advertising Development Ltd.; an officer in the human resources division, and the general manager in the development and planning division of China National Tourism Trading & Service Corporation; the general manager of the strategic development department of China Travel Service (Holdings) Corporation of China and a director of China Travel Service Head Office. Mr. Jiang has extensive experience in investment management, capital operation and the development of tourism real estate.

MR. YOU CHENG *Executive Director*
Aged 45, appointed in October 2018, was a director of Shaanxi Weihe Power Co., Ltd., the deputy general manager of the Company, a director of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd., Shenzhen The World Miniature Co., Ltd. and Shenzhen Splendid China Development Co., Ltd., the subsidiaries of the Company, and the general manager of the human resources department of CTS (Holdings). Mr. You graduated from the school of labour and human resources of Renmin University of China with a bachelor's degree in human resources management, and obtained a master degree in finance from the Chinese University of Hong Kong. Mr. You has extensive experience in human resources management and business management.

MR. YANG HAO *Executive Director*

Aged 43, appointed in December 2018, is a director of Hongkong New Travel Investments Ltd. (formerly known as Alliance Power Resources Ltd.), the substantial shareholder of the Company; a director and the executive deputy general manager of China Travel Financial Investment Holdings Co., Limited, a subsidiary of CTS (Holdings). Mr. Yang also serves as the Chairman of Prime Credit Limited, a director of China Tourism Industry Fund and the vice president of Chinese Financial Association of Hong Kong. Mr. Yang has 21 years of experience in commercial banks and possesses extensive knowledge and experience in finance and management. He used to work in human resources department, planning and finance department, and the asset and liability management department at the headquarter of the China Construction Bank. Since June 2010, Mr. Yang had been serving at the China Construction Bank (Asia) Corporation Limited as the deputy chief executive and had been in charge of the corporate and institutional business, financial market and treasury business, risk management and credit approval business and information technology business. Mr. Yang had also served as a director of CCB Asia Trust Co., Ltd. Mr. Yang holds a bachelor's degree in economics from Renmin University of China and a master's degree in business administration from Tsinghua University.

MR. WU QIANG *Executive Director and Executive Deputy General Manager*

Aged 48, appointed in March 2019, is a director of Shenzhen Splendid China Development Co., Ltd., a subsidiary of the Company. Mr Wu was the deputy general manager in the corporate development and management department of CTS (Holdings). He was also a director and the executive deputy general manager of Shenzhen The World Miniature Co., Ltd., a subsidiary of the Company, and the general manager of Shenzhen Splendid China Development Co., Ltd. Mr. Wu has extensive experience in investment planning and corporate and scenic spots management. Mr. Wu graduated from the School of Business Nanjing University with a master's degree in management.

MR. FAN DONGSHENG *Executive Director*

Aged 41, appointed in January 2020, is the deputy general manager of the strategic investment and corporate management department of CTS (Holdings) and a director of China International Travel Service Group Corporation. Mr. Fan is a Certified Public Accountant (non-practising) in China and has extensive experience in investment planning and business and financial management. Mr. Fan graduated from the Department of Accountancy at the School of Economics and Management of North China University of Technology with a bachelor's degree in economics. He also obtained a master of professional accountancy degree from the Open University of Hong Kong.

MR. TSE CHO CHE EDWARD *Independent Non-Executive Director*

Aged 63, appointed in October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He holds a bachelor's degree and a master's degree in civil engineering from the Massachusetts Institute of Technology, the United States, and a master of business administration as well as a Ph.D. in civil engineering from the University of California, Berkeley, the United States. Mr. Tse is an independent non-executive director of China Orient Group Company Limietd (Stock Code: 581). He was an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (Stock Code: HK.02607, SH.601607). He has been engaged in management consultancy and corporate senior management for nearly 30 years, with extensive experience and expertise in definition and implementation of corporate transformation, establishment of organizations, business strategy and overseas expansion. He holds the position of Chairman in Gao Feng Advisory Company since April 2014. He was the chairman of the board in Greater China region of Booz & Company, an independent director of Baoshan Iron & Steel Co., Ltd. (stock code SH.600019), director of Shanghai Automotive Industry Corporation (Group), executive vice president of corporate planning and development division and business president of Greater China region of HKT Limited, a member of the Strategy Development Committee and a part-time member of the Central Policy Unit of the Hong Kong Special Administrative Region, and president of Greater China region of Boston Consulting Group, etc.

MR. ZHANG XIAOKE *Independent Non-Executive Director*

Aged 65, appointed in October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He is a specially-invited expert of the Chinese Academy of Social Sciences and a deputy of the eighth and ninth National People's Congress of the People's Republic of China. Mr. Zhang obtained a doctor of business administration degree from Warnborough College, UK, and an EMBA degree from Xi'an Jiaotong University. Mr. Zhang was the general manager of China International Travel Service, Xi'an, the under-secretary of Shaanxi Provincial Tourism Bureau, and the general manager and chairman of the Shaanxi Tourism Holdings Company. Due to his outstanding performance, Mr. Zhang received about 20 awards and honors such as the excellent manager of national travel agency industry and the outstanding entrepreneur of national tourism industry.

MR. HUANG HUI *Independent Non-Executive Director*

Aged 43, appointed in October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He obtained two bachelor degrees – in mechanical engineering and in law – and a master degree in law, from Tsinghua University, and a PhD in law from the University of New South Wales, Australia. He is a professor of law in the faculty of law, the Chinese University of Hong Kong. Mr. Huang specializes in corporate law, securities law and financial regulation, etc. Mr. Huang is a member of the World Bank Panel for Financial Institution Resolution and Insolvency, a specially-invited expert of the Supreme People's Court of the People's Republic of China. He has written extensively in his areas of expertise, with articles published in some of the top-rated journals in the US, the UK, Australia, Canada, German, Israel, Hong Kong and Mainland China, etc. He has also published nine books and book chapters with international and reputable publishers.

MR. CHEN JOHNNY *Independent Non-Executive Director*

Aged 60, appointed in January 2019, is the Chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Chen is currently an Adjunct Associate Professor of Department of Finance and Department of Management, Hong Kong University of Science and Technology. Mr. Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior management roles in the Asia-Pacific region. His last position in Zurich was the chairman of the life and general insurance business in China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the Operating Committee of PricewaterhouseCoopers ("PwC"), as well as a managing partner of PwC's Beijing office. Mr. Chen is also the chairman and an executive director of Convoy Global Holdings Limited (stock code: 1019), and independent non-executive director of Stella International Holdings Limited (stock code: 1836), Uni-President China Holdings Ltd. (stock code: 220) and Alibaba Pictures Group Limited (stock code: 1060), all of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From December 2015 to November 2018, he was an independent non-executive director of China Minsheng Financial Holding Corporation Limited (stock code: 245) and from July 2017 to March 2019, China Dongxiang (Group) Co., Ltd. (stock code: 3818), all of which are listed on the Main Board of the Stock Exchange. From June 2010 to February 2019, he was an independent non-executive director of Viva China Holdings Limited (stock code: 8032) which is listed on the GEM board of the Stock Exchange. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University and is a U.S. certified public accountant.

MR. SONG DAWEI *Independent Non-Executive Director*

Aged 64, appointed in August 2019, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. Mr. Song was a Supervisor and the chairman of the Supervisory Committee of China COSCO Holdings Company Limited (now known as China COSCO SHIPPING Holdings Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1919), a director and a member of the CPC committee of China Ocean Shipping (Group) Company and the head of its CPC Discipline Inspection Committee. Mr. Song was the director of Industrial Production Committee of Fuxin City, the deputy director of the Economic and Trade Commission of Liaoning Province, the deputy director of the General Office, the deputy secretary-general and the director of the Research Center of the Restructuring Economic Systems of Liaoning Provincial Government. He was also the director of the Research Department of Social Development, Comprehensive Research Department of the State Council of the PRC. Mr. Song graduated from the Department of National Economy at the School of Economics and Management of Liaoning University with a master's degree in economics.

CHAIRMAN'S STATEMENT

MR. FU ZHUOYANG
Chairman & Executive Director

I am pleased to present my report to the shareholders.

SUMMARY OF RESULTS

For the year ended 31 December 2019, the Group's consolidated revenue was HK$4,477 million, representing a 1% decrease compared with the previous year. Profit before taxation was HK$734 million, representing a 29% decrease compared with the previous year. Profit attributable to shareholders was HK$387 million, representing a 44% decrease compared with last year. Profit attributable to operations was HK$398 million, representing a 42% decrease compared with the previous year.

An interim dividend of HK3 cents per share was paid during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

EXECUTION OF STRATEGY

In 2019, the Group was firmly committed to the strategic development direction of becoming "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer". We focused on tourism resources and the customer base, and optimised our strategic development plan. At the same time, we focused on the market to drive innovative developments and fulfil customer demand.

During the year, the Group and Daxin County People's Government of Chongzuo City, Guangxi, entered into a cooperative agreement, pursuant to which the Group will make investment in Daxin County for, among other things, certain constructions, renovations and improvement works in the core area of the Detian Waterfall Scenic Spot, Detian town hotel, and a tourist real estate project. A project company – Detian Scenic Spot – was established, and this made contributions to the Group's revenue and profit for the year. The Group entered into an asset and equity transfer agreement with a subsidiary of China National Travel Service Group Corporation Limited, pursuant to which the Group will sell its business and assets relating to travel agency. Withdrawing from non-advantageous businesses will enable the Group to improve its existing asset structure, increase property income and further clarify its strategic position.

The Group is actively implementing the revitalisation and optimisation of properties in Hong Kong with the aim of enhancing operational efficiency and unlocking value. In 2018, the Group obtained government approval to change the land use to hotel use at the parcel in Hung Hom on which Hip Kee Godown (No. 3) is located. A market survey and other preliminary work for the Hip Kee Godown (No. 3) hotel project have been completed, with tenders for design, foundation and other works underway. The Group will enhance communication with relevant government departments, deploy more staff and ensure construction safety for the project.

Since the signing of management services master agreement with the parent company at the end of 2018, and through the provision of management services for subsidiaries of the parent company engaged in real estate projects, the Group has benefited from the quality tourism resources of the parent company, achieved synergy and maximised asset returns. During the first half of 2019, the Company terminated cooperation with Evergrande Real Estate Group Limited in respect of all land parcels other than Land Parcel A of The Zhuhai OSR Phase 2 Project. By virtue of the consolidated resources and synergy with the parent company resulting from the provision of management services, the Group has sufficient resources and advantages to independently develop the Zhuhai OSR Phase 2 Project.

MR. JIANG HONG
Executive Director and
General Manager

During the year, the Group fulfilled its corporate social responsibilities through local poverty alleviation in Mabian County. Employing a two-pronged "education + business" combined targeted model, it assigned cadres to participate in tourism-related poverty alleviation and organised a special tourism training series, etc.

PROSPECTS

At present, global economic growth shows signs of slowdown, with trade prospects being grim. Factors such as Brexit and US-Iran tensions have heightened geopolitical risk and edged the globe toward economic crisis and a collapse of international financial markets, and accommodative monetary policies could increase the risk of a new cycle of asset bubble burst, affecting business operation and development. China's economy still faces tremendous downward pressure, with increased pressure on employment and consumer sentiment. With the adverse impacts arising from ongoing social unrest in Hong Kong and the outbreak of novel coronavirus ("**COVID-19**") in China in early 2020, this downward economic pressure may be further increased. Hong Kong's GDP for 2020 is expected to show a moderate contraction.

In 2019, China recorded a GDP of nearly RMB100 trillion, and is expected to reach US$10,000 on a per capita basis. Consumption and the service sector contributed 76% and over 60% respectively to the country's economic growth, signifying the huge market potential of tourism. Faced with complicated internal and external conditions,

the Group will seize opportunities to develop its markets and take note of new trends in consumption by pushing forward informatisation, digitalisation, and innovation in business and product models. It will exploit investment opportunities associated with the "Belt and Road Initiative" and undertake business negotiations with relevant parties in Maldives and other research. It will also pursue development opportunities in the Guangdong-Hong Kong-Macao Bay Area and facilitate implementation of its planned projects.

On 6 March 2020, the Group entered into agreements with Shun Tak Holdings Limited ("**STHL**") for reorganising its cross-border transportation services platform, pursuant to which both the Company and STHL would transfer their respective existing passenger bus and ferry operations to Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**") with a view to reinforcing

and expanding Shun Tak-China Travel's multimodal transportation platform. After the reorganisation is completed, Shun Tak-China Travel will become a non wholly-owned subsidiary of the Company. This transaction will reinforce the strategic cooperation between the Group and STHL, enhance the Group's competitiveness, create synergy and increase the scale and diversity of the Group's passenger transportation business. Looking ahead, in addition to expanding cross-border road transportation operations on the Hong Kong-Zhuhai-Macao Bridge, there will be chances to explore new businesses such as Hong Kong-Macao seaplane, fast ferry across Qiongzhou Strait and Hainan-Xinsha Islands tourist routes. The Group is expected to become a key transport operator across Guangzhou, Hong Kong, Macau and Shenzhen and contribute to the fulfilment of the Chinese government's strategic goals as described in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area issued in February 2019. It is expected that the transportation network, overall competitiveness and throughput of the Pearl River Delta port cluster will be significantly enhanced and it will bring abundant business opportunities to the Delta area.

The recent outbreak of COVID-19 and the introduction of various emergency public health measures by the public authorities globally brought uncertainty to the Group's business environment. The travel restrictions, quarantine measures and suspension of work have posted particular notable impacts on the Group's operation of travel agency, hotel and passenger transport. Accordingly, the Group has taken effective measures in response and has mitigated these impacts. The Group's overall business fundamentals remain steady and healthy. It possesses adequate funds and the capability to invest and develop. Although the overall financial effect cannot be reliably estimated for the time being, the Group will continue to monitor the development of the COVID-19 outbreak and assess the potential risks and impact that it may have on the Group's financial and trading prospects.

ACKNOWLEDGEMENTS

With the parent company's full support and the consistent efforts of the management and all staff, I am cautiously optimistic of the Group's prospects, in spite of the currently fluid economic environment. I would like to take this opportunity to express my sincere gratitude to the shareholders and business partners for their support, and to all directors and staff for their loyalty, professionalism and valuable contributions.

Fu Zhuoyang
Chairman of the Board

Hong Kong, 31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

For 2019, the Group's consolidated revenue was HK$4,477 million, representing a 1% decrease compared with the previous year. Profit before taxation was HK$734 million, representing a 29% decrease compared with the previous year. Profit attributable to shareholders was HK$387 million, representing a 44% decrease compared with the previous year. Profit attributable to operations was HK$398 million, representing a 42% decrease compared with the previous year. The decrease in profit attributable to shareholders was mainly due to decreased profits from hotel and passenger transportation operations, and in profit recognised from Evergrande OSR real estate project.

The Group's financial position remained stable and healthy, with strong investment and financing capabilities. As of 31 December 2019, total assets were HK$21,807 million, a 1% increase compared with the previous year; the equity attributable to shareholders was HK$16,086 million, a 1% increase compared with the previous year; cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,669 million, a decrease of 9% compared with the previous year, of which cash and bank balances amounted to HK$3,198 million and, deducting loans from the holding company, bank loans and other borrowings of HK$81 million, net cash was HK$3,117 million, a 37% increase compared with the previous year.

DIVIDENDS

An interim dividend of HK3 cents per share was paid during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

CORE PRINCIPAL OPERATIONS AND OPERATIONAL FIGURES

(I) The Group's travel destination operations mainly include:

City hotels
Five hotels in Hong Kong and Macau
Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**")
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 spots
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
Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**")
Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**")

Leisure resorts
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd ("**Zhuhai OSR**")
Xianyang Ocean Spring Resort Co., Ltd ("**Xianyang OSR**")
Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("**Evergrande OSR**")
CTS (Anji) Tourism Development Company Limited ("**Anji Company**")

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

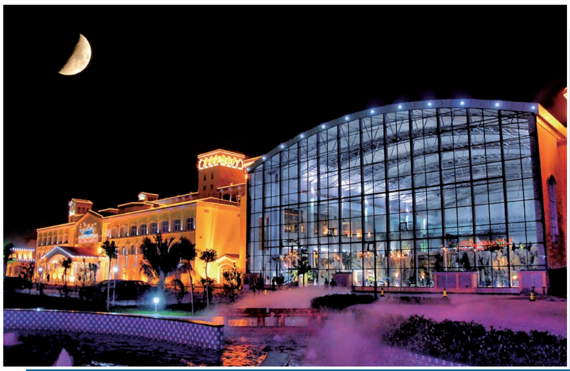
Supplementary tourist attraction operations
China Heaven Creation International Performing Arts Co., Ltd. ("**Heaven Creation Company**")
China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. ("**China Travel Zhiye**")
CTS Scenery (Beijing) Tourism Management Limited ("**Management Company**")

In 2019, total revenue of the Group's travel destination operations was HK$2,681 million, a 4% decrease compared with the previous year. Attributable profit was HK$358 million, a 16% decrease compared with the previous year.

In 2019, revenue of the Group's hotel operations was HK$708 million, a 14% decrease compared with the previous year. Attributable profit was HK$81 million, a 50% decrease compared with the previous year. The average occupancy rate of the five hotels in Hong Kong and Macau and Beijing Metropark Hotel increased in the first half of the year. Affected by the social unrest in Hong Kong in the second half of the year, the hotel operations recorded an overall decline.

Revenue of theme parks was HK$830 million, a 3% decrease compared with the previous year. Attributable profit was HK$119 million, a 12% decrease compared with the previous year due to higher labour costs and repair expenses. Window of the World and Splendid China continued to enrich their products and expand their business. The theme park business remained the major revenue and profit contributor to the Group's scenic spots business.

Revenue of natural and cultural scenic spots was HK$627 million, a 14% increase compared with the



previous year. Attributable profit was HK$51 million, a 134% increase from the previous year. Songshan Scenic Spot recorded a decrease in revenue due to ticket price reduction and declined per capita consumption, while attributable profit significantly increased due to lower costs and expenses. Shapotou Scenic Spot introduced discount tickets, driving an increase in the number of visitors as well as average per capita consumption, and recorded lower interest expenses, which resulted in a 199% increase in profit compared with the previous year. Huashan Scenic Spot commenced operation in November 2018 and recorded a revenue contribution and suffered a slight loss during the year. Detian Scenic Spot was established in the first half of 2019 and recorded a revenue and profit contribution of HK$102 million and HK$18 million respectively during the year.

Revenue of leisure resort destinations was HK$424 million, a 2% decrease compared with the previous year, and turning profit into loss mainly due to the decreased profit recognised from the real estate project by the associate, Evergrande OSR. Despite an increase in visitor numbers, the hotel business of Anji Company recorded a decreased loss due to a decrease in room revenue. The tourism segment of Zhuhai OSR recorded decreased losses compared with the previous year. Xianyang OSR recorded decreased revenue due to the termination of contract with a regular major customer, but the revenue level roughly remained stable on the back of cost control.

Attributable profit from non-controlling scenic spot investments was HK$44 million, a 9% increase compared with the previous year.

Heaven Creation Company recorded a 49% decrease in revenue compared with the previous year due to the decrease in revenue from scenic spots construction, turning profit into loss. China Travel Zhiye and Management Company were officially opened in 2018 to respectively provide tourism planning and management services and broaden the Group's sources of revenue. China Travel Zhiye recorded 63% and 102% increases in revenue and profit, respectively, and Management Company recorded 101% increase in revenue compared with the previous year.

(II) Travel Agency, Travel Document and Related Operations

The Company's travel agency, travel document and related operations comprise a travel agency business (China Travel Service Property Investment Hong Kong Limited (formerly known as China Travel Service (Hong Kong) Limited, renamed to the current name on 23 December 2019) and overseas travel agencies) and a travel document business.

In 2019, revenue of the Group's travel agency, travel document and related operations was HK$1,309 million, a 2% increase compared with the previous year. Attributable profit was HK$150 million, a 16% decrease compared with the previous year. Higher business volume under the travel document operations resulted in a 16% increase in attributable profit. Affected by the social unrest in Hong Kong in the second half of the year, the travel agency and related operations turned profit into loss.

(III) Passenger Transportation Operations

In 2019, revenue of the Group's passenger transportation operations was HK$487 million, an 8% increase compared with the previous year, turning profit to loss.

The revenue and profit of China Travel Tours Transportation Services Hong Kong Limited respectively increased by 8% and decreased by 85%. The increase in revenue was mainly attributable to additional routes and operating vehicles resulting from strategic cooperation with third parties and contributions from vehicle rental operations for the Hong Kong-Zhuhai-Macao Bridge. However, as the profit therefrom was not substantial and were affected by the social unrest in Hong Kong in the second half of the year, middle and long-distance cross-border passenger transport routes operated by the Company recorded a decrease in profit, resulting from significantly lower visitor arrivals and passengers.

An attributable loss from our associate, Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**"), was recorded for the year, due to a decreased number of passengers following the opening of Hong Kong-Zhuhai-Macao Bridge and the impact of social unrest in Hong Kong during the second half of the year.

DEVELOPMENT STRATEGIES

The Group aims to enable people to enjoy the beauty and abundance of life, and is therefore committed to developing diverse, spectacular and intriguing cultural destinations and related value-added services. Consumers are offered excellent experiences of tours, holidays, leisure and recreation, and overseas living. The Group's vision is to become "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer", and it seeks to consolidate capabilities and resources to build a competitive and influential platform for the investment and operation of cultural tourism and city development.

The Group will continue down its path of integrating existing business and planning for new business, optimising management structures, and carrying out concrete optimisation of resources, staff, business, platforms and management. With building core competitiveness and increasing market influence as its fundamental goals, the Group will enhance its operation and management capability and improve the standard of its products and services.

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations. Window of the World will continue to focus on showcasing international cultures and creating an exotic atmosphere with products designed to meet market demand and trends. It will also renovate its ice rink. Splendid China will maintain good management of the miniature park's sightseeing cable car project, expand existing marketing channels, strengthen mechanisms of comprehensive management services and enhance the overall value of its services.

Shapotou Scenic Spot will pursue development of the Star Hotel project, aiming for a Phase I opening in 2020. It will develop a new "scenic spot + characteristic hotel" tourism model to facilitate transformation via recreational products such as hot springs, home-stay lodgings, hotels, shows and nighttime tours. Detian Scenic Spot has completed the land survey and called for tender of further design for the show area of its nighttime tour experience product – "Night Detian". It aims to open this year.

