香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(Stock Code : 308)

2020
Annual Report

CONTENTS

	Page
Corporate Information	2
Financial Calendar and Investor Relation Information	3
Major Operations	4
Financial Ratios Highlights	5
Five Year Financial Summary	6
Financial Review	7
Biographies of Directors	8
Chairman's Statement	12
Management Discussion and Analysis	16
Report of the Directors	27
Corporate Governance Report	43
Environmental, Social and Governance Report	55
Independent Auditor's Report	76
Consolidated Income Statement	82
Consolidated Statement of Comprehensive Income	83
Consolidated Statement of Financial Position	84
Consolidated Statement of Changes in Equity	86
Consolidated Statement of Cash Flows	88
Notes to the Consolidated Financial Statements	90
Particulars of Principal Hotel Properties	195
Particulars of Principal Investment Properties	196

CORPORATE INFORMATION

DIRECTORS

Mr. Jiang Hong *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Wu Qiang *(General Manager)*
Mr. You Cheng
Mr. Yang Hao
Mr. Fan Dongsheng
Mr. Tsang Wai Hung#
Mr. Tse Cho Che Edward*
Mr. Zhang Xiaoke*
Mr. Huang Hui*
Mr. Chen Johnny*
Mr. Song Dawei*

Non-Executive Director

* *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. Jiang Hong

NOMINATION COMMITTEE

Mr. Jiang Hong *(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 2020 Final Results		30 March 2021
Announcement of 2020 Interim Results		28 August 2020
Announcement of 2019 Final Results		31 March 2020
Announcement of 2019 Interim Results		30 August 2019
Dividends	2020 Final	Nil
	2020 Interim	Nil
	2019 Final	Nil
	2019 Interim	HK3 cents per share paid on 12 November 2019
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 24 May 2021 to 27 May 2021
Annual General Meeting in 2021		27 May 2021
Listing Date		11 November 1992
Authorised Shares		7,000,000,000 shares
Issued Shares		5,536,633,709 (as at 31 December 2020)
Website address		irasia.com/listco/hk/ctii
Stock Code		308
Board Lot		2,000 shares
Financial Year End		31 December

MAJOR OPERATIONS

TOURIST ATTRACTION AND RELATED OPERATIONS

1. 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%
CTS Luzhou Laojiao Culture Tourism Development Co., Ltd.	60%

Non-Controlling Scenic Sport 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%
Ningbo CTS Cicheng Ancient County Tourism Development Company Limited	60%

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. 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%
CTS (Shenzhen) City Development Co., Ltd.	100%

TRAVEL AGENCY, TRAVEL DOCUMENT AND RELATED OPERATIONS

China Travel Service Hong Kong Limited (formerly known as China Travel (HK & Macau Tour) Management Hong Kong Limited) – Travel agency business	100%
China Travel Service Entry Permit Service Hong Kong Limited (formerly known as China Travel Air Service Hong Kong Limited) – Travel document business	100%

HOTEL OPERATIONS

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%

PASSENGER TRANSPORTATION OPERATIONS

Shun Tak-China Travel Shipping Investments Limited	50%

FINANCIAL RATIOS HIGHLIGHTS

		2020	2019
Profit & loss account ratios			
Interest coverage ratio		**N/A**	N/A
(Loss)/earnings per share	HK cents	**(7.06)**	7.08
(Loss)/earnings per share (Diluted)	HK cents	**(7.06)**	7.08
Dividend per share	HK cents	**–**	3.00
Dividend payout ratio	%	**–**	42.39
Balance sheet ratios			
Current ratio		**2.08**	2.38
Quick ratio		**1.12**	1.58
Net assets value per share	HK$	**2.93**	2.91
Net bank and other borrowings to equity		**-0.15**	-0.18
Debt to capital ratio	%	**26.04**	14.81
Rate of return ratios			
Return on average equity	%	**-3.42**	3.12
Return on total capital and borrowings	%	**-2.95**	3.37
Market price ratios			
Dividend yied			
Year low	%	**–**	1.12
Year high	%	**–**	2.55
Price to earning ratio			
Year low		**-12.61**	16.39
Year high		**-20.68**	37.31

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
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*

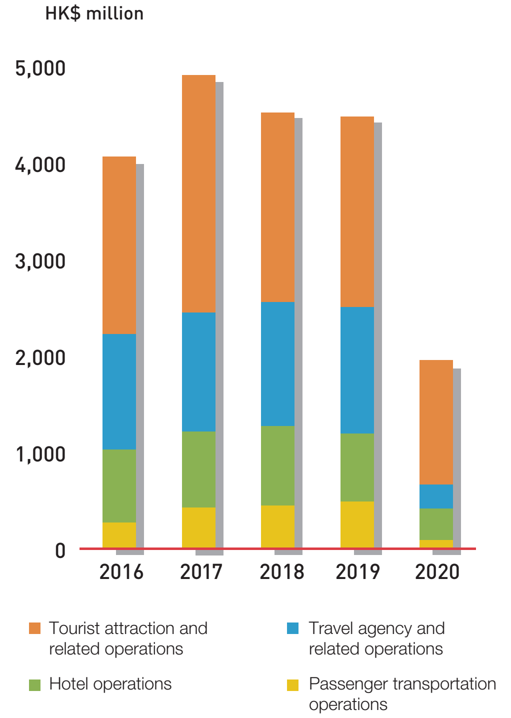
FIVE YEAR FINANCIAL SUMMARY

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.

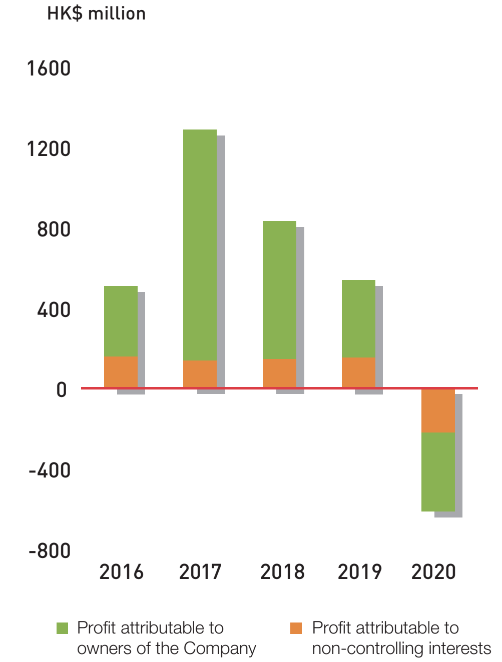
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
RESULTS					
Continuing operations					
Revenue	**1,966,709**	4,476,996	4,518,180	4,908,837	4,065,999
Cost of sales	**(1,891,006)**	(2,653,331)	(2,560,183)	(2,964,119)	(2,253,779)
Gross profit	**75,703**	1,823,665	1,957,997	1,944,718	1,812,220
Other income and gains, net	**603,157**	325,924	144,260	852,944	140,054
Changes in fair value of investment properties	**(183,271)**	(36,238)	26,542	80,843	55,555
Selling and distribution costs	**(403,120)**	(533,938)	(519,038)	(511,602)	(490,039)
Administrative expenses	**(874,070)**	(998,836)	(980,308)	(960,815)	(992,205)
Finance income	**68,554**	87,550	80,352	63,166	120,677
Finance costs	**–**	–	(10,314)	(4,966)	(12,965)
Share of profits less losses of associates and joint ventures	**(28,772)**	66,185	339,373	97,791	144,895
(Loss)/profit before taxation	**(741,819)**	734,312	1,038,864	1,562,079	778,192
Taxation	**129,735**	(196,548)	(208,948)	(297,838)	(205,129)
(Loss)/profit for the year from continuing operations	**(612,084)**	537,764	829,916	1,264,241	573,063
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	–	20,538	(64,815)
(Loss)/profit for the year	**(612,084)**	537,764	829,916	1,284,779	508,248
Attributable to:					
Equity owners of the Company	**(390,792)**	386,880	687,076	1,147,843	352,053
Non-controlling interests	**(221,292)**	150,884	142,840	136,936	156,195
	(612,084)	537,764	829,916	1,284,779	508,248
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**25,184,194**	21,806,928	21,491,775	22,135,075	19,975,771
Total liabilities	**(6,747,931)**	(4,442,761)	(4,379,751)	(4,741,229)	(4,203,178)
Non-controlling interests	**(2,228,804)**	(1,277,892)	(1,098,557)	(1,181,217)	(1,099,248)
Equity attributable to owners of the Company	**16,207,459**	16,086,275	16,013,467	16,212,629	14,673,345