Zhuhai OSR will strengthen the "Ocean Spring" brand by upgrading existing products and developing new real estate business with a view to enriching the Ocean Spring portfolio with characteristic products, utilising the complementary and interactive effect between travel and real estate. Xianyang OSR is studying a proposal for an upgrade and modification for the hot spring centre, with modifications to be carried out in stages to meet market demand. It will also seek sources of business and group traveller and optimise their customer structure. During the year, Anji Company won the bid for residential-use land in the phase II resort area and is at the stage of planning submission. The construction is scheduled to begin in 2020. The project is conducive to the resort area's general operation and will encourage future sales. Anji Company will also strengthen product innovation and channel development and will increase sales using the benign interaction between existing and new products.

The Group will continue to enhance its development of light asset businesses such as China Travel Zhiye and Management Company to expand market share, increase brand awareness and improve profitability.

The Group will develop new business and create new growth engines by acquiring strategic quality scenic spot resources. It will focus on regions rich in tourism resources and tourists, and quality scenic spots with a potential for expansion and appreciation, and will explore breakthroughs in overseas market. During the year, the Group undertook in-depth studies on major travel destinations associated with the "Belt and Road Initiative", engaged in field research on the investment environment in the Maldives, and conducted business negotiations with relevant parties in the Maldives and other early research. The Group will strive to make a breakthrough with its presence in the Guangdong-Hong Kong-Macao Bay Area market, consolidate its market share in the Yangtze River Delta, and facilitate implementation of its planned projects.

The Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. In particular, the Group completed procedures for a land premium payment for the land parcel at Hung Hom on which Hip Kee Godown (No. 3) is located, owned by the Group, in 2018. The parcel's change to hotel use has been approved by the government, and has significantly increased the land value and development potential. A market survey and other preliminary work for the Hip Kee Godown (No. 3) hotel project have been completed, with tenders for design, foundation and other works underway.

The Group will continue its progress towards informatisation. Starting from the three major areas of enhancing customer experience, digital operation and smart operation, it will accelerate its digital transformation to strengthen its future core competitiveness.

The Group will continue to strengthen the functional capacities of its headquarters, recruit high-calibre talent, intensify its control and business synergies, improve existing rules and systems, continue to optimise workflow, and strengthen its production safety system, so as to ensure its healthy and sustainable development.

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2019, the Group had 7,851 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and package of Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses and share options are awarded to certain employees according to assessments of their individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 31 December 2019, the Group's cash and bank balances amounted to HK$3,198 million, whereas the bank and other borrowings and loans from the holding company amounted to HK$81 million. The debt-to-capital ratio was 15%, and the debt includes bank and other borrowings, trade payables, other payables and accruals loans from a holding company, and amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

The Group has certain assets, borrowings and major transactions denominated in foreign currencies, and is thus exposed to different levels of foreign currency risk. The Group has not engaged in any particular hedge against foreign exchange risk. The Group will closely monitor and manage its foreign currency exposure and to make use of appropriate measures as required.

CHARGE ON ASSETS

As of 31 December 2019, the Group's bank deposits of approximately HK$18 million (31 December 2018: HK$47 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 of 31 December 2019, certain of the Group's buildings with net carrying amounts of HK$1.5 million (31 December 2018: HK$1.5 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisitions and disposals of subsidiaries, associated and joint ventures for the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is identifying and exploring suitable investments with potential synergistic effects for its existing businesses. The Group will only consider investments which are in the interests of the Company and the shareholders as a whole. Save that which is disclosed in the "BUSINESS PROSPECTS" section below, no agreement for material investment has been conducted as of the date of this report.

CONTINGENT LIABILITIES

As of 31 December 2019, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2018: HK$0.3 million).

SIGNIFICANT INVESTMENTS HELD

To utilise the Group's idle funds more efficiently without affecting operating cash while ensuring fund safety, the Group used some idle funds to subscribe for RMB denominated wealth management products. As of 31 December 2019, the Group held wealth management products amounting to a total of RMB51 million (equivalent to approximately HK$57 million). During the year, the income from financial assets at fair value through profit or loss was approximately HK$13 million. The movements of the subscribed wealth management products during the year were as follows:

	1 January 2019 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$'000	31 December 2019 HK$'000	Tenor (Month)	Expected annualised yields (%)
Issuers								
With agreed maturity date								
China Resources Bank of Zhuhai Co., Ltd.	388,969	–	(386,653)	(2,316)	–	–	4-6	4.1-4.2
Ping An Bank Co., Ltd.	–	375,281	(375,281)	–	–	–	3	3.75-3.8
China Construction Bank Corporation	28,548	–	(28,430)	(118)	–	–	1	3.25
China Merchant Bank Co., Ltd.*	361,408	125,094	(477,630)	(8,872)	–	–	3.9	3.85-4.49
China Citic Bank	148,803	187,640	(335,478)	(965)	–	–	1-4	3.55-4.15
Bank of China Limited	–	562,921	(562,921)	–	–	–	0.5-6	2.025-3.9
Industrial Bank Co., Ltd	–	329,792	(329,792)	–	–	–	1-3	2.85-3.8
Without agreed maturity date								
Bank of Communications Co., Ltd.	15,265	113,721	(71,644)	(1,525)	1,087	56,904	N/A	1.5-4.2
	942,993	1,694,449	(2,567,829)	(13,796)	1,087	56,904	–	–

* Issues 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 received 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 the income risks derived from such financial assets and it diversifies the relevant investment risks via appropriate asset allocation.

During the year, in respect to each subscription above, the relevant applicable percentage ratios (as defined under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) calculated by the Group were all less than 5% and the subscription 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 end of 2020; whereas the outstanding wealth management products without agreed maturity date will be redeemed where appropriate according to the Group's fund position.

BUSINESS PROSPECTS

Being the end of China's "13th Five-year Plan", 2020 marks the accomplishment of the first centennial goal of a moderately prosperous society. It is also a crucial year for the Company to consolidate its foundation and eliminate obstacles for quality development. Against the prevailing complicated macro-environment and policy conditions, the Company will uphold its overarching principle of steady progress while pursuing new development ideas and the strategic goal of becoming "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer" by mitigating risks and seizing opportunities with confidence. As it integrates existing businesses and plans for new business, the Group will identify and focus on targeted weaknesses by category to build capabilities and resources for developing its core competitiveness and landmark projects.

In the first half of 2019, the Company and Daxin County People's Government of Chongzuo City, Guangxi, entered into a cooperative agreement pursuant to which the Company will make an investment in Daxin County to a planned total of approximately RMB1.45 billion. This includes certain construction, renovation and improvement works in the core area of the Detian Waterfall Scenic Spot, Detian town hotel and a tourism real estate project. (For details, please refer to the Company announcement dated 1 March 2019.) The Company established Detian Scenic Spot – a vehicle for investing in the Detian Tourism Project and carrying out operations in the Detian Waterfall Scenic Spot – during the year, and it recorded revenue and a share of profit in the same year. Tourism resources in Daxin County are abundant with great development potential. Participation in the Detian Tourism Project is in line with the Group's strategic direction and will help to fundamentally strengthen its cultural scenic spot business, increase its market influence and bring in new revenue, starting a new chapter in the Company's development of travel destinations.

During the first half of 2019, the Company entered into a supplemental agreement with Evergrande Real Estate Group Limited to terminate cooperation in respect of all land parcels other than Land Parcel A of The Zhuhai OSR Phase 2 Project. (For details, please refer to the Company announcement dated 20 June 2019.) Since the signing of a management services master agreement with China National Travel Service Group Corporation Limited ("**China CTS**") at the end of 2018, through providing management services, the Group has benefited from the quality tourism resources of China CTS, achieved synergy, maximised asset returns, and strengthened interaction between the Group's travel destination operations and tourism real estate business. This has endowed the Group with sufficient resources and advantages to independently develop the Zhuhai OSR Phase 2 Project and is beneficial to the Group's long-term development.

On 9 August 2019, the Group entered into an asset and equity transfer agreement with China Travel Service Co., Ltd., ("**CTS Head Office**"), a subsidiary of China CTS, pursuant to which the Group will sell its business and assets relating to travel agency to CTS Head Office at a consideration of HK$5.13 million following internal reorganisation (the "**Disposal**"). (For details, please refer to the Company announcement dated 9 August 2019.) Withdrawing from non-advantageous businesses will enable the Group to improve its existing asset structure and increase property income. At the same time, after streamlining the business structure, the Group will be able to focus on developing core businesses with better profit potential and a further clarified strategic position. The Disposal has not been completed as at the date of this report.

On 6 March 2020, a wholly-owned subsidiary of the Company entered into a share transfer agreement with a non-wholly-owned subsidiary of Shun Tak Holdings Limited ("**STHL**"), pursuant to which the Group will acquire 21% issued shares of Shun Tak-China Travel at a consideration of HK$437 million. Upon completing the acquisition, the Company would indirectly hold 50% issued shares of Shun Tak-China Travel, which would become a non-wholly-owned subsidiary of the Company. On the same date, the Company entered into a share transfer agreement with Shun Tak-China Travel, pursuant to which the Company will disposal of the entire issued share capital, together with shareholder's loans, of its wholly-owned subsidiary China Travel Tours Transportation Development (HK) Limited to Shun Tak-China Travel at a consideration of HK$508 million. China Travel Tours Transportation Development (HK) Limited would become a non-wholly-owned subsidiary of the Company after completion of the disposal. In addition, Shun Tak-China Travel entered into a share transfer agreement with a wholly-owned subsidiary of STHL, pursuant to which Shun Tak-China Travel will acquire the entire issued share capital of Jointmight Investments Limited at a consideration of HK$55 million. (For details, please refer to the Company announcement dated 6 March 2020 and the circular of the Company dated 27 March 2020.) The transaction will reinforce strategic cooperation between the Company and STHL and allow the Group a crucial role in developing transportation in the Greater Bay Area by boosting synergy among the Company's road and sea transport, hotel, tourism and other segments, and the scale and diversity of its passenger transport operations in the area. Upon the consolidation of financial results of Shun Tak-China Travel, the overall results of the Company will be enhanced by virtue of significantly increased assets and staff in Hong Kong.

Currently, the domestic and foreign situations remain complex, with many sources of instability and risk emerging and economic growth continuing to slow down. China remains subject to huge downward pressure in the face of challenges arising both from international trade and industrial restructuring. According to the thrust of China's Central Economic Work Conference for 2019, the nation's economy did not deviate from the basic trend of steady and positive long-term momentum, and was expected to deliver overall stable growth in 2020 on the back of macro-policies. The recent novel coronavirus ("**COVID-19**") and social events in Hong Kong brought additional uncertainty to the Group's business environment, with particularly notable adverse impacts on operations of travel agency, hotel and passenger transport. The Group will continue to take effective measures in response and has mitigated these impacts. The Group's overall business fundamentals remain steady and healthy. It possesses adequate funds and the capability to invest and develop. The Company is cautiously optimistic of its future prospects, despite the impact from COVID-19 and social events in Hong Kong is expected to last for a period of time. The overall financial effect cannot be reliably estimated as of the date of this report. The Group will continue to monitor the development of the COVID-19 outbreak and assess the potential risks and impact that it may have on the Group's financial and trading prospects. With the right development strategies, the Company will complete its work tasks, facilitate in-depth reform and integrated development, and build a solid foundation for achieving its strategic objectives and creating better returns for all shareholders.

The Directors present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group's principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of financial year 2019, 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 Discussion and Analysis" section on pages 16 to 24, the "Financial Review" section on page 7, the "Corporate Governance Report" section on pages 41 to 50, the "Environment, Social and Governance Report" section on pages 51 to 70 and note 43 to the consolidated financial statements on pages 182 to 190 of the Annual Report.

GROUP PROFIT

The Group's profit for the year ended 31 December 2019 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 77 to 194.

DIVIDENDS

An interim dividend of HK3 cents per share (2018: HK3 cents per share) were paid on 12 November 2019. The Directors do not recommend the payment of a final dividend (2018: Nil) for the year ended 31 December 2019.

SHARE CAPITAL

During the year, the Company issued 250,000 shares for cash of HK$425,000 on the exercise of options granted under the approved share option scheme and issued 80,470,184 shares at the market price of HK$1.266 per share as scrip dividend to the shareholders of the Company. 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 44 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 2019, the Company has not entered into any equity-linked agreements.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 297 and 299 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$3,664,303,000.

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.

DONATIONS

During the year, the Group made charitable donations amounting to HK$2,508,000.

SUMMARY FINANCIAL INFORMATION

A summary of the Group's results and assets and liabilities for the last five financial years, is set out on page 6.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. Fu Zhuoyang *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Jiang Hong *(General Manager)*
Mr. Chen Xianjun *(Resigned on 22 November 2019)*
Mr. You Cheng
Mr. Yang Hao
Mr. Wu Qiang *(Executive Deputy General Manager) (Appointed on 8 March 2019)*
Mr. Fan Dongsheng *(Appointed on 20 January 2020)*

Independent non-executive directors:

Mr. Wong Man Kong Peter *(Passed away peacefully on 11 March 2019)*
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny *(Appointed on 18 January 2019)*
Mr. Song Dawei *(Appointed on 23 August 2019)*

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. Jiang Hong, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke and Mr. Huang Hui shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 92 of the Company's Articles of Association, Mr. Fan Dongsheng, who has been appointed by the Board on 20 January 2020, shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

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

Biographical details of the Directors of the Company are set out on pages 8 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 2019 Interim Report are set out below:

Name of Director	Changes
Fu Zhuoyang	Resigned as a director of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") with effect from 11 November 2019
Tse Cho Che Edward	Appointed as an independent non-executive director of China Orient Group Company Limited (Stock Code: 581) with effect from 7 November 2019.

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 caliber 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 2.25 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019 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 17 May 2019, the Company, as lender, entered into the a loan agreement with China Travel Financial Investment Holdings Co., Limited ("CTS Finance Investment"), as borrower, for a term of one year commencing from 17 May 2019 and ending on 16 May 2020, pursuant to which the Company has agreed to provide a loan of US$20,000,000 to CTS Financial Investment (the "First Financial Assistance").

    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 transaction contemplated under the loan agreement constitutes 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 17 May 2019.

(ii) On 2 August 2019, CTS (Shenzhen) Travel Management Company Limited ("CTS (Shenzhen)"), as lender, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited ("CTS (China) Investment"), as borrower, for a term of three years commencing from 2 August 2019 and ending on 1 August 2022, pursuant to which CTS (Shenzhen) has agreed to provide a loan of RMB 210,000,000 to CTS (China) Investment (the "Second Financial Assistance").

CTS (Holdings) is a controlling shareholder of the Company. CTS (China) Investment is an indirect wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the loan agreement constitutes connected transaction for the Company under 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 2 August 2019.

(iii) On 9 August 2019, China Travel Service Co., Ltd. ("CTS Head Office") entered into an agreement with Alton Services Limited ("Alton"), a wholly-owned subsidiary of the Company, China Travel (HK & Macau Tour) Management Hong Kong Limited ("CTS (HK & Macau Tour)", its name has been changed to China Travel Service (Hong Kong) Limited on 23 December 2019), China Travel Air Service Hong Kong Limited and China Travel Service (Hong Kong) Limited (its name has been changed to China Travel Service Property Investment Hong Kong Limited on 23 December 2019), indirect wholly-owned subsidiaries of the Company, pursuant to which Alton agrees to dispose and CTS Head Office agrees to acquire 100% ordinary shares in CTS (HK & Macau Tour) for a consideration of HK$5,130,000 after an internal reorganization (the "Disposal").

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements. As China National Travel Service Group Corporation Limited ("China CTS") holds 100% issued share capital in CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, according to the Listing Rules, China CTS is a connected person of the Company. As CTS Head Office is a wholly-owned subsidiary of China CTS, CTS Head Office is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios for the Disposal are all below 25%, and the total consideration for the Disposal is less than HK$10,000,000, the Disposal is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules. For detailed information, please refer to the announcement of the Company dated 9 August 2019.

Continuing Connected Transactions

(i) On 8 November 2018, the Company and China National Travel Service (HK) Finance Company Limited ("CTS Finance") entered into a financial services framework agreement (the "2018 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 to the Group for a term commenced from 1 January 2019 and ending on 31 December 2021. Under the 2018 Financial Services Framework Agreement, the deposit caps for each of the three years ending 31 December 2021 is RMB500 million.

Due to the increasing idle funds in the PRC Subsidiaries, the expectation of more stable revenue from interest income and the competitive deposit rates offered by CTS Finance, the aggregate amount under the deposit services actually required by the Group for each of the three years ending 31 December 2021 may exceed the original projection. The deposit cap is expected to be insufficient, therefore, the Company entered into the a financial services supplemental agreement (the "2019 Financial Services Supplemental Agreement") with CTS Finance on 17 October 2019 to revise the deposit caps under the 2018 Financial Services Framework Agreement for each of the three years ending 31 December 2021 to re-comply with the announcement and shareholders' approval requirements in accordance with Rules 14A.54 of the Listing Rules.

The revised deposit caps under the 2019 Financial Services Supplemental Agreement for each of three years ending 31 December 2021 is RMB1,500 million. The actual amount of the transactions for the year ended 31 December 2019 was RMB1,147 million.

CTS (Holdings) is a connected person of the Company by virtue of being a substantial shareholder. As China CTS holds the entire issued share capital of CTS (Holdings), China CTS and the China CTS Group are 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 2018 Financial Services Framework Agreement and the 2019 Financial Services Supplemental Agreement constitute 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.

It is expected that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the fees in connection with the comprehensive credit line services (excluding the loan 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 (excluding the loan services), the entrustment loan services and the cross-border RMB cash pooling services are fully exempt from the reporting, announcement, annual review and the independent shareholders' approval requirements under the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the revised deposit caps under the 2019 Financial Services Supplemental Agreement exceeds 5% and HK$10,000,000, the deposit service (including the revised deposit caps) constitute continuing connected transactions and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Further, as the deposit services constitute provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules, and the relevant applicable percentage ratio for the deposit service (including the revised deposit caps) is higher than 25% and less than 75% on an annual basis, the deposit services (including the revised deposit caps) itself constitute a major transaction under Chapter 14 of the Listing Rules. Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the First Financial Assistance and the Second Financial Assistance would be aggregated with the deposit services (including the revised deposit caps) and be treated as if they were one transaction. As the relevant applicable percentage ratio for the deposit services (including the revised deposit caps), after aggregation with the First Financial Assistance and the Second Financial Assistance, is still higher than 25% and less than 75% on an annual basis, the deposit services (including the revised deposit caps), after aggregation with the First Financial Assistance and the Second Financial Assistance, constitute a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

At the extraordinary general meeting of the Company held on 29 November 2019, the Company obtained independent shareholders' approval of the 2019 Financial Services Supplemental Agreement and the revised deposit caps in relation to the continuing connected transactions contemplated thereunder.

For detailed information, please refer to the Company's announcement dated 8 November 2018 and 17 October 2019, and the circular of the Company dated 7 November 2019.

(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 balance has been repaid during the year. 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 Property Investment Hong Kong Limited ("CTSPM") (note (1));

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

(c) Provision of tour group services by the Group and the China CTS Group to each other (note (3));

(d) Lease arrangements with the Chins CTS Group as lessee (note (4)); and

(e) Lease of computer system to the China CTS Group as lessee (note (4)).

Notes:

(1) On 15 May 2001, CTSPM, 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").

CTSPM 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. At the extraordinary general meeting of the Company held on 14 December 2018, the Company obtained independent shareholders' approval of the maximum aggregate annual value of HK$310 million for each of the three years ending 31 December 2021. For detailed information, please refer to the Company's announcement dated 8 November 2018 and the circular dated 28 November 2018.

(2) On 8 November 2018, the Company entered into a master lease agreement with China CTS for a term commencing from 1 January 2019 and ending on 31 December 2021, where the Group will continue to obtain lease of office premises from the China CTS Group.

As CTS (Holdings) is a substantial shareholder of the Company and China CTS holds the entire issued share capital of CTS (Holdings), China CTS and the China CTS Group are connected persons of the Company under the Listing Rules. For detailed information, please refer to the Company's announcements dated 8 November 2018.

(3) On 28 December 2017, 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 2018 and ending on 31 December 2020 in order to benefit from the extensive coverage of the travelling network of the China CTS Group and to allocate resources more efficiently.

As China CTS holds the entire issued share capital of CTS (Holdings) which is a substantial shareholder of the Company, China CTS is therefore a connected person of the Company. For detailed information, please refer to the Company's announcement dated 28 December 2017.

(4) On 21 July 2017, the Company and China CTS entered into a master lease agreement (the "2017 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. On 31 December 2019, the Company entered into a master lease agreement (the "2019 Master Lease Agreement") with China CTS (i) renew the terms of the continuing connected transactions contemplated under the 2017 Master Lease Agreement for a term commencing from 1 January 2020 and ending on 31 December 2022, where the Group will continue to lease its office premises or other properties to the China CTS Group; and (ii) to govern the lease of the Group's computer system and provision of maintenance services to the China CTS Group for a term commencing from 1 January 2020 and ending on 31 December 2022.

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 and 31 December 2019.

The maximum aggregate annual consideration for the above-said continuing connected transactions for the year ended 31 December 2019 and the actual amounts of such transactions for the year ended 31 December 2019 are as follows:

	Caps for the years ended/ending 31 December 2018 '000	2019 '000	2020 '000	2021 '000	Actual amounts for the year ended 31 December 2019 '000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration by CTSPM	HK$290,000	HK$310,000	HK$310,000	HK$310,000	HK$271,720
II. Continuing connected transactions with the China CTS Group					
(b) Provision of tour group services by the Group to the China CTS Group	HK$35,000	HK$45,000	HK$58,000	N/A	HK$23,254
(c) Provision of tour group services by the China CTS Group to the Group	HK$90,000	HK$108,000	HK$129,000	N/A	HK$76,670
(d) Lease arrangements with the China CTS Group as lessor.	N/A	HK$23,000	HK$25,000	HK$26,000	HK$15,507
(e) Lease arrangements with the China CTS Group as lessee	RMB7,720	RMB9,270	HK$25,010	HK$25,210	RMB2,322
(f) Lease of computer system to the China CTS Group as lessee	N/A	N/A	HK$8,443	HK$7,921	N/A

(iv) On 28 December 2018, the Company and China CTS entered into a management services master agreement pursuant to which the Company agreed to provide management services to a group of subsidiaries of China CTS, the principal business of which include investment, development and management of tourism real estate projects, for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. The management services agreement will enable the Company to benefit from the quality tourism resources of China CTS with synergies and maximized asset yields, and expand the Company's revenue stream and increase its cash flow. The annual cap for each of the three years ending 31 December 2021 is RMB55,000,000. The actual amount of the transactions for the year ended 31 December 2019 was RMB51,887,000.