FINANCIAL REVIEW

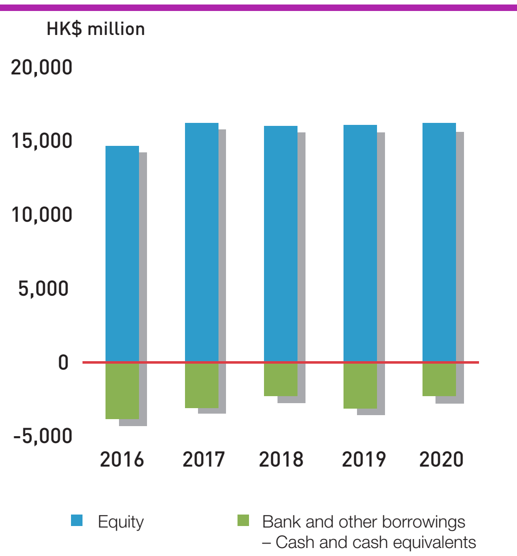
TURNOVER BY PRINCIPAL ACTIVITIES



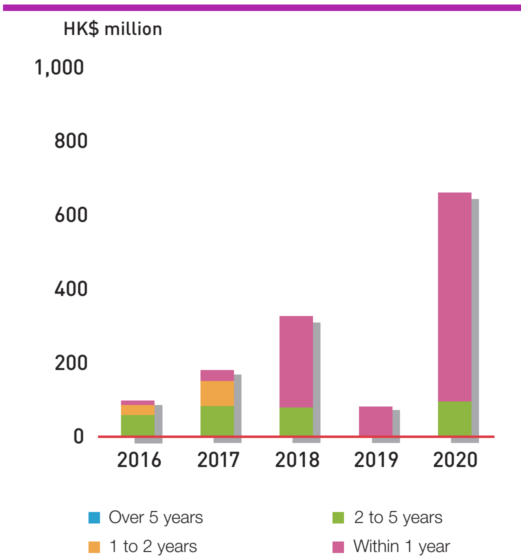
PROFIT/(LOSS) FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



BANK & OTHER BORROWINGS MATURITY PROFILE



BIOGRAPHIES OF DIRECTORS

MR. JIANG HONG *Chairman & Executive Director*
Aged 52, 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 CTS (Shenzhen) Investment Development Limited, a subsidiary of China National Travel Service Group Corporation Limited ("**China CTS**"), and a director of Shun Tak – China Travel Shipping Investments Limited and China Travel Tours Transportation Development (HK) Limited, being subsidiaries 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 China Travel Service (Holdings) Hong Kong Limited ("**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. LO SUI ON *Vice Chairman & Executive Director*
Aged 70, 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 Convenor 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 executive director of The Hong Kong Chinese Enterprises Association and the Chairman of Hong Kong Association of China Travel Organizers Limited, and the deputy secretary of the Friends of Hong Kong Association Ltd. 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. WU QIANG *Executive Director and General Manager*
Aged 49, appointed in March 2019, is a director of CTS (Shenzhen) Investment Development Limited. He is also a director of Shenzhen Splendid China Development Co., Ltd., Glading Development Limited, Metrocity Hotel Limited, Hotel Metropole Holdings Ltd., Well Done Enterprises Inc., and CTS H.K. Metropark Hotels Management Company Limited, all of which are subsidiaries 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. YOU CHENG *Executive Director*