CTS (Holdings) is a connected person of the Company by virtue of being a substantial shareholder. As China CTS holds the entire issued share capital of CTS (Holdings), China CTS is a connected person of the Company under the Listing Rules. The entering into of the management services master agreement between the Company and China CTS constitutes continuing connected transactions of the Company and are subject to the reporting, announcement and annual review requirements under the Listing Rules. For detailed information, please refer to the Company's announcement dated 28 December 2018.

(v) On 31 December 2019, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort"), an indirect wholly-owned subsidiary of the Company entered into a commercial services master agreement with Earn Success Investment Limited ("Earn Success"), pursuant to which CTS Scenery Resort agreed to provide commercial services, including land acquisition consultancy services, commercial consultancy services, design consultancy services, business invitation services, operation management services and tenancy management services, to Earn Success and its subsidiaries and associates, but excluding the Group, ("Earn Success Group") on a non-exclusive basis for a term of three years commencing from 1 January 2020 and ending on 31 December 2022. The provision of commercial services to Earn Success Group under the Commercial Services Master Agreement will not only enable the Company to benefit from the quality tourism resources of Earn Success Group with synergies and maximized assets yields, but also expand its revenue stream and increase its cash flow. The annual cap under the commercial services master agreement for each of the three years ending 31 December 2022 are HK$34,000,000, HK$38,000,000 and HK$92,000,000, respectively.

CTS (Holdings) is a controlling shareholder of the Company. Earn Success is a direct wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company. The transactions contemplated under the commercial services master agreement constitute continuing connected transactions for the Company and are subject to the reporting, announcement and annual review requirements under the Listing Rules. For detailed information, please refer to the Company's announcement dated 31 December 2019.

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 2019 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 2019 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 2019, 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 2019
Mr. Fu Zhuoyang	–	–	–	768,000	768,000	0.01%
Mr. Lo Sui On	–	600,000	–	770,000	1,370,000	0.02%
Mr. Jiang Hong	–	–	–	800,000	800,000	0.01%
Mr. You Cheng	–	450,000	–	–	450,000	0.01%
Mr. Wu Qiang (Note 1)	–	600,000	–	680,000	1,280,000	0.02%

Note 1: Mr. Wu Qiang was appointed as an Executive Director and Executive Deputy General Manager of the Company on 8 March 2019.

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 2019	Granted during the year	Exercised during the year	Balance as at 31 December 2019	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors							
Fu Zhuoyang	768,000	–	–	768,000	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
Jiang Hong	800,000	–	–	800,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	2,338,000	–	–	2,338,000			
Other employees in aggregate	11,048,000	–	(250,000)	10,798,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	13,386,000	–	(250,000)	13,136,000			

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 31 December 2019 was 13,136,000, representing 0.24% of the total number of issued shares of the Company as at the date of this annual report.

The 2012 Share Option Scheme

Details of the movement in the share options granted under the 2012 Share Option Scheme during the year ended 31 December 2019 are set out below.

Name or category of participant	Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Reclassified during the year	Balance as at 31 December 2019	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors									
Wu Qiang (Note 2)	–	–	–	(660,000)	1,340,000	680,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
Sub-Total	–	–	–	(660,000)	1,340,000	680,000			
Other employees in aggregate	58,504,400	–	–	(30,433,600)	(1,340,000)	26,730,800	15 September 2016	15 September 2018 to 14 September 2021	2.304
	5,896,000	–	–	(2,972,000)	–	2,924,000	30 December 2016	30 December 2018 to 29 December 2021	2.304
Sub-Total	64,400,400	–	–	(33,405,600)	(1,340,000)	29,654,800			
Grand Total	64,400,400	–	–	(34,065,600)	–	30,334,800			

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. Wu Qiang was appointed as an Executive Director and Executive Deputy General Manager of the Company on 8 March 2019.

The accounting policies on Share Option Scheme are set out in note 2.24 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 2019, 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 2019, 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 2019, 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 2019
China CTS	Interest of controlled corporation (Note 1)	3,374,692,612	60.95%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Note 1 and 2)	3,374,692,612	60.95%
Hongkong New Travel Investments Ltd.	Beneficial owner (Note 2)	1,136,254,902	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,136,254,902	20.52%
CNIC Corporation Limited (formerly known as GUOXIN International Investment Corporation Limited)	Interest of controlled corporation (Note 3)	1,115,340,456	20.14%
Ryden Holdings Company Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.14%
中國華馨投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.14%
博遠投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.14%

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 3,374,692,612 shares, 2,217,247,189 shares are held by CTS (Holdings) directly. 21,190,521 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,136,254,902 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: 1,136,254,902 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 CNIC 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, CNIC 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 2019, 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 2019 are set out in note 32 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

On 20 July 2011, CTSPM, 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.

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 11 September 2019, the Company, as borrower, entered into a facility agreement with a bank for an uncommitted revolving loan up to an aggregate amount of HK$1,000,000,000. The bank may at any time without prior notice modify, cancel or suspend the facility(ies) at its sole discretion including, without limitation, canceling any unutilized facilities, and declaring any outstanding amount to be immediately due and payable. Pursuant to the terms of the facility agreement, the Company undertakes with the bank, inter alia, that (i) CTS (Holdings) shall hold, directly or indirectly, more than 40% of the issued share capital of the Company and maintain as a single largest beneficial shareholder of the Company; and (ii) CTS (Holdings) shall be wholly-owned, indirectly or directly, by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China ("SASAC") and is under the direct or indirect management control by SASAC.

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 risk management, 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 41 to 50.

AUDITORS

The financial statements of the Company for the year ended 31 December 2019 were audited by KPMG. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2020 annual general meeting to re-appoint them and to authorize the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Fu Zhuoyang
Chairman

Hong Kong, 31 March 2020

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 2019, except for the following deviations:

– Code Provision A.2.7 specifies that the Chairman should at least annually hold meetings with the Independent Non-Executive Directors without the presence of other directors. During the year, the Chairman did not hold any meeting with the Independent Non-Executive Directors without the presence of other directors because the Independent 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 Independent 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. Except for Mr. Jiang Hong, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei, the Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

– Code Provision E.1.2 specifies that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board of the Company has not attended the Company's annual general meeting held on 30 May 2019 because of other business commitment.

THE BOARD

Composition

The Board currently comprises 12 Directors, being 7 Executive Directors and 5 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 25 to 40.

The relationships among members of the Board are disclosed in the "Biographies of Directors" section on pages 8 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.

Following the resignation of the only Independent Non-Executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise (the "Relevant Qualifications") as required under Rule 3.10(2) of the Listing Rules on 24 October 2018, the Company would have no Independent Non-Executive Director who possesses the Relevant Qualifications and the Audit Committee of the Company would comprise no Independent Non-Executive Director with the Relevant Qualifications as required under Rule 3.21 of the Listing Rules. Upon the appointment of Mr. Chen Johnny on 18 January 2019, the Company has fulfilled the requirements under Rules 3.10(2) and Rule 3.21 of the Listing Rules.

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

Chairman and General Manager

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

Responsibilities

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

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

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

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

Directors' Training

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the 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:			
Fu Zhuoyang	✓	–	✓
Lo Sui On	✓	✓	✓
Jiang Hong	✓	–	✓
Chen Xianjun Note 1	✓	–	✓
You Cheng	✓	–	✓
Yang Hao	–	–	✓
Wu Qiang Note 2	✓	–	✓
Independent Non-executive Directors:			
Wong Man Kong Peter Note 3	–	–	✓
Tse Cho Che Edward	✓	✓	✓
Zhang Xiaoke	✓	–	✓
Huang Hui	✓	✓	✓
Chen Johnny Note 4	✓	✓	✓
Song Dawei Note 5	✓	–	✓

Note 1 Mr. Chen Xianjun resigned as an Executive Director of the Company with effect from 22 November 2019.

Note 2 Mr. Wu Qiang appointed as an Executive Director of the Company with effect from 8 March 2019.

Note 3 Mr. Wong Man Kong Peter passed away peacefully on 11 March 2019.

Note 4 Mr. Chen Johnny appointed as an Independent Non-Executive Director of the Company with effect from 18 January 2019.

Note 5 Mr. Song Dawei appointed as an Independent Non-Executive Director of the Company with effect from 23 August 2019.

Board Meetings

During the year ended 31 December 2019, the Board held four regular meetings. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board meetings and committee meetings, notice is generally given within a reasonable time.

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

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

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

BOARD COMMITTEES

The Board established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination 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)* (passed away on 11 March 2019)
	Mr. Chen Johnny *(Chairman)* (appointed as a member of the Audit Committee on 18 January 2019 and additional appointed as the chairman of the Audit Committee on 10 June 2019)
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Song Dawei (appointed on 23 August 2019)

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 2019 and reviewed the audited financial statements for the year ended 31 December 2018 and the unaudited interim financial statements for the six months ended 30 June 2019. The Audit Committee also reviewed internal audit reports (prepared by the internal audit department of the Group), corporate governance reports, the re-appointment of external auditors, the adequacy of resources, qualifications and experience of staff 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 2019 have been reviewed by the Audit Committee.

Remuneration Committee

Members:

Independent Non-Executive Directors:	Mr. Wong Man Kong Peter *(Chairman)* (passed away on 11 March 2019)
	Mr. Chen Johnny *(Chairman)* (appointed as a member of the Remuneration Committee on 18 January 2019 and additional appointed as the chairman of the Remuneration Committee on 10 June 2019)
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Song Dawei (appointed on 23 August 2019)
Executive Director:	Mr. Fu Zhuoyang

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 assess performance of Executive Directors and 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 2019 are disclosed in the notes to the consolidated financial statements.

The Remuneration Committee held one meeting in 2019 and reviewed the Directors' fees for 2019.

Nomination Committee

Members:

Executive Director:	Mr. Fu Zhuoyang *(Chairman)*
Independent Non-Executive Directors:	Mr. Wong Man Kong Peter (passed away on 11 March 2019)
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Chen Johnny (appointed on 18 January 2019)
	Mr. Song Dawei (appointed on 23 August 2019)

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 and succession planning for directors 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 2019 and reviewed the re-election of retiring Directors at the 2019 annual general meeting, the structure, size and composition of the Board, and the resignation and appointment of Board members and senior management.

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, Annual General Meeting and Extraordinary General Meeting of the Company during the year ended 31 December 2019 are set out as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2019					
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors:						
Fu Zhuoyang	1/4	N/A	0/1	0/1	0/1	0/1
Lo Sui On	4/4	N/A	N/A	N/A	0/1	1/1
Jiang Hong	4/4	N/A	N/A	N/A	1/1	1/1
Chen Xianjun Note 1	1/3	N/A	N/A	N/A	0/1	0/0
You Cheng	4/4	N/A	N/A	N/A	0/1	0/1
Yang Hao	2/4	N/A	N/A	N/A	0/1	0/1
Wu Qiang Note 2	2/4	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors:						
Wong Man Kong, Peter Note 3	0/0	0/0	0/0	0/0	0/0	0/0
Tse Cho Che Edward	2/4	2/2	1/1	1/1	1/1	0/1
Zhang Xiaoke	4/4	1/2	1/1	1/1	1/1	0/1
Huang Hui	3/4	2/2	1/1	1/1	1/1	1/1
Chen Johnny Note 4	4/4	2/2	1/1	1/1	0/1	0/1
Song Dawei Note 5	2/2	1/1	0/0	0/0	0/0	0/1

Note 1 Mr. Chen Xianjun resigned as an Executive Director of the Company with effect from 22 November 2019.

Note 2 Mr. Wu Qiang appointed as an Executive Director of the Company with effect from 8 March 2019.

Note 3 Mr. Wong Man Kong Peter passed away peacefully on 11 March 2019.

Note 4 Mr. Chen Johnny appointed as an Independent Non-Executive Director of the Company with effect from 18 January 2019.

Note 5 Mr. Song Dawei appointed as an Independent Non-Executive Director of the Company with effect from 23 August 2019.

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 2019.

AUDITORS' REMUNERATION

During the year ended 31 December 2019, the remuneration to the Company's auditors, KPMG is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	12,256
Non-audit services	2,937
Total	15,193

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 71 to 76.

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 includes 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

- Faciliate the performance of risk assessment;
- Monitor the operation of risk mangement 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 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 2019.

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.

DIVIDEND POLICY

The Company adopts a dividend policy setting out the guidelines for the Board to determine (i) whether dividends are to be declared and paid, and (ii) the level of dividend to be paid to the shareholders of the Company. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may declare special dividends in addition to such dividends as it considers appropriate. A summary of the policy is listed out below.

(1) Factors for consideration

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

(i) the actual and expected financial performance of the Group;

(ii) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(iii) the Group's business strategies and operations, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(iv) the current and future liquidity positon and capital requirements of the Group;

(v) any other factors that the Board deems appropriate; and

(vi) The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

(2) Form of Dividend

Subject to the Company's Articles of Association and the Companies Ordinance (Cap. 622 of the laws of Hong Kong), dividends may be paid in cash or be satisfied wholly or partly in the form of allotment of shares of the Company. The Board may also consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations.

(3) Approval

The Board may determine and pay to the Company's shareholders such interim dividends as it considers appropriate, and recommend the payment of final dividends which are required to be approved by shareholders of the Company in general meetings.

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 2019, the Company held press and analyst conferences following the release of its 2018 annual results and 2019 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 fourth Environmental, Social and Governance (ESG) Report covering certain environmental and social responsibility aspects underlying our business operations for the financial year from January 1, 2019 to December 31, 2019.

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 operations of travel destinations ("travel destinations", including hotels, theme parks, natural and cultural spots, and leisure resorts), travel agency, travel documents and related operations and passenger transportation operations. The quantitative environmental performance of our operation is based on data collected from the 13 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 approach cover the following four aspects: Environment, People, Operating Practices, and Community. Our measures in these areas will be described in detail in the following.

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 align our business with their goals and sustainability concerns.

We have continued to engaged representatives from different business functions to identify relevant ESG issues and assess their materiality to our business by 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 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 expectations, and with the assistance of a third-party professional entity, the following issues were identified to be material, 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. Air pollution and 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

Achievements

The Group adopted a management approach that is focusing on innovation and successfully enhanced the quality of its services provided, and assisted it in gaining recognition from different parties. In 2019, we have received various awards in recognition of our efforts invested in achieving the strategic goal of becoming "A first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer". For instance, Shapotou Scenic Spot awarded for the "Scenic Spot award" and the "Activity award" of the China Yellow River Cultural Tourism Award with its unique natural resources, cultural heritage and entertainment programs, and "My favourite Chinese agency" for China Travel Services by U Magazine in 2019. In addition, two restaurants of Metropark Hotel Kowloon have been awarded the "Outstanding QTS Merchant Awards" by the Hong Kong Tourism Board.

The Group will continue seeking every solid opportunity to develop new travel plans of premium quality, so as to enhance its competitiveness and reputation.

OUR ENVIRONMENT

We strive to incorporating sustainability principles, like environmental protection and lower consumption, into our business operations. With the commitment to complying all applicable environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China and the Regulation on the Administration of Construction Project Environmental Protection, we have formulated rigorous internal policies, systems, and programmes to drive continuous improvement. For instance, Metropark Hotel Causeway Bay Hong Kong has developed "Environmental Protection Policy", and implemented various initiatives regarding energy saving and waste recovery. It also works in collaboration with third-party service providers to collect recyclable resources at its offices and hotel area, such as paper, plastic bottles, and waste electronic equipment, so as to ensure all waste are managed properly. Also, Xianyang Ocean Spring Resort Co., Ltd ("Xianyang OSR") has required all employees to strictly implement its "Office Management Policy", so as to minimise energy waste from lighting, water taps, and air-conditioning, as well as paper usage. In addition, we conduct Environmental Impact Assessment (EIA) for all construction works in travel destinations to access and mitigate any potential impact on the local environment, so as to drive sustainable development at tourism places. There were no non-compliance cases noted in relation to environmental laws and regulations in 2019.

Energy and Resources

We strive to continually improve our environmental management practices and measures to minimise our use of energy and other resources so as to reduce operation costs and makes positive impacts on the environment. For example, with the aim of minimising energy consumption in both operation centers and management divisions, the China Travel Hong Kong (Zhuhai) Ocean Spring Resort Co., Ltd ("Zhuhai OSR") has formulated and adopted the "Implementation Rules for Energy-saving Management", which provides instruction regarding adjusting energy use structures according to the actual situation of the hotel.

To achieve higher energy efficiency, we have 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) Replacing fluorescent lights with energy-saving LED lights in our properties, which save the energy compared with fluorescent lights;

By implementing regular measurement and monitoring systems, we aim to minimise our energy consumption without affecting customers' experience. For instance, Shenzhen Splendid China Development Co., Ltd ("Splendid China") has adopted "Water and Electricity Consumption Data Collection Procedures and Energy-saving Measures", whereby energy conservation specialists are appoint to collect weekly and monthly energy statistics, analysis the data summary subsequently and report the findings in the management meetings to track our progress on energy conservation. In addition, employee education events have been actively carried out to advocate the culture of conserving energy and resources among the employees, and to drive their behavioural changes.

Electricity and other resource consumption figures for 2019 are shown in the following table.

	Energy Consumption[1]		Unit	GHG Emissions		Unit
	2019	2018		2019	2018	
Electricity use	89,784,156.56	85,690,787.7	kWh	72,072.45	51,899.67	tCO_2e
Natural gas	1,590,510.3	1,923,674.64	m³	3,456.38	4,180.39	
Gasoline	702,890.91	683,325.08	L	1,583.6	1,529.91	
Diesel fuel	7,592.74	7,706.51	tonnes	23,558.5	23,912.54	
Liquefied petroleum	349.84	352.85	tonnes	1,101.58	1,111.05	
Gas	6,373,730.00	6,645,312.00	MJ	418.14	435.96	
Refrigerant	140.4	142	kg	318.27	330.67	

Notes:

1. Data from all 13 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, Anji and China Travel Tours Transportation Services is included.

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.

Calculated energy consumption intensity for China Travel Tours Transportation Services:

Energy consumption intensity	Usage in 2019	Energy consumption source
Fuel used for operation/ Total vehicle mileage ('000)	9.07 GJ/km ('000)	Natural gas, gasoline, diesel fuel

Case Studies
Hotels
Metropark Hotel Kowloon
The hotel has implemented various energy saving measures, including the installation of "Smart Fan Coil Unit Control System" and energy saving LED lights at the hotel guest rooms to control and minimise electricity consumption.
Metropark Hotel Causeway Bay Hong Kong
The hotel has an Energy Management policy to guide the environmental journey. In this year, we continued to replace display spotlights, and fluorescent lights at the lobby and guest rooms with LED lights to save energy in the long run. In 2019, the hotel has upgraded an air-conditioning system and two chilled water pump systems, successfully enhancing its energy consumption efficiency and reducing overall energy consumption.
Metropark Hotel Mongkok
The Central Water System of Metropark Hotel Mongkok is designed to adjust water flow and temperature according to time, weather and occupancy rate. This assists the hotel in saving energy from heating water and reducing water consumption. In 2019, we achieved mitigating the electricity consumption, and a 2.2% of reduction in water consumption comparing with last year.
Travel destinations
Zhuhai OSR
Our energy conservation specialists in the Engineering Department are responsible for collecting and summarising weekly and monthly data of usage of electricity, water, gas and diesel. The statistical summary is reported in weekly and monthly management meetings. We have real-time access to energy usage information and can identify abnormalities for rectification.
Passenger transportation operations
China Travel Tours Transportation Services Hong Kong Ltd. ("China Travel Tours Transportation Services")
We value the cultivation of staff awareness of energy conservation. We have actively organised education activities and promotion events for our employees to raise their environmental awareness of resources and energy conservation, and to encourage them to take action proactively. In addition, we organise monthly meeting to disclose and compare drivers' performance in fuel saving at work. We will also communicate guidelines on energy saving during driving in the monthly meetings.

Emissions

We have developed a series of management procedures and policies to systematically manage gas emissions and conducted tests on gas emissions in a regular basis. For example, Zhuhai OSR appoints a third-party inspection institution to conduct regular assessments on air pollutants emitted, including nitrogen oxide, sulphur dioxide, and dust particles, which mainly comes from the combustion of the diesel boilers. The assessment results are reported to our management for setting reduction targets and to the Environmental Protection Bureau of the Government on a quarterly basis to comply with regulations. China Travel Tours Transportation Services has appointed third-party consultants to audit its scope 1 and scope 2 GHG emissions in accordance with ISO 14064-1 and GB/T 32150-2015. The audit scope covers emissions from vehicles, energy consumption, data collection process, data quality and choice of emissions factor, etc.

Calculated GHG emission figures for 2019 are shown in the following table.

Scope of emission	Overall usage in 2019[1]	Overall usage in 2018[1]	Main energy source
Scope 1 Emissions[2]	30,356.87 tCO_2e	31,417.46 tCO_2e	Natural gas, gasoline, diesel fuel, liquefied petroleum, gas, refrigerant
Scope 2 Emissions[3]	72,152.12 tCO_2e	68,438.58 tCO_2e	Electricity purchased, gas

Notes:

1. Data from all 13 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, Anji, Songshan Shaolin and China Travel Tours Transportation Services is included.

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, and HKEX for emission factor of mainland China, and update accordingly; for example, the emissions of the Hong Kong hotels located on Hong Kong Island were calculated by HEC emission factors.

The air pollutants emitted from automobiles include carbon monoxide (CO), hydrocarbon (HC), nitrogen oxides (NO_x), particulate matter (PM) and other harmful solid particles. In order to reduce these pollutants, we strive to observe all relevant legal requirements and standards. In 2019, China Travel Tours Transportation Services had a total of 270 operating vehicles, which were fully compliant with the relevant environmental laws and regulations. With the commitment to controlling GHG emissions and air pollutants effectively, we continued to strengthen the monitoring of current vehicles this year, and replaced 18 buses with the environmental-friendly models that meet Euro VI and Beijing V emission standards, satisfying both local and international standards.