Aged 46, appointed in October 2018, is a director of CTS (Shenzhen) Investment Development Limited. He 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., being 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's 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 45, appointed in December 2018, is a director of CTS (Shenzhen) Investment Development Limited, a director of Hongkong New Travel Investments Ltd., a substantial shareholder of the Company; a director and the executive deputy general manager of CTS Financial Services Corporation Limited, a subsidiary of CTS (Holdings). Mr. Yang also serves as the Chairman of Prime Credit Limited 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 the human resources department, planning and finance department, and the asset and liability management department at the headquarter of 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. FAN DONGSHENG *Executive Director*

Aged 42, 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. He is also a director of CTS (Shenzhen) Investment Development Limited. 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. TSANG WAI HUNG *Non-Executive Director*

Aged 62, appointed in June 2020, is an external director of CTS (Holdings). He currently serves as the Deputy Director of the National Narcotics Control Commission of the People's Republic of China. Mr. Tsang has been an independent non-executive director of Transport International Holdings Limited (Stock Code: 62), a company the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and a director of its two subsidiary companies, namely, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 1 January 2018.

Mr. Tsang is a retired civil servant. Currently, he works as a management consultant and strategist for Chen Hsong Holdings Limited, a leading plastic injection moulding machine manufacturer in Hong Kong and listed on the Main Board of the Stock Exchange. He was the Commissioner of Police prior to his retirement in May 2015.

Mr. Tsang started his police career as an Inspector of Police in January 1978. He worked on secondment overseas as a Detective Superintendent of the Metropolitan Police in London from 1993 to 1995. He became a directorate officer in 1998 and worked in succession as District Commander, Wanchai; Chief Superintendent, Organised Crime and Triad Bureau; Assistant Commissioner, Information Systems; Director of Personnel and Training, Director of Operations; Deputy Commissioner, Management; Deputy Commissioner, Operations; and finally the Commissioner of Police from January 2011.

Mr. Tsang holds a Master of Business Administration degree from Leicester University, UK. He had also undertaken various courses at Tsinghua University; the Chinese Academy of Governance; Harvard Business School, and the Royal College of Defense Studies, UK.

MR. TSE CHO CHE EDWARD *Independent Non-Executive Director*
Aged 64, 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 Limited (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 66, 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 44, 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, an inaugural expert advisor of Shanghai Financial Court. He is also adjunct professor of Law at the University of New South Wales, Li Ka Shing visiting professor in McGill Law School, senior visiting researcher in the Faculty of Law of National University of Singapore, 'Jingtian Scholar' honorary professor at East China University of Political Science and Law, guest professor at China University of Political Science and Law, as well as visiting scholars at Harvard Law School, Michigan Law School, Oxford Law School and Cambridge Law School. He is a specially-invited expert of China Banking Law Society and a member of the Standing Committee of China Commercial Law Society. He serves as a designated arbitrator for the Kuala Lumpur Regional Centre for Arbitration and the South China International Economic and Trade Arbitration Commission.

MR. CHEN JOHNNY *Independent Non-Executive Director*
Aged 61, 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 a non-executive director of Convoy Global Holdings Limited (stock code: 1019), and an 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. 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 65, 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

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders:

SUMMARY OF RESULTS

For the year ended 31 December 2020, the Group's consolidated revenue was HK$1,967 million, representing a 56.06% decrease compared with the previous year. Loss before taxation was HK$742 million, compared with profit before taxation of HK$734 million in the previous year. Loss attributable to shareholders was HK$391 million, compared with profit attributable to shareholders of HK$387 million in the previous year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

EXECUTION OF STRATEGY

In 2020, the COVID-19 pandemic (the "**pandemic**") made a profound impact on all walks of life, and brought severe challenges and tremendous changes to most industries. The impact on the tourism industry was unprecedented, and in Hong Kong, was exacerbated by events that had already weakened local business. Under the pressure of the situation, the Group responded with a coordinated effort that embraced both pandemic prevention and control and business development. Having determined business development requirements at the beginning of the year, and through the tireless efforts of its staff, the Group was not overwhelmed by the crisis conditions, nor did it interrupt its pace of exploration, innovation, reform and development, and achieved hard-won results.