In 2019, passenger transportation operations have implemented the audit on exhaust pollution by type and the results shown in the following table.

Type of vehicle	Fuel type	Fuel consumption (t)	Pollutants calculations		
			Pollutant	Emissions Factor (kg/t)	Emissions calculations (t)
Large vehicle	Diesel fuel	6,827	Carbon Monoxide	28.4	193.89
			Hydrocarbon	9.1	62.13
			Nitrogen Oxide	40.8	278.54
			Particulate Matter	3.4	23.21
Small vehicle	Gasoline	356.5	Carbon Monoxide	267	95.19
			Hydrocarbon	33.2	11.84
			Nitrogen Oxide	26.8	9.55
			Particulate Matter	1.34	0.48

Notes:

1. The above emission data was the audited figure, based on fuel consumption and vehicle emission standards by China Travel Tours Transportation Services. Since the business has mostly large vehicles that consume diesel fuel and small vehicles that consume gasoline, CO, HC, NO_x are considered.

3. The emissions factors above are the weight of pollutants (kg) from the engine burning 1,000kg of fuel.

Case Studies
Travel destinations
Shenzhen The World Miniature Co., Ltd. ("Window of the World")
"The Ice-snow World in Alpine" 300 kWp Distributed Photovoltaic Project To manage and reduce its overall carbon footprint, Window of the World has installed photovoltaic panels on the roof of "The Alpine World of Ice and Snow". The electricity generated is mostly distributed to the skating rink to support its electricity consumption, and the remaining power goes to the power supply network. In 2019, the installed panels generated about 321,000kWh of renewable energy.
Anji
Zero emission from electric vehicles Anji is a themed travel destination that advocates green and environmental protection. In 2019, 100% of the 28 operating vehicles in Anji are electric vehicles. The use of electric vehicles helps us to reduce air pollutants emissions and offer a more comfortable environment for our guests.

Water

Both our hotels and travel destinations consume a large quantity of water. In view of this, we have set goals for water consumption reduction and implemented water conserving measures to improve the water efficiency of our operation centres. Especially in Metropark Hotel Kowloon, our theme parks, Window of the World and Splendid China, various water conserving facilities and equipment have been installed, utilising the water efficient technologies to reduce water consumption, and enhance the rate of recycling water. In 2019, water consumption was 2,625,308.53 tonnes[1].

Case Studies
Hotels
Metropark Hotel Kowloon
Water saving devices In order to control and limit water consumption, the hotel replaced the current shower heads with a water saving model. This year, we achieved 10% water consumption reduction comparing with last year.
Travel Destinations
Window of the World
Fountain Self-Priming Pump Treatment Facilities In 2019, the water recycled percentage for Window of the World reached 21%. We have ultilised the use of rainwater in cleaning tourist spots, so as to achieve the greatest reduction in water consumption by scientific means. We have also installed fountain self-priming pump treatment facilities, so as to reuse fountain water, and the fountain water recycled percentage reached 80%.
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 gross floor area. Every year, we can achieve a reduction in 180 tonnes diesel fuel used and 12,000 tonnes water consumption.
Anji
Recycled water for irrigation In Anji, we have utilised and recycled the lake water in irrigation. Submersible pumps are used to pump water from the lake to water pumping station, the pumped water will then be filtered and used in garden watering. With this measure, we aim to reduce the overall water consumption in Anji.

Note:

1. Data from all 13 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, Anji and China Travel Tours Transportation Services is included.

Waste Management

We are committed to fully comply with the Waste Disposal Ordinance by taking waste management, waste reduction measures and implement recycling plan whenever possible. Depending on the operation, we developed suitable solutions for different types of waste, and proactively seek professional recycling company to handle various of wastes. We believe the correct categorisation of waste can facilitate efficient recycling and hence we have set up waste separation facilities in our hotels and travel destinations and offices. Apart from advocating waste recovery, we also promote the culture of waste reduction across our business units to minimise waste generation. For example, CTS (HK) Grand Metropark Hotel Beijing has implemented a "Paperless Office Policy" and actively promoted the use of electronic versions of documents. The hotel also works in collaboration with recycling service provider to collect and handle food waste in a proper manner.

The first four categories of waste listed below are recycled by third party 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]	2019		
Non-hazardous waste	***Produced***	***Recycled***	***Unit***
Paper	320,391	319,989	Kg
Metal	74,481	71,521	Kg
Hazardous waste	***Produced***	***Recycled***	***Unit***
Vehicle Batteries	88	88	Units
Scrapped Vehicles	16	16	Units

Note:

1. Non-hazardous waste data comes from 6 travel destinations operating units including, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, Anji. Hazardous waste data comes from China Travel Tours Transportation Services.

Case Studies
Hotels
Metropark Hotel Causeway Bay Hong Kong
Recycling Activities To advocate The Producer Responsibility Scheme on Waste Electrical and Electronic Equipment formulated by the HKSAR Environmental Protection Department, Metropark Hotel Causeway Bay Hong Kong managed and recycled the hotel's waste electronic equipment regularly. The hotel also works with recycling company to recycle 2,168 litres of waste oil in 2019.
Metropark Hotel Macau
Waste Food Oil Recovery Metropark Hotel Macau appointed a third-party service provider to collect its waste food oil, which is then refined into fuel. In 2019, the hotel has recycled 2,640 litres of waste oil.
Travel destinations
Anji
Waste Recycling We worked in collaboration with third-party service providers to ensure all waste is managed properly. For instance, we appointed a property management company to collect and handle food waste, glass, paper boxes, plastic and scrap metal. In addition, this year we worked with a waste recycling company to recycle our waste food oil.
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". In 2019, we have adopted the technology of dissolved air flotation in wastewater treatment plant to improve the water quality of sewage.

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 recruit talents through various platforms and dedicated to sustaining a healthy, safe and harmonious work environment.

Employee recruitment and benefits

Robust recruiting and retaining talent is crucial 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 Labour Law, 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 organization.

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 be an equal opportunity employer that does not discriminate on the grounds of gender, disability, pregnancy, race, religion, age or family status. Our employees are provided with 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 7,851 employees. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and loyalty. 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.

Case Studies
Hotel
Metropark Hotel Macau
The new "Award for Effectiveness Improvement Opinions" The hotel has always valued employee's opinions. To this end, we have established employee communication channels and regularly collect employee opinions. To recognises and encourages employees' contribution to the hotel by providing valuable opinions, the hotel has established the "Award for Effectiveness Improvement Opinions", providing them with the opportunities to participate in the management of the hotel and make suggestions. This also helps to strengthen the employees' sense of belonging to the hotel. Besides, to provide a better work-life balance and strengthen the team cohesion, starting from October 2019, all employees can book the hotel's Sing Sing Lounge with a discounted price.

Health and Well-being

A comprehensive welfare structure and safe workplace could build a productive team with devoted employee for the company, and thus maintain an efficient working environment. We also have communication channels for employees to get feedback from our colleagues to identify areas where we are doing well, as well as anywhere we need to improve. Social and recreational activities are arranged for employees to help in achieving work-life balance.

This year was the ninth "Company Day" 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.

As part of our commitment to promoting employee benefits and diversity, we provide a wide range of benefits including comprehensive medical and life insurance and retirement schemes. Our policies are enhanced to improve inclusivity. In most of our operations, 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.

We ensure our employees enjoy a respectful, safe and healthy work environment. The China Travel Tours Transportation Services provides employees with health check-ups and workplace site-inspections by qualified organisations. The hotel invites clinical stuff to conduct body check for employee and Labour department to give talks and workshop on possible health hazards in the work environment and advise on the respective preventive measures. This will minimise the possibility of employees sustaining injuries at work and occupational diseases thus enhancing productivity.

Case Studies
Hotels
Metropark Hotel Macau
Committed to "people-oriented, safety first" The management of Metropark Hotel Macau has safety review meeting on monthly basis. In the end of the meeting, a hotel inspection is conducted in kitchen area and floor area of the hotel to make improvement on unsafe measures and the environment, as well as raise employees' awareness to occupational safety to reduce potential safety hazards in the workplace and the chance of injuries at work due to incidents. To increase employees' awareness of occupational safety, every year the hotel invites The Labour Affairs Bureau and the Macao institute for Tourism Studies to organise related training courses or seminars for the hotel, topics cover occupational safety in property management, basic first aid in workplace, work-related and hypertension and diabetes, conflict management, emergency management and firefighting lectures.
Metropark Hotel Causeway Bay Hong Kong
Occupational health and safety policy Metropark Hotel Causeway Bay Hong Kong complies with the occupational health and safety related laws, regulations and standards. After evaluation on working procedures, supervisors will issue the safety guidelines, which specify the proper procedures and personal protective equipment. For example, since diluting the cleansers could be hazardous to employees, the dilution work is designated to experienced supervisory staff to carry out, and the diluted cleansers will then be distributed to other cleaning workers to prevent accidents. The hotel also organises monthly safety meetings to review and manage potential risks and the quality of safety equipment at workplace. Besides, monthly and quarterly inspections are also conducted to review material issues in the hotels, including fire precautions, public hygiene, construction, and the implementation of safety production accountability scheme. To further enhance the awareness of workplace safety to our employees, posters focusing on occupational health along corridors are regularly updated.

Training and Development

Career development is vitally important to our employees and we develop specific training programmes for the employees at different levels of the organisation. We promote a learning culture and offer structured career development and training programmes that ensure staff at all levels are well-equipped to excel at work. We also encourage staff to attend external training programmes to support career development where relevant. With prior approval from us, 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 2019 included orientation for new employees, finance and taxation enhancement training, invitation of expert scholars and advisory bodies to host training seminars, and management skills training for executive staff.

In 2019, the total training hours for our employees are more than 145,000 hours.

Case Studies
Hotel
Metropark Hotel Macau
Staff Training The growth of employees is important for Metropark Hotel Macau, thus we provided various trainings for them in 2019. These courses focused on occupational safety on property management, first-aid, risk management, conflict resolution and communication skills. Through these trainings, we have successfully enhanced the knowledge and capabilities of our staff to reduce occupational safety risks in the workplace and optimise the customer service. The hotel also invited lecturers from the Macao institute for Tourism Studies to organise "emergency management" training seminar, which enhancing our employees' abilities and awarenesses to cope with and respond to various incident.

Operating Practices

Maintaining and continuing to improve our high-quality and responsible services are essential to developing sustainable partnerships with our stakeholders and to growing our business. We are dedicated to ensuring that we adhere to applicable laws regulating health and safety, advertising, labelling, and privacy, such as Food Safety Law regulated by the government for our hotels.

Supply Chain

Depends on the operations, we work with a wide range of suppliers. All suppliers are required to go through procurement and supply chain assessments in alignment with the applicable laws and regulations and 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 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 reduce any potential risks along the supply chain. 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.

In 2019, we engaged more than 1,675 suppliers and service providers mainly from Hong Kong, Macau and mainland China.

Case Studies
Hotel
Our hotels seek to select suppliers that offer products and services of best quality to satisfy the needs and requirements of our customers. We will only consider suppliers who have obtained qualified business licenses. In case of any products failed to meet the quality requirement, we will request for product replacement to prioritise the needs of our customers. We also conduct supplier performance evaluation every six months against their product quality, price, package and delivery time. Pursuing cost-effective products, our analysts conduct market researches regularly including comparing selling price of our products and services with our peers and collection of the latest information on new products across the hotel industry. We have strict requirements for food safety. Therefore, it is especially crucial for us to make sure that all suppliers of high-risk products such as salmon, sushi, cancer pagurus, and blue mussels are qualified.

Service Responsibility

To deliver quality services, we ensure our staff are well trained in protecting the health and safety of our customers. Each of our business units is committed to continuous improvement, seek every opportunity to identify specific areas for further improvement.

Our company aims to strengthen the responsibility of the 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
Hotel
Metropark Hotel Macau
Customers safety is our highest concern. A series of professional trainings were provided to our employees such as defibrillator training sessions for lobby assistant manager and security personnel twice a year, and fire precaution talks and drills of using fire extinguisher for all new employees. Metropark Hotel Macau also performs intensive quality controls to safeguard the health and safety of every customer. It includes comprehensive water quality testing to prevent Legionnaires' disease, daily water quality check of swimming pools and hydro-massage pools, regular air-conditioner filters clean-up, stringent supervision system for food safety, procurement, inventory, receipt, and food production. In 2019, the hotel invited customers to fill the GSS Customer Satisfaction survey, resulted in a total of 3,816 questionnaires with 3,233 valid surveys. The overall satisfaction score of hotel was 99.25 points, and the overall satisfaction score of services was 98.53 points. In 2019, the hotel's rating on a third party agency, Ctrip, was 4.7 out of 5.
Travel destinations
Anji
Anji invited third-party testing companies to conduct quality check on air and appliances, centralised air conditioning, drinking water and swimming pools in the resort area to ensure that the environmental is compliant and provide customers with safe and high-quality services. Anji also implements strict environmental quality control for its resort. The air-conditioning units and the filter of fan units are cleaned every quarter. We also washes the fresh water tanks twice a year to ensure compliance with standards on environment and the comfort of guests.

Intellectual Property and Data privacy

We clearly understand customer confidentiality and security is crucial for integrity operation. We thus implement information-privacy and data-security procedures to protect our customers' and employees' personal information privacy, and data-security including:

(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.

We also strictly abide by the Personal Data (Privacy) Ordinance. In 2019, 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 applicable policies and guidelines, including any updates or revisions. We have established procedures to ensure the 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 2019, no legal cases concerning corrupt practices were brought against us or any of our subsidiaries or employees.

Community

We devote ourselves to contributing to the social and economic development of the local communities where our operations are located. Being a responsible corporate citizen, we offer financial support to registered charitable organisations and encourage employees voluntarily help the underprivileged and deserving members of the community. In addition to cash donations, we also conduct donations-in-kind to fulfil the basic needs of disabilities and low-income families. In addition to responding to World Wide Fund for Nature and the Hong Kong Community Chest's events, we have also held various voluntary activities to encourage employees to contribute to the community and actively participate in activities such as donating blood, visiting nursing homes and recycling used clothes. During the year, we participated in 25 volunteer activities. The total service hours in Hong Kong, Macau and Mainland China are more than 1,394 hours.

Furthermore, our community investment target is to boost local economic development by creating business opportunities in where we operate. 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 of assisting those in need with the aim of increasing the income of local residents in the local areas we operate, we actively develop tourism in local areas, offer professional training to local residents to equip them with the necessary business skills and knowledge, 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 various provinces.

Case Studies

Zhejiang-Hong Kong-Sichuan Youth Exchange Group

To facilitate the cultural exchange of Chinese and Hong Kong students, we organised two large-scale Hong Kong youth mainland exchange groups in 2019, namely the “One-Family, Zhejiang and Hong Kong Together” and “One-Family, Sichuan and Hong Kong Together”.

“One-Family, Zhejiang and Hong Kong Together”
More than 400 Hong Kong youth students visited Hangzhou, Shaoxing, Taizhou, Jinhua and other places.

“One-Family, Sichuan and Hong Kong Together”
More than 600 young Hong Kong youth students visited Chengdu, Mianyang, Deyang, Guang’an, Ya’an and other places.

Through the fruitful visits, inspections and exchange activities, we hope the Hong Kong youth students can experience the unique cultural and beautiful scenery of Zhejiang and Sichuan. Moreover, we also hope to promote the communication and harmonious development of young people in China and Hong Kong, and further enhance the national identity and belonging of them.

Mabian Poverty Relief Working Group

Poverty alleviation activities

In 2019, the Group’s Poverty Alleviation Office leaded the Mabian Poverty Relief Working Group to launch a total of 9 poverty alleviation activities focusing on poverty alleviation through education, safe housing, livelihood and well-being.

Poverty alleviation through education
To promote the education development and support underprivileged students, we donated learning tools to 37 students from Mashu Houchi Village primary school for supporting them in the campaign “Leave the mountain, explore the world” in Chengdu and helping themto broaden their horizon.

In addition, we know that a good learning place is crucial in motivate students to learn. Thus, we donated RMB 1,300,000 to transform the student canteen of Rongding Town Central School, and to build a new canteen for Tangjiagan Primary School in Xiaoguxi Village Minzhu Town.

Safe housing
Besides poverty alleviation through education, we also concerned the well-being of needy. To achieve, we donated 500,000 RMB to 46 families in Xiaoguxi Village and Manao Village in Mabian Minzhu Town to help them move into safe house.

Case Studies
Travel Destination
Developing Cultural Tourism in Mabian to Promote Beautiful Countryside
We selected Mabian FuLai Village as the core district of our cultural tourism development project that promote beautiful country. With the help of Mabian County Government, we have carried out topographic mapping to facilitate the development projects of water and electricity supply, logging, enhancement work of the scenic spots, and land acquisition in Mabian, laying a solid foundation for the development of cultural tourism in Mabian. In order to strengthen the frame and branding of Mabian, we have worked in collaboration with the Tourism and Agricultural Bureau in Mabian and successfully organised the 2019 China Leshan Mabian Yi Nationality Carnival, also named as the 4th Xiaoliangshan Torch Festival. In addition, we utilised the resources of the Group, developing themed flagship stores that offer cultural tourism products, with tea and bamboo shoot as the featured products. In 2019, the sales volume of the cultural tourism products has reached RMB 190,000. Moreover, we have worked collectively with duty free shops in Hainan, Splendid China, China Construction Bank, China charitable online shopping platform, Taobao, and JD, etc. to expand the sales channels.

Appendix – HKEx ESG Guide Content Index

Indicators		Reference	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure			57
KPI A1.1	Type of emissions and respective emissions data	Our Environment Emissions	57-58
KPI A1.2	Greenhouse gas emissions in total	Our Environment Emissions	57-58
KPI A1.3	Total hazardous waste produced	Our Environment Waste Management	60-61
KPI A1.4	Total non-hazardous waste produced	Our Environment Waste Management	60-61
KPI A1.5	Measures to mitigate emissions and results achieved	Our Environment Emissions	57-58
KPI A1.6	How hazardous and non-hazardous waste is handled, reduction initiatives, and results achieved	Our Environment Waste Management	60-61
Aspect A2: Use of Resources			
General Disclosure			54
KPI A2.1	Direct and indirect energy consumption by type	Our Environment Energy and Resources	55
KPI A2.2	Water consumption in total	Our Environment Water	59
KPI A2.3	Energy use efficiency initiatives and results achieved	Our Environment Energy and Resources	54-56
KPI A2.4	Water efficiency initiatives and results achieved	Our Environment Water	59
KPI A2.5	Total packaging material used for finished products	Not applicable to our core business	/
Aspect A3: The Environment and Natural Resources			
General Disclosure			54
KPI A3.1	The significant impacts of activities on the environment and natural resources and the actions taken to manage them	Our Environment	54

Indicators		Reference	Page
B. Social			
Aspect B1: Employment and Labour Practices			
General Disclosure	Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare policies and processes	Our People Employee Recruitment and Benefits	61-62
Aspect B2: Health and Safety			
General Disclosure	Providing a safe working environment and protecting employees from occupational hazards.	Our People Health and Well-being	62-63
Aspect B3: Development and Training			
General Disclosure	Improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People Training and Development	63-64
Aspect B4: Labour Standards			
General Disclosure	Preventing child and forced labour.	Our People Employee Recruitment and Benefits	61
Aspect B5: Supply Chain Management			
General Disclosure	Environmental and social risks of the supply chain.	Operating Practices Supply Chain	64
Aspect B6: Product Responsibility			
General Disclosure	Health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices Service Responsibility, Intellectual Property and Data Privacy	65-66
Aspect B7: Anti-corruption			
General Disclosure	Bribery, extortion, fraud and money laundering.	Operating Practices Anti-Corruption	66
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community	66-68

KPMG

Independent auditor's report 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 77 to 194, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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

As at 31 December 2019, 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$1,101 million and HK$257 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.

How the matter was addressed in our audit

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 2019;
- 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

31 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	2019 HK$'000	2018 HK$'000 (Note)
Revenue	5	**4,476,996**	4,518,180
Cost of sales		**(2,653,331)**	(2,560,183)
Gross profit		**1,823,665**	1,957,997
Other income and gains, net		**325,924**	144,260
Changes in fair value of investment properties		**(36,238)**	26,542
Selling and distribution costs		**(533,938)**	(519,038)
Administrative expenses		**(998,836)**	(980,308)
Operating profit	7	**580,577**	629,453
Finance income	6	**87,550**	80,352
Finance costs	6	**–**	(10,314)
Finance income, net	6	**87,550**	70,038
Share of profits less losses of associates		**66,185**	339,373
Profit before taxation		**734,312**	1,038,864
Taxation	10	**(196,548)**	(208,948)
Profit for the year		**537,764**	829,916
Attributable to:			
Equity owners of the Company		**386,880**	687,076
Non-controlling interests		**150,884**	142,840
Profit for the year		**537,764**	829,916
Earnings per share for profit attributable to equity owners of the Company (HK cents)	12		
Basic earnings per share		**7.08**	12.60
Diluted earnings per share		**7.08**	12.57

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

The notes on pages 85 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 HK$'000	2018 HK$'000 (Note)
Profit for the year		**537,764**	829,916
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property valuation, net of tax	10(c)	**1,925**	26,936
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)		**7,871**	(24,328)
Items that may be reclassified subsequently to profit or loss:			
Share of hedging reserve of an associate, net of tax	10(d)	**5,627**	(9,371)
Release of exchange difference upon disposal of a joint venture		**–**	(845)
Exchange differences on translation of foreign operations, net		**(258,600)**	(499,118)
Other comprehensive income for the year, net of tax		**(243,177)**	(506,726)
Total comprehensive income for the year		**294,587**	323,190
Attributable to:			
Equity owners of the Company		**166,519**	226,296
Non-controlling interests		**128,068**	96,894
Total comprehensive income for the year		**294,587**	323,190

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

The notes on pages 85 to 194 are an integral part of these consolidated financial statements.