The Group remained firmly committed to becoming "a first-class cultural travel destination investment and operation service provider". It focused on tourism resources and the customer base, and optimised its strategic development plan. The Group studies the market to understand and fulfil customer demand, and to develop innovative ideas.

MR. JIANG HONG
Chairman & Executive Director

MR. WU QIANG
Executive Director and General Manager

During the year, the Group entered into agreements with Shun Tak Holdings Limited ("**STHL**") in relation to reorganising its cross-border transportation service platform, pursuant to which the Company and STHL were to consolidate their respective existing passenger bus and ferry operations into Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**"). Since completing the reorganisation, Shun Tak-China Travel has become a non wholly-owned subsidiary of the Company, and one of the largest tourism and transportation investment and operation concerns in the Greater Bay Area. This has enhanced the strategic planning and coordinated development of the Company's tourism industry chain, and will enable it to exploit greater opportunities for passenger transport in Guangdong, Hong Kong and Macau. The Company will seize these opportunities for passenger transportation investment and development in the Greater Bay Area and other regions, and in response to external changes, will strive to create new profit growth points through structural optimisation, cost control and other measures.

CTS Scenery Resort Investment Company Limited ("**CTS Scenery Resort**"), a wholly-owned subsidiary of the Company, acquired a 34% equity interest in Hangzhou New Century Senbo Tourism Investment Co., Ltd. ("**New Century Senbo**") from New Century Tourism Group Co., Ltd. ("**New Century Tourism**") at a consideration of RMB391 million, becoming the second largest shareholder in New Century Senbo in February 2021. New Century Senbo's sound tourism IP and highly regarded products are attractive to the market, which will be beneficial to the leapfrog development of the Company's tourism real estate businesses. The Company and New Century Tourism will establish a friendly, mutually beneficial partnership through close cooperation, in which the Company will utilise its investment and operational advantages of market, management and capital in cultural tourism and real estate, while New Century Tourism will contribute the advantages of New Century Senbo's established brand and full-process project management services. Both sides will strive to coordinate investment and operations in cultural tourism and real estate to jointly build the "New Century Senbo Tourism Resorts" product series into a model project for the investment and operation of the Group's tourism destinations.

The Group continues to fulfil its corporate social responsibilities. CTS Scenery (Beijing) Tourism Management Limited ("**CTS Scenery**"), a wholly-owned subsidiary of the Company, has consistently implemented an "education + business" targeted poverty alleviation model, and has improved the management of core scenic spots in impoverished counties by exporting professional operational and management talent. Under its targeted poverty alleviation model of "Joint Construction by the Local Government and Enterprises", CTS Scenery aided Xuanhan county, Dazhou city, Sichuan province, and Liping county, Qiandongnan prefecture, Guizhou province, to lift all their registered poor population above poverty level. CTS Scenery also embarked on tourism construction project planning in the region-wide tourism demonstration zone Feilaisi Town and tourism cooperation planning for Deqin County, Yunnan. It promoted the transformation of Deqin County from scenic spot tourism to regional tourism; prepared an overall plan and feasibility study report for a core exhibition park and concentrated exhibition zone for Liping County, Guizhou, and an overall planning and feasibility study report for the core exhibition park and the concentrated exhibition zone of Long March National Cultural Park (Liping Section) for Liping County, Guizhou. It assisted local governments in planning and obtaining project funds, and strove to make due contributions to poverty alleviation. CTS Scenery was consequently awarded the title of "National Advanced Group for Poverty Alleviation" by the Party Central Committee and the State Council.