As at 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	2019 HK$'000	2018 HK$'000 (Note)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**8,120,307**	8,025,958
Investment properties	14	**1,745,232**	1,794,236
Prepaid land lease payments	15	**2,163,793**	2,171,581
Goodwill	16	**1,323,828**	1,323,828
Other intangible assets	17	**198,160**	203,066
Interest in associates	19	**1,216,602**	1,273,537
Other financial assets	20	**48,782**	40,129
Prepayments and other receivables	25	**5,918**	103,032
Deferred tax assets	34	**61,901**	51,446
Total non-current assets		**14,884,523**	14,986,813
Current assets			
Inventories	21	**17,780**	18,925
Properties under development	22	**2,263,561**	1,683,262
Completed properties held for sale	23	**26,607**	57,837
Trade receivables	24	**59,748**	145,498
Deposits, prepayments and other receivables	25	**330,469**	732,566
Loan to fellow subsidiaries	28	**395,865**	157,363
Amounts due from holding companies	28	**22,224**	26,162
Amounts due from fellow subsidiaries	28	**113,989**	40,193
Tax recoverable		**75,812**	50,997
Financial assets at fair value through profit or loss	26	**56,904**	942,993
Pledged time deposits	27	**18,333**	46,884
Cash and bank balances	27	**3,198,048**	2,602,282
Assets of disposal group classified as held for sale	35	**343,065**	–
Total current assets		**6,922,405**	6,504,962
Total assets		**21,806,928**	21,491,775

As at 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	2019 HK$'000	2018 HK$'000 (Note)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	36	**9,222,295**	9,119,836
Reserves		**6,863,980**	6,893,631
		16,086,275	16,013,467
Non-controlling interests		**1,277,892**	1,098,557
Total equity		**17,364,167**	17,112,024
LIABILITIES			
Non-current liabilities			
Deferred income	31	**679,069**	689,725
Lease liabilities	33	**244,810**	–
Bank and other borrowings	32	**–**	337
Deferred tax liabilities	34	**604,956**	569,590
Total non-current liabilities		**1,528,835**	1,259,652
Current liabilities			
Trade payables	29	**243,635**	333,402
Other payables and accruals	30	**2,055,319**	2,301,532
Loans from a holding company	28	**77,028**	78,749
Amounts due to holding companies	28	**1,715**	1,232
Amounts due to fellow subsidiaries	28	**1,553**	7,871
Lease liabilities	33	**30,468**	–
Tax payables		**157,406**	150,404
Bank and other borrowings	32	**3,801**	246,909
Liabilities of disposal group classified as held for sale	35	**343,001**	–
Total current liabilities		**2,913,926**	3,120,099
Total liabilities		**4,442,761**	4,379,751
Total equity and liabilities		**21,806,928**	21,491,775

Approved and authorized for issue by the board of directors on 31 March 2020.

Fu Zhuoyang **Jiang Hong**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

The notes on pages 85 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity owners of the Company											
	Share capital HK'000 (note 36)	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	Fair value reserve (non-recycling) HK'000	Retained profits (note) HK'000	Total HK'000	Non-controlling interests HK'000	Total equity HK'000
At 1 January 2019	9,119,836	36,976	554,073	(5,270)	(547,172)	217,524	(142,618)	8,170	6,771,948	16,013,467	1,098,557	17,112,024
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	386,880	386,880	150,884	537,764
Other comprehensive income for the year:												
Item that will not be reclassified subsequently to profit or loss:												
Equity investment at FVOCI – net movement in fair value reserve (non-recycling)	-	-	-	-	-	-	-	11,227	-	11,227	(3,356)	7.871
Gain on property revaluation, net of tax	-	-	1,925	-	-	-	-	-	-	1,925	-	1,925
Items that may be reclassified subsequently to profit or loss:												
Share of hedging reserve of an associate, net of tax	-	-	-	5,627	-	-	-	-	-	5,627	-	5,627
Exchange differences on translation of foreign operations, net	-	-	-	-	-	-	(239,140)	-	-	(239,140)	(19,460)	(258,600)
Total other comprehensive income for the year, net of tax	-	-	1,925	5,627	-	-	(239,140)	11,227	-	(220,361)	(22,816)	(243,177)
Total comprehensive income for the year	-	-	1,925	5,627	-	-	(239,140)	11,227	386,880	166,519	128,068	294,587
Transactions with owners												
Shares issued upon scrip dividend scheme	101,875	-	-	-	-	-	-	-	-	101,875	-	101,875
Transfer from retained profits	-	-	-	-	-	12,927	-	-	(12,927)	-	-	-
Exercise of share options	584	(159)	-	-	-	-	-	-	-	425	-	425
Forfeiture of share options	-	(32,326)	-	-	-	-	-	-	-	(32,326)	-	(32,326)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(146,311)	(146,311)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	198,188	198,188
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(610)	(610)
2019 interim dividend paid	-	-	-	-	-	-	-	-	(163,685)	(163,685)	-	(163,685)
Total transactions with owners for the year	102,459	(32,485)	-	-	-	12,927	-	-	(176,612)	(93,711)	51,267	(42,444)
At 31 December 2019	9,222,295	4,491	555,998	357	(547,172)	230,451	(381,758)	19,397	6,982,216	16,086,275	1,277,892	17,364,167

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

For the year ended 31 December 2019

	Attributable to equity owners of the Company											
	Share capital HK'000 (note 36)	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	Fair value reserve (non-recycling) HK'000	Retained profits HK'000	Total HK'000	Non-controlling interests HK'000	Total equity HK'000
At 1 January 2018	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
Impact on initial application of HKFRS 9	–	–	–	–	–	–	–	29,429	–	29,429	3,186	32,615
Adjusted balance at 1 January 2018	9,102,708	45,389	527,137	4,101	(547,172)	212,227	314,468	29,429	6,553,771	16,242,058	1,184,403	17,426,461
Comprehensive income												
Profit for the year	–	–	–	–	–	–	–	–	687,076	687,076	142,840	829,916
Other comprehensive income for the year:												
Item that will not be reclassified subsequently to profit or loss:												
Equity investment at FVOCI – net movement in fair value reserve (non-recycling)	–	–	–	–	–	–	–	(21,259)	–	(21,259)	(3,069)	(24,328)
Gain on property revaluation, net of tax	–	–	26,936	–	–	–	–	–	–	26,936	–	26,936
Items that may be reclassified subsequently to profit or loss:												
Share of hedging reserve of an associate, net of tax	–	–	–	(9,371)	–	–	–	–	–	(9,371)	–	(9,371)
Release of exchange difference upon disposal of a joint venture	–	–	–	–	–	–	(659)	–	–	(659)	(186)	(845)
Exchange differences on translation of foreign operations, net	–	–	–	–	–	–	(456,427)	–	–	(456,427)	(42,691)	(499,118)
Total other comprehensive income for the year, net of tax	–	–	26,936	(9,371)	–	–	(457,086)	(21,259)	–	(460,780)	(45,946)	(506,726)
Total comprehensive income for the year	–	–	26,936	(9,371)	–	–	(457,086)	(21,259)	687,076	226,296	96,894	323,190
Transactions with owners												
Transfer from retained profits	–	–	–	–	–	5,297	–	–	(5,297)	–	–	–
Equity-settled share option arrangement	–	12,598	–	–	–	–	–	–	–	12,598	–	12,598
Establishment of a subsidiary	–	–	–	–	–	–	–	–	–	–	2,841	2,841
Exercise of share options	17,128	(4,670)	–	–	–	–	–	–	–	12,458	–	12,458
Forfeiture of share options	–	(21,964)	–	–	–	–	–	–	–	(21,964)	–	(21,964)
Cancellation of share options	–	5,623	–	–	–	–	–	–	–	5,623	–	5,623
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(185,581)	(185,581)
2017 final dividend paid	–	–	–	–	–	–	–	–	(299,978)	(299,978)	–	(299,978)
2018 interim dividend paid	–	–	–	–	–	–	–	–	(163,624)	(163,624)	–	(163,624)
Total transactions with owners for the year	17,128	(8,413)	–	–	–	5,297	–	–	(468,899)	(454,887)	(182,740)	(637,627)
At 31 December 2018	9,119,836	36,976	554,073	(5,270)	(547,172)	217,524	(142,618)	8,170	6,771,948	16,013,467	1,098,557	17,112,024

Note:

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

The notes on pages 85 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before taxation		**734,312**	1,038,864
Adjustments for:			
Finance costs		**–**	10,314
Finance income		**(87,550)**	(80,352)
Gain on disposal of joint venture		**–**	(19,389)
Loss on disposal of property, plant and equipment, net		**4,332**	17,841
Income from financial assets at fair value through profit or loss		**(13,478)**	(54,804)
Depreciation		**485,625**	467,050
Amortisation of prepaid land lease payments		**29,401**	25,020
Amortisation of other intangible assets		**2,977**	3,100
Provision for impairment of property, plant and equipment and properties under development		**–**	5,020
(Reversal of)/ provision for impairment of trade and other receivables, net		**(334)**	2,399
Changes in fair value of investment properties		**36,238**	(26,542)
Share of profits less losses of associates		**(66,185)**	(339,373)
Equity-settled share option expense, net		**(32,326)**	(3,743)
		1,093,012	1,045,405
Decrease in inventories		**493**	2,414
(Increase)/decrease in properties under development and completed properties held for sale		**(590,436)**	145,889
Decrease/(increase) in trade receivables, deposits, prepayments and other receivables		**116,202**	(48,628)
Decrease/(increase) in amounts due from associates		**8,767**	(2,980)
Decrease/(increase) in amounts due from holding companies		**1,404**	(11,387)
Increase in amounts due from fellow subsidiaries		**(73,825)**	(819)
Increase/(decrease) in trade payables, other payables and accruals		**40,312**	(218,099)
Decrease in amounts due to associates		**(8,138)**	(2,933)
(Decrease)/increase in amounts due to fellow subsidiaries		**(6,080)**	1,416
Increase/(decrease) in deferred income, net of sales tax		**4,417**	(11,453)
Cash generated from operations		**586,128**	898,825
Hong Kong, PRC and Macau profits taxes paid		**(185,025)**	(251,181)
Overseas taxes paid		**(21)**	(2,910)
Net cash flows generated from operating activities		**401,082**	644,734

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Finance income received		**105,607**	64,746
Dividends received from associates and joint ventures		**136,564**	98,578
Increase in loan to fellow subsidiaries		**(238,502)**	–
Purchases of property, plant and equipment and prepaid land lease payments		**(461,426)**	(1,470,889)
Proceeds from disposal of property, plant and equipment		**28,634**	85,995
Capital contribution to associates		**–**	(13,696)
Disposal of interests in subsidiaries, net of cash		**(610)**	43,954
Payment related to disposal of a subsidiary		**–**	(51,306)
Acquisition of associates		**(460)**	–
Proceeds upon disposal of a joint venture		**–**	27,055
Decrease in entrustment loan receivables		**273,910**	–
Proceeds upon disposal of financial assets at fair value through profit or loss		**2,581,307**	3,692,284
Additions to financial assets at fair value through profit or loss		**(1,694,449)**	(3,230,107)
Decrease/(increase) in pledged time deposits		**23,321**	(11,061)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**559,596**	(746,130)
Net cash flows generated from/(used in) investing activities		**1,313,492**	(1,510,577)
Cash flows from financing activities			
Capital element of lease rental paid		**(42,034)**	–
Interest element of lease rental paid		**(13,819)**	–
Finance cost paid		**(8,701)**	(10,314)
Dividends paid		**(61,810)**	(462,872)
Exercise of share option		**425**	12,458
Dividends paid to non-controlling shareholders		**(146,311)**	(185,581)
Contribution from non-controlling shareholders		**198,188**	2,841
Proceeds of new bank loans		**–**	1,292,515
Repayment of bank loans		**(242,985)**	(1,139,480)
Net cash flows used in financing activities		**(317,047)**	(490,433)
Net increase/(decrease) in cash and cash equivalents		**1,397,527**	(1,356,276)
Cash and cash equivalents at beginning of year	27(a)	**1,101,901**	2,505,392
Effect of foreign exchange rate changes, net		**(39,059)**	(47,215)
Cash and cash equivalents at end of year	27(a)	**2,460,369**	1,101,901

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

The notes on pages 85 to 194 are an integral part of these consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

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, 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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties, including interests in leasehold land and building held as investment property where the Group is the registered owner of the property interest (see note 2.6);

- equity investments (see note 2.10); and

- financial assets at fair value through profit or loss (see note 2.10).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2.29).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(a) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group

Except for HKFRS 16, *Leases*, and Amendments to HKAS 23, *Borrowing costs*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and prepaid land lease payments as disclosed in notes 13 and 15. For an explanation of how the Group applies lease accounting, see note 2.9.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.0%-4.9%.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

(ii) Lessee accounting and transitional impact (continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 40 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 **HK$'000**
Operating lease commitments at 31 December 2018	**406,872**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(11,552)**
– leases of low-value assets	**(74)**
	395,246
Less: total future interest expenses	**(98,609)**
Total lease liabilities recognised at 1 January 2019	**296,637**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

(ii) Lessee accounting and transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	8,025,958	296,637	8,322,595
Total non-current assets	14,986,813	296,637	15,283,450
Current assets	6,504,962	–	6,504,962
Lease liabilities (current)	–	34,076	34,076
Current liabilities	3,120,099	34,076	3,154,175
Net current assets	3,384,863	(34,076)	3,350,787
Total assets less current liabilities	18,371,676	262,561	18,634,237
Lease liabilities (non-current)	–	262,561	262,561
Total non-current liabilities	1,259,652	262,561	1,522,213
Net assets	17,112,024	–	17,112,024

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (continued)

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 27(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 27(c)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Operating profit	580,577	47,150	(55,774)	571,953	629,453
Finance costs#	–	–	–	–	(10,314)
Profit before taxation	734,312	47,150	(55,774)	725.688	1,038,864
Profit for the year	537,764	32,558	(43,709)	526,613	829,916
Reportable segment profit for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
– Tourist attraction and related operations	276,631	14,122	(24,550)	266,203	263,840
– Travel agency, travel document and related operations	149,968	13,984	(14,535)	149,417	178,517
– Hotel operations	81,164	–	–	81,164	162,530
– Passenger transportations	(13.574)	4,452	(4,624)	(13,746)	119,124
– Corporate and others	(96,630)	–	–	(96,630)	(40,640)
– Total	397,559	32,558	(43,709)	386,408	683,371

The amount was capitalised under HKAS 23 (Revised)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019 Amounts reported under HKFRS 16 (A) HK$'000	2019 Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) HK$'000	2019 Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000	2018 Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the condensed consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	586,128	(55,853)	530,275	898,825
Net cash generated from operating activities	401,082	(55,853)	345,229	644,734
Capital element of lease rentals paid	(42,034)	42,034	-	–
Interest element of lease rentals paid	(13,819)	13,819	-	–
Net cash used in financing activities	(317,047)	55,853	(261,194)	(490,433)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

(iv) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

Annual Improvements to HKFRSs 2015 – 2017 cycles: Amendments to HKAS 23

The Amendments to HKAS 23 clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expenses as incurred.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries in the Company's statement of financial position 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control. 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 exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2.11)).

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.

2.4 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Related parties (continued)

(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.

2.5 Property, plant and equipment

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land 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:

Leasehold land	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 (see note 2.11).

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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. In the comparative period, land held under operating leases were accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned were 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.

2.7 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.

2.8 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Other intangible assets (continued)

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.

2.9 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily computer equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.5 and 2.11), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2.6; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 2.15.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 2.6); and

– land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 2.5. Impairment losses were accounted for in accordance with the accounting policy as set out in note 2.11. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 43. These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2.23(i)).

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2.23.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2.16).

Other financial assets measured at fair value, including financial assets measured at FVPL, equity and debt securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2.23 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets (other than properties carried at revalued amounts);

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2.11).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.12 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.16).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.11).

2.13 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Derivative financial instruments and hedge accounting

Derivative financial instruments 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.

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'.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

a Consumable stores

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

b Property development

Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interest in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2.26). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories and other contract costs

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2.15(i)), property, plant and equipment (see note 2.5) or intangible assets (see note 2.8).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.23.

2.16 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.23) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.11 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.12).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.23). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.12).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Contract assets and contract liabilities (continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.23).

2.17 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 2.22 to the consolidated financial statements.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2.11.

2.19 Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.26).

2.20 Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions and contingent liabilities (continued)

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2.20(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2.20(i).

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

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

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

(c) Offsetting

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

2.22 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 2.13 to the consolidated financial statements. The benefit of the government loans granted with no or at a below market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(a) from the sale of goods, revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis;

(b) revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalment received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities.

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

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

(e) income related to scenic spots operations, when the admission tickets are utilised;

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

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

(h) rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned;

(i) interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.11);

(j) dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

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

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Share-based payments (continued)

(a) Equity-settled share-based payment transactions

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.

2.25 Other employee benefits

Short term employee benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Other employee benefits (continued)

Retirement benefit schemes

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

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

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

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

2.26 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Foreign currencies

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

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 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.

2.29 Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a noncontrolling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the noncurrent asset is not depreciated or amortised.

2.30 Dividend distribution

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

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2019.

(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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 34 to the consolidated financial statements.

(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.

(vii) Provision for expected credit losses of trade and other receivables

The Group uses a provision of matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade receivables and other receivables are disclosed in notes 24 and 25 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(Expressed in Hong Kong dollars unless otherwise indicated)

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;

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 and prepaid land lease payments and share option expenses.

Segment assets include all tangible and intangible assets and current assets with the exception of interests in associates, 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	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
Segment revenue:							
Sales to external customers	1,972,967	1,308,916	708,077	487,036	4,476,996	–	4,476,996
Inter-segment revenue	7,879	2,355	2,676	1,894	14,804	16,270	31,074
	1,980,846	1,311,271	710,753	488,930	4,491,800	16,270	4,508,070
Elimination of inter-segment revenue					(14,804)	(16,270)	(31,074)
Revenue					4,476,996	–	4,476,996
Segment results	276,631	149,968	81,164	(13,574)	494,189	(96,630)	397,559
Non-controlling interests							150,884
Segment operating results before non-controlling interests							548,443
Changes in fair value of investment properties, net of tax							(38,727)
Net loss on disposal of property, plant and equipment, net of tax							(4,278)
Reversal of share option expense							32,326
Profit for the year							537,764

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019 (continued)

	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
Segment assets	10,640,691	3,521,481	3,863,725	355,608	18,381,505	2,208,821	20,590,326
Interest in associates	670,381	–	–	528,165	1,198,546	18,056	1,216,602
Inter-segment receivables	242,221	559,607	627,729	1,693	1,431,250	5,523,536	6,954,786
	11,553,293	4,081,088	4,491,454	885,466	21,011,301	7,750,413	28,761,714
Elimination of inter-segment receivables							(6,954,786)
Total assets							21,806,928
Segment liabilities	3,117,635	456,525	517,687	110,828	4,202,675	240,086	4,442,761
Inter-segment payables	3,792,459	287,520	2,116,078	294,023	6,490,080	464,706	6,954,786
	6,910,094	744,045	2,633,765	404,851	10,692,755	704,792	11,397,547
Elimination of inter-segment payables							(6,954,786)
Total liabilities							4,442,761
Other segment information:							
Share of profits less losses of associates	87,245	–	–	(21,155)	66,090	95	66,185
Capital expenditure (note a)	377,609	67,449	67,672	38,255	550,985	53,441	604,426
– owned property, plant and equipment^	368,097	37,621	67,672	29,683	503,073	53,441	556,514
– right-of-use assets^	9,512	29,828	–	8,572	47,912	–	47,912
Depreciation and amortisation	293,198	44,148	140,767	38,660	516,773	1,230	518,003
– owned property, plant and equipment^	268,262	27,275	140,767	33,319	469,623	1,230	470,853
– right-of-use assets^	24,936	16,873	–	5,341	47,150	–	47,150
Provision for impairment recognised in the income statement, net (note b)	(297)	141	(178)	–	(334)	–	(334)

Notes:

(a) Capital expenditure consists of additions of subsidiaries, 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, preard Land Lease payments and amounts due from associates.

^ The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	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
Segment revenue:							
Sales to external customers	1,959,140	1,289,026	821,123	448,891	4,518,180	–	4,518,180
Inter-segment revenue	3,603	3,803	2,246	982	10,634	17,409	28,043
	1,962,743	1,292,829	823,369	449,873	4,528,814	17,409	4,546,223
Elimination of inter-segment revenue					(10,634)	(17,409)	(28,043)
Revenue					4,518,180	–	4,518,180
Segment results	263,840	178,517	162,530	119,124	724,011	(40,640)	683,371
Non-controlling interests							142,840
Segment operating results before non-controlling interests							826,211
Changes in fair value of investment properties, net of tax							27,131
Net gain on disposal of a joint venture, net of tax							11,213
Provision for impairment of property, plant and equipment							(5,020)
Net loss on disposal of property, plant and equipment, net of tax							(8,959)
One-off compensation to construction contractor							(24,403)
Reversal of share option expense							3,743
Profit for the year							829,916

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018 (continued)

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment assets	9,763,701	3,529,762	3,984,487	379,635	17,657,585	2,560,653	20,218,238
Interest in associates	736,060	–	–	519,112	1,255,172	18,365	1,273,537
Inter-segment receivables	96,174	573,902	436,074	2,066	1,108,216	6,663,603	7,771,819
	10,595,935	4,103,664	4,420,561	900,813	20,020,973	9,242,621	29,263,594
Elimination of inter-segment receivables							(7,771,819)
Total assets							21,491,775
Segment liabilities	3,007,719	360,912	526,219	104,221	3,999,071	380,680	4,379,751
Inter-segment payables	3,813,358	447,086	2,133,818	292,678	6,686,940	1,084,879	7,771,819
	6,821,077	807,998	2,660,037	396,899	10,686,011	1,465,559	12,151,570
Elimination of inter-segment payables							(7,771,819)
Total liabilities							4,379,751
Other segment information:							
Share of profits less losses of associates	269,464	–	–	70,825	340,289	(916)	339,373
Capital expenditure (note a)	567,429	706,826	148,713	47,190	1,470,158	731	1,470,889
Depreciation and amortisation	305,021	23,061	137,968	27,348	493,398	1,772	495,170
Provision for impairment recognised in the income statement, net (note b)	7,429	(3)	(7)	–	7,419	–	7,419

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.

(c) The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2019 **HK$'000**	2018 HK$'000
Hong Kong	**1,625,297**	1,783,087
Mainland China (including Macau)	**2,420,215**	2,352,750
Overseas	**431,484**	382,343
	4,476,996	4,518,180

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

	2019 **HK$'000**	2018 HK$'000
Hong Kong	**5,834,701**	5,892,008
Mainland China (including Macau)	**7,867,122**	8,926,031
Overseas	**45,874**	73,319
	13,747,697	14,891,358

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. Please refer to note 2.

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

Information about major customers

There was no revenue from any sales to any single external customer that contributed over 10% of the total sales of the Group during the year ended 31 December 2019 (2018: Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(i) Disaggregation of revenue

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	**1,772,817**	1,735,051
– Tour, travel agency, travel document and related income	**1,308,916**	1,289,026
– Hotel income	**710,252**	820,359
– Passenger transportation income	**487,036**	448,886
– Property sales income	**57,695**	30,936
– Consultancy and service income	**73,819**	126,266
	4,410,535	4,450,524
Revenue from other sources		
Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	**66,461**	67,656
	4,476,996	4,518,180

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$104,247,000. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and construction contracts entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 2.23(b)). The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are assigned to the customers, which is expected to occur over the next 12 to 36 months.

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from property sales as the performance obligation is part of a contract that has an original expected duration of one year or less.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 FINANCE INCOME, NET

	2019 HK$'000	2018 HK$'000 (Note)
Finance income:		
Bank deposits and entrustment loans	**87,550**	80,352
Interest expense:		
Lease liabilities	**(13,819)**	–
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(8,701)**	(10,314)
	(22,520)	(10,314)
Less: Interest expense capitalised into properties under development and property, plant and equipment*	**22,520**	–
Finance costs	**–**	(10,314)
Finance income, net	**87,550**	70,038

* The borrowing costs have been capitalised at a rate of 5.21% per annum (2018: N/A).

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OPERATING PROFIT

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

	2019 HK$'000	2018 HK$'000
Depreciation charge		
– owned property, plant and equipment	**438,475**	467,050
– right-of-use assets^	**47,150**	–
Amortisation of prepaid land lease payments	**29,401**	25,020
Amortisation of other intangible assets	**2,977**	3,100
Auditors' remuneration		
– Audit services	**12,256**	8,068
– Non-audit services	**2,937**	1,884
Employee benefit expenses (including directors' remuneration (note 8)):		
– Wages and salaries	**1,325,743**	1,240,265
Equity-settled share option expenses	**–**	12,598
Effect of forfeited options	**(32,326)**	(21,964)
Effect of cancelled options	**–**	5,623
– Equity-settled share option expenses, net	**(32,326)**	(3,743)
– Retirement benefit scheme contributions*	**83,041**	82,134
Total employee benefit expenses	**1,376,458**	1,318,656
Total minimum lease payments for leases previously classified as operating leases under HKAS 17^:		
– Land and buildings	**–**	63,784
– Plant and machinery and motor vehicles	**–**	17,468
(Reversal of)/provision for impairment of trade and other receivables, net	**(334)**	2,399
Provision for impairment of property, plant and equipment and prepaid land lease payments	**–**	5,020
Rental income on investment properties	**(66,461)**	(67,656)
Direct operating expenses of investment properties	**2,157**	1,765
Income from financial assets at fair value through profit or loss	**(13,478)**	(54,804)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OPERATING PROFIT (Continued)

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

	2019 **HK$'000**	2018 HK$'000
Government grants#	**(26,898)**	(14,880)
Commission income	**–**	(5,190)
Management fee income	**(70,276)**	(2,480)
Foreign exchange differences, net	**(680)**	3,696
Gain on disposal of joint venture	**–**	(19,389)
Loss on disposal of property, plant and equipment, net	**4,332**	17,841
Cost of properties sold	**30,821**	20,754

* At 31 December 2019, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2018: 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.

^ The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director is set out below:

For the year ended 31 December 2019:

	Emoluments paid or receivable in respect of a person's services as a director,whether 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	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Independent Non-Executive Directors										
Mr. Wong Man Kong, Peter (note(a))	67	-	-	-	-	-	-	-	-	67
Mr. Song, Dawei (note (b))	126	-	-	-	-	-	-	-	-	126
Mr. Chen Johnny (note (c))	334	-	-	-	-	-	-	-	-	334
Mr. Tse Cho Che Edward (note (d))	350	-	-	-	-	-	-	-	-	350
Mr. Zhang Xiaoke (note (d))	350	-	-	-	-	-	-	-	-	350
Mr. Huang Hui (note (d))	350	-	-	-	-	-	-	-	-	350
Executive Directors										
Mr. Lo Sui On	240	-	-	-	-	-	-	-	-	240
Mr. Fu Zhuoyang (note (e))	330	-	-	-	-	-	-	-	-	330
Mr. Wu Qiang (note (f))	197	1,279	1,102	-	-	1	60	-	-	2,639
Mr. Chen Xianjun (note (g))	214	-	-	-	-	-	-	-	-	214
Mr. Jiang Hong (note (d))	240	1,468	680	97	-	117	83	-	-	2,685
Mr. You Cheng (note (h))	240	1,121	532	125	-	112	60	-	-	2,190
Mr. Yang Hao (note (i))	240	-	-	-	-	-	-	-	-	240

(Expressed in Hong Kong dollars unless otherwise indicated)

8 BENEFITS AND INTERESTS OF DIRECTORS (continued)

The remuneration of every director is set out below:

For the year ended 31 December 2018:

	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 (note (j))	284	–	–	–	–	–	–	–	–	284
Mr. Wong Man Kong, Peter (note (a))	350	–	–	–	–	–	–	–	–	350
Mr. Sze, Robert Tsai To (note (j))	284	–	–	–	–	–	–	–	–	284
Mr. Chan Wing Kee note (j))	284	–	–	–	–	–	–	–	–	284
Mr. Tse Cho Che Edward (note (d))	66	–	–	–	–	–	–	–	–	66
Mr. Zhang Xiaoke (note (d))	66	–	–	–	–	–	–	–	–	66
Mr. Huang Hui (note (d))	66	–	–	–	–	–	–	–	–	66
Executive Directors										
Mr. Lo Sui On	240	–	–	–	–	–	–	–	–	240
Mr. Zhang Fengchun (note (k))	147	–	–	–	–	–	–	–	–	147
Mr. Fu Zhuoyang (note (e))	183	–	–	–	–	1,308	–	–	–	1,491
Mr. Zhang Xing (note (j))	195	604	266	602	–	–	97	–	–	1,764
Mr. Liu Fengbo (note (l))	152	518	453	599	–	–	10	–	–	1,732
Mr. Chen Xianjun (note (g))	240	–	–	–	–	–	–	–	–	240
Mr. Jiang Hong (note (d))	45	150	–	–	–	–	18	–	–	213
Mr. You Cheng (note (h))	44	145	–	–	–	–	3	–	–	192
Mr. Yang Hao (note (j))	12	–	–	–	–	–	–	–	–	12

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 BENEFITS AND INTERESTS OF DIRECTORS (continued)

Notes:

(a) Passed away on 11 March 2019

(b) Appointed on 23 August 2019

(c) Appointed on 18 January 2019

(d) Appointed on 24 October 2018

(e) Appointed on 13 June 2018

(f) Appointed on 08 March 2019

(g) Resigned on 22 November 2019

(h) Appointed on 26 October 2018

(i) Appointed on 14 December 2018

(j) Resigned on 24 October 2018

(k) Resigned on 13 June 2018

(l) Resigned on 20 August 2018

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: 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 3 directors of the Company (2018: 1). Details of the remuneration of the five highest paid individuals for the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, housing allowances, other allowances and benefits in kind	**11,548**	11,252
Equity-settled share option expenses	**–**	992
Retirement benefit scheme contributions	**365**	149
	11,913	12,393

(Expressed in Hong Kong dollars unless otherwise indicated)

9 FIVE HIGHEST PAID INDIVIDUALS (continued)

The emoluments fell within the following bands:

	Number of employees	
	2019	2018
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**4**	1
HK$2,500,001 to HK$3,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**–**	1
	5	5

Share options were granted to the five highest paid individuals in respect of their services to the Group, further details of which are included in the disclosures in note 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% (2018: 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.

	2019 **HK$'000**	2018 HK$'000
Current – Hong Kong		
Charge for the year	**51,432**	69,472
Under-provision in prior years	**591**	44
	52,023	69,516
Current – Mainland China and Macau		
Charge for the year	**118,903**	141,697
Over-provision in prior years	**(2,929)**	(1,513)
	115,974	140,184
Current – Overseas		
Charge for the year	**854**	4,704
LAT	**366**	663
Deferred tax	**27,331**	(6,119)
Total tax charge for the year	**196,548**	208,948

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TAXATION (continued)

(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:

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**734,312**	1,038,864
Share of profits less losses of associates	**(66,185)**	(339,373)
	668,127	699,491
Tax at the applicable tax rates	**145,222**	145,862
Income not subject to tax	**(38,448)**	(58,274)
Expenses not deductible for tax purposes	**49,600**	53,029
Effect of withholding tax on the distributed/distributable profits of the Group's PRC subsidiaries and associates	**14,579**	17,507
Tax losses utilised from previous periods	**(909)**	(360)
Tax losses not recognised	**22,186**	42,091
LAT	**366**	663
Temporary difference not recognised	**6,290**	9,899
Over-provision in prior years, net	**(2,338)**	(1,469)
Tax charge at the Group's effective rate	**196,548**	208,948

The share of tax attributable to associates amounting to HK$10,690,000 (2018: HK$77,555,000) is included in "Share of profits less losses of associates" 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$625,000 (2018: HK$4,775,000).

(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$1,112,000 (2018: HK$231,000).

(e) The share of fair value changes in equity investments as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$333,000 (2018: HK$2,181,000).

(Expressed in Hong Kong dollars unless otherwise indicated)

11 DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim dividend, paid, of HK3 cents (2018: HK3 cents) per ordinary share	**163,685**	163,624

At a board meeting held on 31 March 2020, the Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

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:

	2019	2018
Basic earnings per share		
Profit attributable to equity owners of the Company (HK$'000)	**386,880**	687,076
Weighted average number of ordinary shares in issue	**5,466,925,961**	5,453,076,128
Basic earnings per share (HK cents)	**7.08**	12.60

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.

	2019	2018
Profit attributable to equity owners of the Company (HK$'000)	**386,880**	687,076
Weighted average number of ordinary shares in issue	**5,466,925,961**	5,453,076,128
Adjustments for:		
Share options	**528,557**	14,152,779
Weighted average number of ordinary shares for diluted earnings per share	**5,467,454,518**	5,467,228,907
Diluted earnings per share (HK cents)	**7.08**	12.57

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establishments HK$'000	Construction in progress HK$'000	Right-of-use assets HK$'000	Other fixed assets HK$'000	Total HK$'000
Net book value							
31 December 2019							
At 31 December 2018							
Cost:	5,726,332	3,021,033	1,673,007	856,171	–	3,199,938	14,476,481
Accumulated depreciation and impairment	(2,402,402)	(1,067,940)	(1,061,129)	(645)	–	(1,918,407)	(6,450,523)
	3,323,930	1,953,093	611,878	855,526	–	1,281,531	8,025,958
	3,323,930	1,953,093	611,878	855,526	–	1,281,531	8,025,958
Impact on initial application of HKFRS 16 (Note)	–	–	–	–	296,637	–	296,637
Adjusted balance at 1 January 2019	3,323,930	1,953,093	611,878	855,526	296,637	1,281,531	8,322,595
Additions	–	52,106	3,395	269,956	47,912	162,317	535,686
Disposals and write-off	–	(117)	(135)	–	–	(32,714)	(32,966)
Depreciation	(100,793)	(50,203)	(47,317)	–	(47,150)	(240,162)	(485,625)
Transfer to prepaid land lease payments	–	–	–	–	–	(39,192)	(39,192)
Transfer to investment properties	–	(30,906)	–	–	–	–	(30,906)
Transfer within property, plant and equipment	–	6,849	25,563	(127,666)	–	95,254	–
Reclassified to assets of disposal group classified as held for sale	–	–	–	–	(22,249)	(20,023)	(42,272)
Currency translation differences	(15,129)	(25,012)	(13,029)	(21,398)	(4,800)	(27,645)	(107,013)
At 31 December 2019	3,208,008	1,905,810	580,355	976,418	270,350	1,179,366	8,120,307
At 31 December 2019:							
Cost	5,690,790	3,000,240	1,664,892	977,063	301,836	3,159,452	14,794,273
Accumulated depreciation and impairment	(2,482,782)	(1,094,430)	(1,084,537)	(645)	(31,486)	(1,980,086)	(6,673,966)
	3,208,008	1,905,810	580,355	976,418	270,350	1,179,366	8,120,307

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2018						
At 31 December 2017 and at 1 January 2018:						
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
At 1 January 2018	3,063,944	1,323,103	639,041	1,339,710	1,032,551	7,398,349
Additions	–	707,575	41,444	319,594	352,115	1,420,728
Disposals and write-off	–	(3,621)	(8,323)	(75,238)	(16,654)	(103,836)
Depreciation	(81,769)	(65,476)	(31,289)	–	(288,516)	(467,050)
Transfer from completed properties held for sale	3,184	–	–	–	–	3,184
Transfer to investment properties	(12,568)	(4,689)	–	–	–	(17,257)
Transfer within property, plant and equipment	382,090	40,514	226	(671,352)	248,522	–
Impairment	–	–	–	–	(5,020)	(5,020)
Currency translation differences	(30,951)	(44,313)	(29,221)	(57,188)	(41,467)	(203,140)
At 31 December 2018	3,323,930	1,953,093	611,878	855,526	1,281,531	8,025,958
At 31 December 2018:						
Cost	5,726,332	3,021,033	1,673,007	856,171	3,199,938	14,476,481
Accumulated depreciation and impairment	(2,402,402)	(1,067,940)	(1,061,129)	(645)	(1,918,407)	(6,450,523)
	3,323,930	1,953,093	611,878	855,526	1,281,531	8,025,958

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2019, included in the Group's land and buildings amounting to HK$506,710,000 (2018: HK$537,462,000) 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 2019, certain of the Group's buildings with net carrying amounts of HK$1,456,000 (2018: HK$1,460,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

At 31 December 2019, accumulated impairment losses amounted to HK$390,560,409 (2018: HK$399,216,000).

During the year ended 31 December 2019, 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 2019, the major assets of Zhuhai Resort are land and properties with carrying values amounting to HK$1,101,170,000 (2018: HK$1,164,089,000) 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 2019, the major assets of Xianyang Resort are land and properties with carrying values amounting to HK$256,985,000 (2018: HK$271,897,000) 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.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**31 December 2019 HK$'000**	1 January 2019 HK$'000
Other properties leased for own use, carried at depreciated cost	(i)	**268,252**	296,637
Plant, machinery and equipment, carried at depreciated cost	(ii)	**2,098**	–
		270,350	296,637

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 **HK$'000**	2018 (Note) HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**46,700**	–
Plant, machinery and equipment	**450**	–
	47,150	–
Interest on lease liabilities (note 6)	**13,819**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**17,780**	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**131**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	81,252

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. Please refer to note 2.

During the year, additions to right-of-use assets were $47,912,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 27(c) and 33, respectively.

(i) Other properties leased for own use

The Group has obtained the right to use other properties through tenancy agreements. The leases typically run for an initial period of 2 to 30 years.

(ii) Other leases

The Group leases office equipment under leases expiring from 2 to 5 years. None of the leases include an option to renew the lease when all terms are renegotiated or purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At fair value		
At 1 January	**1,794,236**	1,754,106
Changes in fair value recognised in income statement	**(36,238)**	26,542
Gain on property valuation recognised in other comprehensive income	**2,551**	31,711
Transfer from property, plant and equipment and prepaid land lease payments	**30,906**	19,104
Reclassified to assets of disposal group classified as held for sale	**(29,500)**	
Currency translation differences	**(16,723)**	(37,227)
At 31 December	**1,745,232**	1,794,236

The fair value of investment properties is determined by using valuation techniques. For the judgement and assumptions involved, please refer to note 43 of the consolidated financial statements.

The Group leases out investment property under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**95,538**	70,082
After 1 year but within 2 years	**73,511**	53,510
After 2 year but within 3 years	**44,675**	21,918
After 3 year but within 4 years	**27,956**	–
After 4 year but within 5 years	**23,078**	–
After 5 years	**15,979**	–
	280,737	145,510

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PREPAID LAND LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
At 1 January	**2,196,601**	2,278,794
Additions and transfer from property, plant and equipment and other receivables	**68,740**	50,161
Amortisation	**(29,401)**	(25,020)
Transfer to investment properties	**–**	(1,847)
Currency translation differences	**(42,746)**	(105,487)
At 31 December	**2,193,194**	2,196,601
Current portion included in deposits, prepayments and other receivables	**(29,401)**	(25,020)
Non-current portion	**2,163,793**	2,171,581

At 31 December 2019, included in the Group's prepaid land lease payments amounting to HK$1,610,004,000 (2018: HK$1,721,071,000) 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.

Upon the adoption of HKFRS 16, the balances are also identified as a right-of-use asset.

16 GOODWILL

	2019 HK$'000	2018 HK$'000
At 1 January and 31 December		
Cost	**1,629,961**	1,629,961
Accumulated impairment	**(306,133)**	(306,133)
Net book amount	**1,323,828**	1,323,828

Impairment testing of goodwill

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

- Travel agency, travel document and related operations
- Tourist attraction operations
- Passenger transportation operations

(Expressed in Hong Kong dollars unless otherwise indicated)

16 GOODWILL (continued)

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% (2018: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

Tourist attraction operations cash-generating unit

The recoverable amount of the tourist attraction 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% (2018: 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% (2018: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

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

	Travel agency, travel document and related operations		Tourist attraction and related operations		Passenger transportation operations		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**1,244,769**	1,244,769	**75,822**	75,822	**3,237**	3,237	**1,323,828**	1,323,828

Key assumptions were used in the value in use calculation of the travel agency, travel document and related operations, tourist attraction and related operations and passenger transportation operations cash-generating units for the years ended 31 December 2019 and 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

17 OTHER INTANGIBLE ASSETS

	Ticketing operation rights HK$'000	Trademarks HK$'000	Passenger service licences and quota HK$'000	Total HK$'000
Net book value				
At 1 January 2019	**93,032**	**34,291**	**75,743**	**203,066**
Amortisation	**(2,977)**	**–**	**–**	**(2,977)**
Currency translation differences	**(1,929)**	**–**	**–**	**(1,929)**
At 31 December 2019	**88,126**	**34,291**	**75,743**	**198,160**
At 31 December 2019:				
Cost	**116,947**	**34,291**	**75,743**	**226,981**
Accumulated amortisation	**(28,821)**	**–**	**–**	**(28,821)**
	88,126	**34,291**	**75,743**	**198,160**
At 1 January 2018	100,648	34,291	75,743	210,682
Amortisation	(3,100)	–	–	(3,100)
Currency translation differences	(4,516)	–	–	(4,516)
At 31 December 2018	93,032	34,291	75,743	203,066
At 31 December 2018:				
Cost	119,509	34,291	75,743	229,543
Accumulated amortisation	(26,477)	–	–	(26,477)
	93,032	34,291	75,743	203,066

Amortisation of HK$2,977,000 for the year ended 31 December 2019 (2018: HK$3,100,000) is included in administrative expenses in the consolidated income statement.

(Expressed in Hong Kong dollars unless otherwise indicated)

18 SUBSIDIARIES

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

Material non-controlling interests

The total non-controlling interests as at 31 December 2019 is HK$1,277,892,000, of which HK$290,258,000 is attributable to Shenzhen The World Miniature Co., Ltd. ("Window of the World") representing for 49% of equity for non-controlling interest, HK$224,698,000 is attributed to CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou") representing for 54% of equity for non-controlling interest and HK$263,862,000 is attributed to CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("CTS (Dengfeng)") representing for 49% of equity for non-controlling interest. 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)	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets	**393,563**	412,285	**443,060**	403,813	**464,008**	403,182
Current assets	**374,085**	411,336	**70,925**	170,497	**197,933**	210,090
Non-current liabilities	**–**	–	**(10,728)**	(38,462)	**(1,116)**	–
Current liabilities	**(169,805)**	(205,127)	**(87,351)**	(113,930)	**(191,317)**	(147,948)
Net assets	**597,843**	618,494	**415,906**	421,918	**469,508**	465,324

Summarised income statement

	Window of the World		Shapotou		CTS (Dengfeng)	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**564,008**	577,169	**195,801**	190,615	**268,636**	298,816
Profit/(loss) after taxation and total comprehensive income	**194,549**	180,280	**3,269**	(22,792)	**41,151**	36,156
Total comprehensive income attributable to non-controlling interests	**95,329**	88,337	**1,766**	(12,308)	**20,164**	17,717
Dividends paid to non-controlling interests	**(98,889)**	(106,109)	**–**	(9,701)	**(12,657)**	(29,334)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 SUBSIDIARIES (continued)

Summarised cash flows

	Window of the World		Shapotou		CTS (Dengfeng)	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Net cash flows generated from operating activities	**216,783**	287,649	**49,488**	32,149	**13,386**	50,968
Net cash flows generated from/ (used in) from investing activities	**129,144**	(49,154)	**16,513**	(19,402)	**(2,226)**	(114,592)
Net cash flows used in financing activities	**(201,814)**	(216,549)	**(83,090)**	(28,326)	**(27,433)**	(12,968)
Net increase/(decrease) in cash and cash equivalents	**144,113**	21,946	**(17,089)**	(15,579)	**(16,273)**	(76,592)
Cash and cash equivalents at end of year	**254,875**	115,939	**45,130**	63,288	**68,062**	85,914

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

19 INTEREST IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	**1,220,228**	1,277,163
Provision for impairment	**(3,626)**	(3,626)
	1,216,602	1,273,537

(Expressed in Hong Kong dollars unless otherwise indicated)

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		Principal activities
			2019	2018	
All China Express Limited #	10,000 Ordinary shares HK$10,000	Hong Kong	**30**	30	Passenger transportation
Changsha Colorful World Company Limited #	RMB100,000,000	PRC/Mainland China	**26**	26	Scenic spot operations
Huangshan Taiping Cable Car Co. Ltd.#	US$6,975,000	PRC/Mainland China	**30**	30	Cable car operations
Huangshan Yuping Cable Car Company Ltd.#	RMB19,000,000	PRC/Mainland China	**20**	20	Cable car operations
Shun Tak-China Travel Shipping Investments Limited ("Shun Tak-China Travel") #	10,000 Ordinary shares of US$1 each	British Virgin Islands ("BVI")/Hong Kong	**29**	29	Shipping operations
CDD International Holding 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
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus (Hong Kong) Company Limited #	1,000,000 Ordinary shares HK$1,000,000	Hong Kong	**20**	20	Passenger transportation

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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		恒大海泉灣		Other associates in aggregate		Total	
	2019 HK$'000	2018 HK$'000 (Note)	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Non-current assets	**729,181**	738,308	**23,067**	13,058	**851,441**	777,661	**1,603,689**	1,529,027
Current assets	**1,282,568**	1,464,892	**1,838,672**	2,251,280	**440,599**	511,784	**3,561,839**	4,227,956
Non-current liabilities	**(22,556)**	(23,524)	**–**	–	**(16,452)**	(14,401)	**(39,008)**	(37,925)
Current liabilities	**(254,169)**	(391,115)	**(970,130)**	(1,212,354)	**(134,427)**	(309,279)	**(1,358,726)**	(1,912,748)
Net assets	**1,735,024**	1,788,561	**891,609**	1,051,984	**1,141,161**	965,765	**3,767,794**	3,806,310
Revenue	**1,324,802**	2,358,366	**393,557**	1,630,934	**703,306**	489,593	**2,421,665**	4,478,893
(Loss)/profit after taxation	**(72,942)**	241,559	**91,721**	467,231	**190,245**	175,476	**209,024**	884,266
Other comprehensive income	**19,405**	(32,307)	**–**	–	**–**	–	**19,405**	(32,307)
Total comprehensive income	**(53,537)**	209,252	**91,721**	467,231	**190,245**	175,476	**228,429**	851,959
Dividends received from associates	**–**	(59,160)	**(113,119)**	–	**(23,445)**	(39,418)	**(136,564)**	(98,578)

Note: The associate has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTEREST IN ASSOCIATES (continued)

Reconciliation of summarised financial information

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

	Shun Tak – China Travel		恒大海泉灣		Other associates in aggregate		Total	
	2019 HK$'000	2018 HK$'000 (Note)	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Net assets								
At 1 January	**1,788,561**	1,783,309	**1,051,984**	629,617	**965,765**	1,027,840	**3,806,310**	3,440,766
(Loss)/profit for the year	**(72,942)**	241,559	**91,721**	467,231	**190,245**	175,476	**209,024**	884,266
Other comprehensive income	**19,405**	(32,307)	**-**	–	**-**	–	**19,405**	(32,307)
Capital contribution to associates	**-**	–	**-**	–	**130,454**	62,252	**130,454**	62,252
Currency translation differences	**-**	–	**(21,241)**	(44,864)	**(28,736)**	(108,492)	**(49,977)**	(153,356)
Dividend	**-**	(204,000)	**(230,855)**	–	**(116,567)**	(191,311)	**(347,422)**	(395,311)
At 31 December	**1,735,024**	1,788,561	**891,609**	1,051,984	**1,141,161**	965,765	**3,767,794**	3,806,310
Group's interest	**29%**	29%	**49%**	49%	**-**	–	**-**	–
Carrying amount in the consolidated financial statements	**503,157**	518,683	**436,888**	515,472	**280,183**	243,008	**1,220,228**	1,277,163

20 OTHER FINANCIAL ASSETS

	2019 $'000	2018 $'000
Unlisted equity securities:		
At 1 January	**40,129**	67,210
Net unrealised gains/(losses) recognised in other comprehensive income during the year	**8,653**	(27,081)
At 31 December	**48,782**	40,129

(i) The unlisted equity investments represent shares in companies engaging in the passenger transportation, tours attraction and travel agency operations. The Group designated its investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of HK$2,215,000 were received on these investments during the year (2018: Nil). There was no disposal and no transfers of the cumulative gain or loss within equity during the year ended 31 December 2019 (2018: Nil).

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(Expressed in Hong Kong dollars unless otherwise indicated)

21 INVENTORIES

	2019 HK$'000	2018 HK$'000
Food and beverages	**8,332**	9,946
Spare parts and consumables	**1,800**	940
General merchandise	**7,648**	8,039
	17,780	18,925

22 PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
At 1 January	**1,683,262**	1,883,541
Additions	**628,483**	33,154
Cost adjustment	**–**	(154,537)
Currency translation differences	**(48,184)**	(78,896)
At 31 December	**2,263,561**	1,683,262

	2019 HK$'000	2018 HK$'000
Properties under development comprise:		
Land use rights	**1,278,632**	1,090,848
Construction cost and capitalised expenditures	**984,929**	592,414
	2,263,561	1,683,262

The analysis of carrying value of land held for property development for sale is as follows:

	2019 HK$'000	2018 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	**1,278,632**	1,090,848

The amount of properties under development expected to be recovered after more than one year is $1,643,900,000 (2018: $1,683,262,000).

(Expressed in Hong Kong dollars unless otherwise indicated)

23 COMPLETED PROPERTIES HELD FOR SALE

	2019 HK$'000	2018 HK$'000
At 1 January	57,837	92,092
Additions	295	–
Transfer to property, plant and equipment	–	(3,184)
Sold during the year	(30,821)	(20,754)
Cost adjustment	–	(3,497)
Currency translation differences	(704)	(6,820)
At 31 December	26,607	57,837

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount of inventories sold	30,821	20,754

The analysis of carrying value of land held for property development for sale is as follows:

	2019 HK$'000	2018 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	3,910,965	8,677,186

The amount of properties for completed properties held for sale expected to be recovered within one year is $26,607,000 (2018: $57,837,000).

(Expressed in Hong Kong dollars unless otherwise indicated)

24 TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**130,356**	165,778
Less: loss allowance	**(18,603)**	(20,280)
	111,753	145,498
Reclassified to assets of disposal group classified as held for sale	**(52,005)**	–
	59,748	145,498

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 3 months	**48,467**	129,952
Over 3 months to 6 months	**7,058**	10,161
Over 6 months to 12 months	**2,255**	3,898
Over 1 year to 2 years	**1,001**	947
Over 2 years	**967**	540
	59,748	145,498

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 43.

The movement in the loss allowance account in respect of trade receivables during the year is as follow:

	2019 **HK$'000**	2018 HK$'000
Balance at 1 January	**20,280**	19,494
Impairment losses recognised during the year	**151**	1,089
Impairment losses reversed	**(1,106)**	(45)
Currency translation differences	**(722)**	(258)
Reclassified to assets of disposal group classified as held for sale	**(1,712)**	–
Balance at 31 December	**16,891**	20,280

(Expressed in Hong Kong dollars unless otherwise indicated)

24 TRADE RECEIVABLES (continued)

As at 31 December 2019, trade receivables of HK$16,891,000 (2018: HK$20,280,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Over 3 months to 6 months	**4,960**	861
Over 6 months to 12 months	**–**	1,619
Over 1 year to 2 years	**122**	5,353
Over 2 years	**11,809**	12,447
	16,891	20,280

The provision and reversal of provision for impairment loss on trade receivables have been included in administrative expenses in the consolidated income statement.

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2019 HK$'000**	2018 HK$'000
Deposits, prepayments and other receivables		**354,176**	481,057
Entrustment loan receivables from non-controlling shareholders	(a)	**–**	273,910
Amounts due from non-controlling shareholders	(b)	**35,413**	33,011
Amounts due from associates	(c)	**6,085**	32,887
Amount due from a related company	(c)	**8,759**	14,733
Reclassified to assets of disposal group classified as held for sale		**(68,046)**	–
		336,387	835,598
Less: non-current portion of prepayments		**(5,918)**	(99,152)
non-current portion of other receivables		**–**	(3,880)
		330,469	732,566

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

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 RMB103 million and RMB171 million withdrawn respectively, as at 31 December 2018. The entrustment loans were unsecured, repayable by the non-controlling shareholders upon one month notice from the Group, and bore interest at the 1-year People's Bank of China ("PBOC") Benchmark Lending Rate. The balance was recovered in full during the year.

(b) The balances include the amount due from a non-controlling shareholder of CTS (Dengfeng), a 51% owned subsidiary of the Company, approximately RMB15 million (2018: RMB16 million), which is unsecured and interest-free.

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

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group 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:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**56,904**	942,993

The fair value hierarchy used for determining and disclosing the fair values are further disclosed in note 43.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CASH AND BANK BALANCES

(a)

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**2,012,339**	910,822
Time deposits	**1,350,868**	1,738,344
	3,363,207	2,649,166
Reclassified to assets of disposal group classified as held for sale	**(146,826)**	–
	3,216,381	2,649,166
Less: Pledged time deposits	**(18,333)**	(46,884)
Cash and bank balances in the consolidated statement of financial position	**3,198,048**	2,602,282
Add: Cash included in assets held for sale	**142,002**	–
Less: Deposits with maturity of more than three months	**(879,681)**	(1,500,381)
Cash and cash equivalents in the consolidated cash flow statement	**2,460,369**	1,101,901

	2019 HK$'000	2018 HK$'000
Maximum exposure to credit risks	**3,208,248**	2,639,900

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$2,700,991,000 (2018: HK$1,795,079,000). 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CASH AND BANK BALANCES (continued)

(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 HK$'000	Loans from a holding company HK$'000	Lease liabilities HK$'000	Interest payable HK$'000	Total HK$'000
At 1 January 2018	98,455	82,545	–	–	181,000
Changes from financing cash flows:					
Proceeds from new bank loans	1,292,515	–	–	–	1,292,515
Repayment of bank loans	(1,139,480)	–	–	–	(1,139,480)
Finance cost paid	–	–	–	(10,314)	(10,314)
Total changes from financing cash flows	153,035	–	–	(10,314)	142,721
Other change					
Finance costs (Note 6)	–	–	–	10,314	10,314
Currency translation differences	(4,244)	(3,796)	–	–	(8,040)
At 31 December 2018	**247,246**	**78,749**	**–**	**–**	**325,995**
Impact on initial application of HKFRS 16 (Note)	**–**	**–**	**296,637**	**–**	**296,637**
At 1 January 2019	**247,246**	**78,749**	**296,637**	**–**	**622,632**
Changes from financing cash flows:					
Repayment of bank loans	**(242,985)**	**–**	**–**	**–**	**(242,985)**
Capital element of lease rentals paid	**–**	**–**	**(42,034)**	**–**	**(42,034)**
Interest element of lease rentals paid	**–**	**–**	**(13,819)**	**–**	**(13,819)**
Finance cost paid	**–**	**–**	**–**	**(8,701)**	**(8,701)**
Total changes from financing cash flows	**(242,985)**	**–**	**(55,853)**	**(8,701)**	**(307,539)**
Other changes					
Finance costs (Note 6)	**–**	**–**	**13,819**	**8,701**	**22,520**
Increase in lease liabilities from entering into new lease during the year	**–**	**–**	**47,912**	**–**	**47,912**
Reclassified to liabilities of disposal group classified as held for sales	**(304)**	**–**	**(22,345)**	**–**	**(22,649)**
Currency translation differences	**(156)**	**(1,721)**	**(4,892)**	**–**	**(6,769)**
At 31 December 2019	**3,801**	**77,028**	**275,278**	**–**	**356,107**

Note: The Group has initially applied HKFRS 16 using modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2 and 27(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CASH AND BANK BALANCES (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 HK$'000	2018 (Note) HK$'000
Within operating cash flows	**17,911**	81,252
Within financing cash flows	**55,853**	–
	73,764	81,252

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lesses of HK$81,252,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term leases payments, payments for leases of low value assets and variable lease payments no included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 27(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Please refer to note 2.

As explained above, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated. All of the amounts are related to lease rentals paid.

28 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES

Except for loans to fellow subsidiaries 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.

Loans to fellow subsidiaries included the loan to China Travel Financial Investment Holdings Co., Limited and Hong Kong China Travel Service Investment (China) Limited.

The loan to China Travel Financial Investment Holding Co., Limited is unsecured, interest-bearing at the six-month United Stated dollars London Interbank Offered Rate plus 2.6% per annum and repayable on 16 May 2020.

The loan dated 2 August 2019 to Hong Kong China Travel Service Investment (China) Limited is unsecured, interest-bearing at 5.225% per annum and repayable on 1 August 2022.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES (continued)

The ageing analysis based on invoice date of the balances with holding companies and fellow subsidiaries is as follows:

	2019 HK$'000	2018 HK$'000
Amounts due from holding companies		
Within 1 year	**22,224**	25,549
Over 1 year to 2 years	**–**	613
	22,224	26,162
Amounts due from fellow subsidiaries		
Within 1 year	**113,989**	40,140
Over 1 year to 2 years	**–**	–
Over 2 years	**–**	53
	113,989	40,193

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.

	2019 HK$'000	2018 HK$'000
Amounts due to holding companies		
Within 1 year	**1,715**	1,232
Amounts due to fellow subsidiaries		
Within 1 year	**1,553**	7,871

(Expressed in Hong Kong dollars unless otherwise indicated)

29 TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**200,694**	270,474
Over 3 months to 6 months	**14,208**	13,078
Over 6 months to 12 months	**12,861**	15,871
Over 1 year to 2 years	**5,190**	9,559
Over 2 years	**10,682**	24,420
	243,635	333,402

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

30 OTHER PAYABLES AND ACCRUALS

	Note	**2019 HK$'000**	2018 HK$'000
Construction in progress payables		**544,307**	634,660
Accrued employee benefits		**382,952**	334,319
Receipt in advance		**4,338**	2,061
Contract liabilities	(a)	**431,216**	254,544
Amounts due to the non-controlling shareholders		**6,253**	21,687
Amount due to an associate	(b)	**66,693**	68,746
Other payable and accruals		**794,514**	985,515
		2,230,273	2,301,532
Reclassified to liabilities of disposal group classified as held for sale		**(174,954)**	–
		2,055,319	2,301,532

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

Except of the balance of HK$54,000,000 are settled after 1 year, all of the remaining balance are settled or recognised as expense within 1 year.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 OTHER PAYABLES AND ACCRUALS (continued)

(a) Contract liabilities

	2019 HK$'000	2018 HK$'000
Contract liabilities		
Property development		
– Forward sales deposits and instalments received	**216,549**	28,858
Service contracts		
– Billings in advance of performance	**214,667**	225,686
	431,216	254,544

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– ***Property development***

The Group receives 30% of the contract value as a deposit from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the contract price. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

– ***Service contracts***

The Group receives deposits from customer when they purchase the travel packages, tourist attraction tickets, hotel services and consultancy services. The contract liabilities is recognised until the services are provided to the customers.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 OTHER PAYABLES AND ACCRUALS (continued)

(a) Contract liabilities (continued)

Movements in contract liabilities

	2019 HK$'000	2018 HK$'000
Balance at 1 January	**254,544**	264,974
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(254,544)**	(264,974)
Increase in contract liabilities as a result of billing in advance of service contracts	**214,667**	28,858
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of properties still under construction as at the year end	**216,549**	225,686
Balance at 31 December	**431,216**	254,544

The amount of billings in advance of performance and forward sales deposits and instalments received expected to be recognised as income after more than one year is $53,678,000 (2018: Nil).

(b) Amount due to an associate

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

31 DEFERRED INCOME

Deferred income primarily represents government grant income.

(Expressed in Hong Kong dollars unless otherwise indicated)

32 BANK AND OTHER BORROWINGS

	2019			2018		
	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**	**N/A**	**–**	3-Year PBOC Benchmark loan interest rate	2019	62,771
Bank loans – unsecured	**N/A**	**N/A**	**–**	2.74	2019	30,000
Bank loans – unsecured	**N/A**	**N/A**	**–**	3.3-3.5	2019	148,745
Bank loans – unsecured	**1.975**	**2020**	**304**	1.975	2019	511
Bank loans – unsecured	**N/A**	**N/A**	**–**	1.5	2019	925
Other borrowings – unsecured	**Interest-free**	**on demand**	**3,801**	Interest-free	on demand	3,957
			4,105			246,909
Non-current						
Bank loan – unsecured	**N/A**	**N/A**	**–**	1.975	2020	337
			4,105			247,246
Reclassified to liabilities of disposal group classified as held for sale			**(304)**			–
Bank and other borrowings			**3,801**			247,246

(Expressed in Hong Kong dollars unless otherwise indicated)

32 BANK AND OTHER BORROWINGS (continued)

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

	2019 **HK$'000**	2018 HK$'000
U.S. dollar	**–**	123,745
Hong Kong dollar	**3,801**	58,957
Renminbi	**–**	62,771
Japanese Yen	**–**	848
Korean Won	**–**	925
	3,801	247,246

At 31 December 2019, the Group's borrowings were repayable as follows:

	2019 **HK$'000**	2018 HK$'000
Bank loans:		
Within 1 year	**–**	242,952
Between 1 and 2 years	**–**	337
	–	243,289
Other borrowings:		
Within 1 year	**3,801**	3,957
	3,801	247,246

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

(Expressed in Hong Kong dollars unless otherwise indicated)

33 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**42,227**	**54,942**	34,076	47,452
After 1 year but within 2 years	**31,983**	**43,171**	28,306	40,360
After 2 years but within 5 years	**59,215**	**86,604**	54,984	85,300
After 5 years	**164,199**	**199,960**	179,271	222,134
	255,397	**329,735**	262,561	347,794
	297,624	**384,677**	296,637	395,246
Less: total future interest expenses		**(87,053)**		(98,609)
Reclassified to liabilities of disposal group classified as held for sale		**(22,346)**		–
Present value of lease liabilities		**275,278**		296,637
– Current		**30,468**		34,076
– Non-current		**244,810**		262,561
		275,278		296,637

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.1.

(Expressed in Hong Kong dollars unless otherwise indicated)

34 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	Surplus on revaluation of financial Assets HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019	**113,230**	**100,153**	**2,373**	**220,440**	**14,024**	**119,370**	**569,590**
Deferred tax charged/(credited) to the income statement	**7,158**	**2,489**	**–**	**(7,326)**	**523**	**37,777**	**40,621**
Currency translation differences	**(272)**	**–**	**–**	**(3,333)**	**–**	**(2,609)**	**(6,214)**
Deferred tax charged to other comprehensive income	**–**	**626**	**333**	**–**	**–**	**–**	**959**
At 31 December 2019	**120,116**	**103,268**	**2,706**	**209,781**	**14,547**	**154,538**	**604,956**
At 1 January 2018	114,912	93,928	4,554	230,892	13,337	–	457,623
Deferred tax (credited)/charged to the income statement	(1,446)	1,989	–	(10,452)	687	–	(9,222)
Currency translation differences	(236)	(539)	–	–	–	–	(775)
Deferred tax charged/(credited) to other comprehensive income	–	4,775	(2,181)	–	–	–	2,594
Reclassification	–	–	–	–	–	119,370	119,370
At 31 December 2018	113,230	100,153	2,373	220,440	14,024	119,370	569,590

(Expressed in Hong Kong dollars unless otherwise indicated)

34 DEFERRED TAX (continued)

Deferred tax assets

	Unrealised gain on land contribution to associate HK$'000	Depreciation charge of right-of-use assets HK$'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 2019	**(18,467)**	**–**	**(3,349)**	**(7,846)**	**(21,784)**	**(51,446)**
Initial application of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**–**
	(18,467)	**–**	**(3,349)**	**(7,846)**	**(21,784)**	**(51,446)**
Deferred tax charged/(credited) to the income statement	**5,265**	**(1,242)**	**(4,750)**	**2,366**	**(14,929)**	**(13,290)**
Currency translation differences	**404**	**–**	**73**	**208**	**476**	**1,161**
Reclassified to assets of disposal group classified as held for sale	**–**	**17**	**–**	**1,657**	**–**	**1,674**
At 31 December 2019	**(12,798)**	**(1,225)**	**(8,026)**	**(3,615)**	**(36,237)**	**(61,901)**
At 1 January 2018	(38,307)	–	(87,584)	(15,989)	(6,110)	(147,990)
Deferred tax charged/(credited) to the income statement	14,672	–	(3,349)	7,454	(15,674)	3,103
Currency translation differences	5,168	–	4,028	689	–	9,885
Reclassification	–	–	83,556	–	–	83,556
At 31 December 2018	(18,467)	–	(3,349)	(7,846)	(21,784)	(51,446)

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

	2019 HK$'000	2018 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(61,901)**	(51,446)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**604,956**	569,590
	543,055	518,144

The Group has tax losses arising in Hong Kong of HK$93,535,000 (2018: HK$90,177,000) 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$545,476,000 (2018: HK$464,108,000) and overseas of HK$23,600,000 (2018: HK$18,410,000) 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 9 August 2019, Alton Services Limited ("Alton"), a wholly-owned subsidiary of the Company, entered into an agreement ("the Agreement") in relation to the sale of its entire equity interest in China Travel (HK & Macau Tour) Management Hong Kong Limited and its wholly-owned subsidiaries (together "China Travel (HK & Macau Tour) Group") within the travel agency, travel document and related operations segment, for a consideration of HK$5,130,000 to China Travel Service Co., Ltd., a fellow subsidiary of the Company. Efforts to sell the disposal group have started and a sale is expected by April 2020.

Pursuant to the Agreement, Alton will undergo a reorganisation by including entities that are relevant to the Group's travel agency business under China Travel (HK & Macau Tour) Management Hong Kong Limited prior to the completion of the disposal (the "Reorganisation"). The assets and liabilities of China Travel (HK & Macau Tour) Group, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale.

At 31 December 2019, the major classes of assets and liabilities of disposal group classified as held for sale are as follows:

	2019 **HK$'000**
Assets of disposal group classified as held for sale	
Property, plant and equipment (including right-of-use assets)	**42,272**
Investment properties	**29,500**
Trade receivables, net	**52,005**
Deposits, prepayments and other receivables	**68,046**
Cash and bank balances	**142,002**
Pledged time deposits	**4,824**
Others	**4,416**
	343,065
Liabilities of disposal group classified as held for sale	
Trade payables	**144,406**
Other payables and accruals	**174,954**
Lease liabilities	**22,346**
Others	**1,295**
	343,001

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE CAPITAL

	2019		2018	
	Number of shares	HK$'000	Number of shares	HK$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**5,455,913,525**	**9,119,836**	5,448,585,525	9,102,708
Share issued upon share option scheme	**250,000**	**584**	7,328,000	17,128
Shares issued upon scrip dividend scheme	**80,470,184**	**101,875**	–	–
At 31 December	**5,536,633,709**	**9,222,295**	5,455,913,525	9,119,836

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2019		2018	
	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	**2.200**	**77,786**	2.233	176,354
Forfeited during the year	**2.304**	**(34,065)**	2.304	(43,600)
Cancelled during the year	**–**	**–**	2.304	(47,640)
Exercised during the year	**1.700**	**(250)**	1.700	(7,328)
At 31 December	**2.121**	**43,471**	2.200	77,786

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

2019 Number of options '000	**Exercise price# HK$ per share**	**Exercise period**
3,940	1.700	18 June 2012 – 17 June 2020
3,940	1.700	18 June 2013 – 17 June 2020
5,256	1.700	18 June 2014 – 17 June 2020
13,500	2.304	15 September 2019 – 14 September 2021
13,911	2.304	15 September 2020 – 14 September 2021
1,440	2.304	30 December 2019 – 29 December 2021
1,484	2.304	30 December 2020 – 29 December 2021
43,471		

(Expressed in Hong Kong dollars unless otherwise indicated)

37 SHARE OPTION SCHEME (continued)

2018 Number of options '000	Exercise price[#] HK$ per share	Exercise period
4,015	1.700	18 June 2012 – 17 June 2020
4,015	1.700	18 June 2013 – 17 June 2020
5,356	1.700	18 June 2014 – 17 June 2020
–	2.304	15 September 2018 – 14 September 2021
28,815	2.304	15 September 2019 – 14 September 2021
29,689	2.304	15 September 2020 – 14 September 2021
–	2.304	30 December 2018 – 29 December 2021
2,904	2.304	30 December 2019 – 29 December 2021
2,992	2.304	30 December 2020 – 29 December 2021
77,786		

[#] 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 reversal of share option expense of HK$34,065,000 (2018: HK$3,743,000) during the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year ended 31 December 2019 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration / operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2019	2018	Principal activities
Agencia De Viagens E Turismo Grand, Limitada	Macau	MOP1,300,000	**100**	100	Travel and air ticketing agency
Aldington International Ltd. [4]	Western Samoa	10 ordinary shares of US$1 each	**100**	100	Investment holding
Beijing CTS (Hong Kong) Grand Metropark Hotel Co., Ltd. [3,4]	PRC/Mainland China	US$12,000,000	**100**	100	Property investment holding and hotel operations
China Heaven Creation International Performing Arts Co., Ltd. [3,4,5]	PRC/Mainland China	RMB29,640,000	**78**	78	Production of arts performances
China Travel Service(Hong Kong) Ltd. (formally known as China Travel (HK & Macau Tour) Management Hong Kong Ltd.	Hong Kong	101,867,592 ordinary shares HK$101,867,592	**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

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration / operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2019	2018	Principal activities
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. [2,5]	PRC/Mainland China	US$231,000,000	**100**	100	Hot spring resort operations
China Travel Service (Australia) Pty Ltd. [4]	Australia	AUD3,319,932	**100**	100	Travel and air ticketing agency
China Travel Service (Canada) Inc. [4]	Canada	CAD3,162,750	**100**	100	Travel and air ticketing agency
China Travel Service Property Investment Hong Kong Limited (formally known as China Travel Service (Hong Kong) Ltd.)	Hong Kong	10 ordinary shares HK$1,000 1,000,000 non-voting deferred shares HK$100,000,000	**100**	100	Tour operations, PRC entry permit handling agency, investment holding and travel agency
China Travel Service (Korea) Co., Ltd. [4]	Korea	KRW500,000,000	**100**	100	Travel and air ticketing agency
China Travel Service (N.Z.) Ltd.	New Zealand	NZD30,000	**100**	100	Travel and air ticketing agency
China Travel Service (U.K.) Ltd. [4]	United Kingdom	486,000 ordinary shares of GBP1 each 1,072,000 redeemable preference shares of GBP1 each	**100**	100	Travel and air ticketing agency
China Travel Tours Transportation Services Hong Kong Ltd.	Hong Kong	2 ordinary shares HK$200 5,000 non-voting deferred shares HK$500,000	**100**	100	Passenger transportation
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

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration / operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2019	2018	Principal activities
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
港中旅聚豪(深圳)高爾夫球會有限公司	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
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

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration / operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2019	2018	Principal activities
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
北京港中旅數碼科技有限公司[2,4]	PRC/Mainland China	HK$3,900,000	**100**	100	Travel agency management and software system development
深圳市港中旅快綫運輸有限公司[3,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation and investment holding
珠海市港中旅快線有限公司[2,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation
CTS (Anji) Tourism Development Co., Ltd. [1,5]	PRC/Mainland China	US$102,834,661	**97.09**	96.38	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	Conference and exhibition operations

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration / operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)		Principal activities
			2019	2018	
Shapotou [1,5,6]	PRC/Mainland China	RMB192,117,800	**46**	46	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**	78	Tourist attraction management
CTSHK Transportation (Macao) Company Limited	Macau	MOP5,000,000	**100**	100	Passenger transportation
中旅風景(北京)旅遊管理有限公司	PRC/Mainland China	RMB5,000,000	**100**	100	Tourist attraction consulting services
廣西寧明中旅岜來旅遊文化有限公司	PRC/Mainland China	RMB1,000,000,000	**51**	51	Tourist attraction operations
廣西中旅德天瀑布開發有限公司[3,4,5]	PRC/Mainland China	RMB1,000,000,000	**70**	–	Tourist attraction operations

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

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

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

1 Sino-foreign equity joint ventures

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

3 Registered as limited liability companies under PRC law

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

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

39 CONTINGENT LIABILITIES

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

	2019 HK$'000	2018 HK$'000
Performance bond given to a customer for due performance of a sales contract	**300**	300

40 OPERATING LEASE ARRANGEMENTS

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 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	2019 HK$'000	2018 HK$'000
Equipment and motor vehicles:		
Within one year	**3,996**	6,711
In the second to fifth years, inclusive	**1,183**	372
	5,179	7,083

(Expressed in Hong Kong dollars unless otherwise indicated)

40 OPERATING LEASE ARRANGEMENTS (continued)

As lessee

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	HK$'000
Land and buildings:	
Within one year	**67,674**
In the second to fifth years, inclusive	**72,838**
Later than five years	**266,360**
	406,872

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.1). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.9, and the details regarding the Group's future lease payments are disclosed in note 33.

41 COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Property project, land and buildings:		
Contracted, but not provided for	**569,768**	242,691
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**62,719**	29,089
Authorised, but not contracted for	**–**	387,230
Scenic spots:		
Contracted, but not provided for	**165,713**	416,734
Unpaid capital contribution to an associate:		
Contracted, but not provided for	**19,536**	19,973

(Expressed in Hong Kong dollars unless otherwise indicated)

42 RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

	Note	**2019** **HK$'000**	2018 HK$'000
Travel-related income from	(a)		
– immediate holding company#*		**275,845**	251,229
– fellow subsidiaries*		**25,104**	16,311
– associates		**42,758**	68,808
– other related parties*		**4,423**	233
Hotel-related income from	(a)		
– immediate holding company		**1,411**	1,294
– fellow subsidiaries		**1,640**	1,802
Management income from	(b)		
– fellow subsidiaries*		**63,480**	5,456
– associates and joint venture		**4,587**	9,892
– a non-controlling shareholders		**39,381**	29,076
Rental income from	(c)		
– fellow subsidiaries*		**5,557**	6,111
– an associate		**42,276**	43,540
– a non–controlling shareholder		**2,767**	3,002
– a related party		**2,610**	3,314

(Expressed in Hong Kong dollars unless otherwise indicated)

42 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

	Note	2019 HK$'000	2018 HK$'000
Interest income from loans to			
– fellow subsidiaries		**13,765**	7,637
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		**(71,021)**	(64,424)
– associates		**(599)**	(3,878)
– other related parties*		**(15,664)**	(2,558)
– a non-controlling shareholder		**(1,524)**	(1,502)
Management expenses paid to	(b)		
– fellow subsidiaries*		**(2,037)**	(11,876)
Lease rental paid to	(c)		
– immediate holding company*		**(14,591)**	(15,372)
– fellow subsidiaries*		**(916)**	(3,380)
– an associate		**(1,083)**	(1,083)
– a non-controlling shareholder		**(4,922)**	(2,619)
– other related parties		**(22,839)**	(23,587)
Other operating expenses paid to			
– a related party		**(24,944)**	(26,090)

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 Listing Rules (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 included certain income/expenses which are expected from the announcements and reporting requirement 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 lease rental are charged in accordance with respective tenancy agreements.

(Expressed in Hong Kong dollars unless otherwise indicated)

42 RELATED PARTY TRANSACTIONS (continued)

(i) On 26 May 2017, China National Travel Service Group Corporation ("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 2019, 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 2019, the arrangement remained effective with RMB39,000,000 withdrawn.

(iii) On 18 May 2018, 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 18 May 2018 and ending on 17 May 2019. The Loan Agreement expired on 17 May 2019. On 17 May 2019, the Company entered into a new Loan Agreement with CTS Finance Investment commencing from 17 May 2019 and ending on 16 May 2020. Under both agreements, the Company has agreed to provide a loan of USD20,000,000 to CTS Finance Investment and 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 2019, the arrangement remained effective with USD20,000,000 withdrawn. These transactions also constitute connected transactions as defined under Listing Rules.

(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. The balance has been repaid during the year.

(v) On 8 November 2018, 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 1 January 2019 and ending on 31 December 2021. As at 31 December 2019, the related deposit balance was RMB1,147,263,453. These transactions also constitute continuing connected transactions as defined under Listing Rules.

(vi) On 2 August 2019, CTS (Shenzhen) Travel Management Company Limited ("CTS (Shenzhen)"), as lender, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited ("CTS (China) Investment"), as borrower, for a term of three years commencing from 2 August 2019 and ending on 1 August 2022, pursuant to which CTS (Shenzhen) has agreed to provide a loan of RMB 210,000,000 to CTS (China) Investment. The interest rate shall be the fixed rate 5.225% per annum. As 31 December 2019, the arrangement remained effective with RMB210,000,000 withdrawn.

(Expressed in Hong Kong dollars unless otherwise indicated)

42 RELATED PARTY TRANSACTIONS (continued)

(b) 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.

(c) Key management personnel remuneration

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

	2019 **HK$'000**	2018 HK$'000
Short term employee benefits	**11,669**	11,871
Equity-settled share option expense	**–**	399
Total remuneration paid to key management personnel	**11,669**	12,270

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

(d) Commitments with related parties

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

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities mainly comprise other financial assets, 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 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:

	2019				
	Carrying value	**Within 1 year or on demand HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**243,635**	**243,635**	**–**	**–**	**243,635**
Other payables and accruals	**2,055,319**	**2,055,319**	**–**	**–**	**2,055,319**
Loans from a holding company	**77,028**	**77,028**	**–**	**–**	**77,028**
Lease liabilities (note)	**275,278**	**42,706**	**118,996**	**199,960**	**361,662**
Amounts due to holding companies	**1,715**	**1,715**	**–**	**–**	**1,715**
Amounts due to fellow subsidiaries	**1,553**	**1,553**	**–**	**–**	**1,553**
Bank and other borrowings	**3,801**	**3,801**	**–**	**–**	**3,801**
	2,658,329	**2,425,757**	**118,996**	**199,960**	**2,744,713**

	2018				
	Carrying value	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	333,402	333,402	–	–	333,402
Other payables and accruals	2,301,532	2,301,532	–	–	2,301,532
Loans from a holding company	78,749	78,749	–	–	78,749
Amounts due to holding companies	1,232	1,232	–	–	1,232
Amounts due to fellow subsidiaries	7,871	7,871	–	–	7,871
Bank and other borrowings	250,248	249,909	339	–	250,248
	2,973,034	2,972,695	339	–	2,973,034

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and balances with group companies. The Group's exposure to credit risk arising from cash and cash balance is limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As the Group's trade and other receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and other receivables and balances with group companies at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The allowance for expected credit losses is insignificant.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/decrease in RMB rate %	**Increase/ decrease in profit before tax** HK$'000
2019		
If Hong Kong dollar weakens/strengthens against RMB	**5**	**3,648**
If Hong Kong dollar weakens/strengthens against RMB	**10**	**7,297**
2018		
If Hong Kong dollar weakens/strengthens against RMB	5	2,247
If Hong Kong dollar weakens/strengthens against RMB	10	4,494

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.

Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2019 Effective interest rate %	**2019** HK$'000	2018 Effective interest rate %	2018 HK$'000
Fixed rate borrowings:				
Lease liabilities (note)	**3.0%-4.9%**	**275,278**	–	–
Bank loans	**–**	**–**	1.975%	848
Other borrowings – unsecured	**–**	**3,801**	–	3,957
		279,079		4,805
Variable rate borrowings:				
Bank loans	**–**	**–**	1.50%-4.75%	242,441
		–		242,441
Total borrowings		**279,079**		247,246
Fixed rate borrowings as a percentage of total borrowings		**100%**		1.9%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Except for the fixed rate borrowings of HK$279,079,000 (2018: HK$4,805,000), the Group has no other variable rate borrowings at the end of the reporting period (2018: HK$242,441,000). As a result, the Group has no exposure to interest rate risk arising from borrowing at 31 December 2019 (2018: decrease/increase the Group's profit before tax by approximately HK$2,433,000). 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$16,816,000 (2018: HK$13,246,000).

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

Capital management

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

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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 and lease liabilities. Capital represents equity attributable to equity owners of the Company.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 18.55% to 20.40% on 1 January 2019 when compared to its position as at 31 December 2018.

The Group assessed the range at which it maintains its adjusted net debt-to-capital ratio to be 10% to 50% (2018: 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	31 December 2019	1 January 2019 (Note)	31 December 2018 (Note)
	HK$'000	HK$'000	HK$'000
Trade payables	**243,635**	333,402	333,402
Other payables and accruals	**2,055,319**	2,301,532	2,301,532
Loans from a holding company	**77,028**	78,749	78,749
Amounts due to holding companies	**1,715**	1,232	1,232
Amounts due to fellow subsidiaries	**1,553**	7,871	7,871
Lease liabilities	**275,278**	296,637	–
Bank and other borrowings	**3,801**	247,246	247,246
Debt	**2,658,329**	3,266,669	2,970,032
Capital	**16,086,275**	16,013,467	16,013,467
Debt-to-capital ratio	**17%**	20%	19%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. Please refer to note 2.

Fair value estimation

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)

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value estimation (continued)

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Investment properties	**–**	**–**	**1,745,232**	**1,745,232**
Other financial assets	**–**	**–**	**48,782**	**48,782**
Financial assets at fair value through profit or loss	**–**	**56,904**	**–**	**56,904**
	–	**56,904**	**1,794,014**	**1,850,918**

	2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties	–	–	1,794,236	1,794,236
Other financial assets	–	–	40,129	40,129
Financial assets at fair value through profit or loss	–	942,993	–	942,993
	–	942,993	1,834,365	2,777,358

(i) Investment properties

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

	2019	2018
	HK$'000	HK$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**864,000**	910,000
Outside Hong Kong:		
– Commercial properties	**881,232**	884,236
	1,745,232	1,794,236

The Group measures their investment properties at fair value. The investment properties were revalued on 31 December 2019 by RHL Appraisal Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK$1,745,232,000 (2018: HK$1,794,236,000). 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) 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 2019 and 31 December 2018, the range of premium/(discount) used in the direct comparison approach is as follows:

	2019 Range of premium/ (discount)
Hong Kong	**-30% to 20%**
Outside Hong Kong	**-37% to 30%**

	2018 Range of premium/ (discount)
Hong Kong	-30% to 20%
Outside Hong Kong	-30% to 10%

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Other financial assets

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Market comparable companies	Discount for lack of marketability	14.9% to 24.4%

The fair value of unlisted equity securities is determined using the price/earning ratios or enterprise value/earning before interest, taxes, depreciation and amortisation ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by HK$638,000 (2018: HK$525,000). The analysis is performed on the same basis for 2018.

(iii) Financial assets at fair value through profit or loss

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 (2019: 2.85%-4.05%; 2018: 3.2%-4.5%). The fair values are within level 2 of the fair value hierarchy.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	**31 December 2019 HK$'000**	31 December 2018 HK$'000 (Note)
ASSETS			
Non-current assets			
Property, plant and equipment		**387**	1,014
Investment property		**3,540**	3,700
Interests in subsidiaries		**6,219,722**	5,667,615
Intangible asset		**2,284**	3,426
Other financial asset		**38,640**	23,054
Total non-current assets		**6,264,573**	5,698,809
Current assets			
Inventories		**90**	99
Deposits, prepayments, and other receivables		**882**	35,524
Amounts due from subsidiaries		**7,223,738**	7,612,979
Amount due from holding companies		**361**	–
Amounts due from fellow subsidiaries		**71**	270
Loan to a fellow subsidiary		**156,365**	157,363
Cash and bank balances		**194,808**	324,483
Total current assets		**7,576,315**	8,130,718
Total assets		**13,840,888**	13,829,527
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,222,295**	9,119,836
Reserves		**3,691,017**	3,788,340
		12,913,312	12,908,176

(Expressed in Hong Kong dollars unless otherwise indicated)

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

Statement of financial position of the Company (continued)

	Note	**31 December 2019 HK$'000**	31 December 2018 HK$'000 (Note)
LIABILITIES			
Non-current liability			
Deferred tax liabilities		**2,997**	1,478
Total non-current liability		**2,997**	1,478
Current liabilities			
Other payables and accruals		**85,053**	70,565
Amounts due to subsidiaries		**757,282**	617,860
Amounts due to holding companies		**923**	2,595
Amounts due to fellow subsidiaries		**15**	833
Bank and other borrowings		**-**	148,745
Tax payable		**81,306**	79,275
Total current liabilities		**924,579**	919,873
Total liabilities		**927,576**	921,351
Total equity and liabilities		**13,840,888**	13,829,527

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2020 and was signed on its behalf:

Fu Zhouyang **Jiang Hong**

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Share option reserve	Fair value reserve (non-recycling)	Retained profits (Note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2018	45,389	26,950	4,194,858	4,267,197
Profit for the year and total comprehensive income for the year	–	–	11,912	11,912
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	–	(18,754)	–	(18,754)
Equity-settled share option arrangement	12,598	–	–	12,598
Exercise of share options	(4,670)	–	–	(4,670)
Forfeiture of share options	(21,964)	–	–	(21,964)
Cancellation of share options	5,623	–	–	5,623
2017 final dividend paid	–	–	(299,978)	(299,978)
2018 interim dividend paid	–	–	(163,624)	(163,624)
At 31 December 2018	**36,976**	**8,196**	**3,743,168**	**3,788,340**
Balance at 1 January 2019	**36,976**	**8,196**	**3,743,168**	**3,788,340**
Profit for the year and total comprehensive income for the year	**–**	**–**	**84,820**	**84,820**
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**–**	**14,027**	**–**	**14,027**
Exercise of share options	**(159)**	**–**	**–**	**(159)**
Forfeiture of share options	**(32,326)**	**–**	**–**	**(32,326)**
2019 interim dividend paid	**–**	**–**	**(163,685)**	**(163,685)**
Share issued in lieu of dividends	**–**	**–**	**–**	**–**
At 31 December 2019	**4,491**	**22,223**	**3,664,303**	**3,691,017**

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 24 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.

Note: As at 1 January 2019, all the operating lease commitments of the Company relate to short-term leases or leases of low-value assets. The Company decide to apply recognition exemption to short-term leases and leases of low-value assets. Hence, there is no impact on the financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

45 SUBSEQUENT EVENTS

On 6 March 2020, Interdragon Limited ("Interdragon") as the seller and Dalmore Investments Limited ("Dalmore"), a wholly-owned subsidiary of the Company, as the purchaser entered into SPA pursuant to which Interdragon has conditionally agreed to dispose of and Dalmore has conditionally agreed to purchase 21% of the issued share capital of Shun-Tak China Travel Shipping Investments Limited ("Shun Tak – China Travel"), an associate of the Company, at an aggregate consideration of HK$437 million. Upon the completion of the purchase, Shun Tak – China Travel will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results.

On the same day and simultaneously, the Company as the seller and Shun Tak – China Travel as the purchaser entered into another SPA pursuant to which the Company has conditionally agreed to dispose of and Shun Tak – China Travel has conditionally agreed to purchase the entire issued share capital and shareholder's loan, of China Travel Tours Transportation Development (HK) Limited ("CTTTD"), a wholly-owned subsidiary of the Company, at an aggregate consideration of HK$508 million. Upon completion of the disposal, the Company will hold the shares of CTTTD through its 50% interest in Shun Tak – China Travel, and hence CTTTD will be a non-wholly-owned subsidiary of the Company.

PARTICULARS OF PRINCIPAL HOTEL PROPERTIES

At 31 December 2019

Location	Attributable interest of the Group	Lease term
CTS (HK) Grand Metropark Hotel Beijing No. 338 Guanganmen Nei Street, Xicheng District, Beijing, PRC	100%	Medium
Metropark Hotel Causeway Bay Hong Kong 148 Tung Lo Wan Road, Causeway Bay, Hong Kong	100%	Long
Metropark Hotel Kowloon Hong Kong 75 Waterloo Road, Kowloon, Hong Kong	100%	Long
Metropark Hotel Macau 199 Rua de Pequim, Macau	100%	Medium
Metropark Hotel Mongkok Hong Kong 22 Lai Chi Kok Road, Mongkok, Kowloon, Hong Kong	100%	Medium
Kew Green Hotel Wanchai Hong Kong (formerly known as Metropark Hotel Wanchai Hong Kong) 41-49 Hennessy Road, Wanchai, Hong Kong	100%	Long
Zhuhai Ocean Spring Hotel Pingsha Town, Jinwan District, Zhuhai City, Guangdong Province, PRC	100%	Medium
Xianyang Ocean Spring Hotel Middle of Century Boulevard, Xian Yang, Shaanxi Province, PRC	89.14%	Medium
Club Med Joyview, Anji Resort NO.1888 Qing Yuan Road, Anji, Huzhou City, Zhejiang Province, PRC	97.09%	Medium

PARTICULARS OF PRINCIPAL INVESTMENT PROPERTIES

31 December 2019

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

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)