PROSPECTS

In 2020, China's total GDP exceeded RMB100 trillion for the first time, with the annual economic growth rate of 2.3%, making it the only major economy in the world to achieve positive economic growth against the backdrop of the pandemic. Although the pandemic negatively affected the Group's overall business operations, all levels of government in China have implemented stringent prevention and control measures and introduced various policies to pave the way for the resumption of work and production in various industries and accelerate economic recovery. Owing to the effectiveness of these measures, the domestic tourism economy and consumer confidence have gradually recovered, and have especially benefitted from the comprehensive resumption of inter-provincial tourism and the summer holiday/Golden Week of National Day peak season. The Group's tourist attraction business has also shown a recovery and gradually resumed positive growth.

In 2021, the pandemic remains to be brought fully under control in all parts of the world. However, with vaccinations proceeding in various countries and markets expecting more stimulus measures from government, international economic activity and people's livings are expected to gradually recover. However, the rise of trade protectionism and unilateralism in recent years, coupled with Sino-US frictions, have increased uncertainty in the world's outlook. To cope with this complicated global situation, China will strive to achieve higher quality and more efficient development by adhering to the 14th Five-Year Plan's strategy of accelerating the construction of a new development pattern taking the domestic big cycle as the mainstay with domestic and international development reinforcing each other in the dual cycle. China is expected to maintain solid growth, which will drive the growth of the Group's tourism business in the country.

Given uncertain external environment in the upcoming year, the Group will identify opportunities created upon the implementation of national policy, continue to optimise its allocation of assets, pursue steady improvements to operational efficiency, and accelerate its digital transformation. The Group will thoroughly implement the new development concept, create new drivers for high-quality development, and accelerate the construction of a new development pattern. The Group is confident that it will respond effectively to its challenges, bring forth new ideas, rapidly seize opportunities, and make a persistent effort to embark on a new journey of high-quality development.

ACKNOWLEDGEMENTS

Mr Fu Zhuoyang, Chairman of the Board of the Company, retired on 20 May 2020. The Company achieved steady development and growth under his leadership, and on behalf of the Company, I would like to express my sincere gratitude to Mr. Fu for his valuable contributions during his term of office.

With the strong support of the parent company and unrelenting efforts of the management and all staff, I am cautious about the Group's prospects in the prevailing volatile economic environment. I would like to take this opportunity to express my sincere gratitude to the shareholders and business partners for their support, and my great respect to directors and staff for their loyalty and perseverance in the face of the pandemic, and for their efforts and contributions to the development of our business.

Jiang Hong
Chairman of the Board

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

For 2020, the Group's consolidated revenue was HK$1,967 million, representing a decrease of 56% compared with the previous year. Loss before taxation was HK$742 million, compared with profit before taxation of HK$734 million in the previous year. Loss attributable to shareholders was HK$391 million, compared with profit attributable to shareholders of HK$387 million in the previous year. Loss attributable to operation was HK$437 million, compared with profit attributable to operations of HK$398 million in the previous year. The decrease in consolidated revenue and the loss attributable to shareholders were mainly due to a significant decrease in the number of tourist arrivals under the Group in Hong Kong, Macau and the Mainland China caused by the outbreak of the coronavirus disease ("COVID-19") in 2020. This made a negative impact on the financial results of the Group's business. During the year, the Group recorded the reversal of provision for the closure of golf clubs in 2017 of HK$138 million, and gain on deemed disposal of Shun Tak-China Travel of HK$183 million from the completion of a vehicle-vessel integration project, both of which partly reduced the losses.

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 31 December 2020, total assets were HK$25,184 million, an increase of 15% compared with the previous year. Equity attributable to shareholders was HK$16,207 million, a 0.75% increase compared with the previous year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,637 million, a decrease of 1% compared with the previous year, of which cash and bank balances amounted to HK$2,947 million and, deducting loans from the holding company, bank loans and other borrowings of HK$661 million, net cash was HK$2,286 million, a decrease of 27% compared with the previous year.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

BUSINESS REVIEW

(I) Tourist attraction and related operations

The tourist attraction and related operations of the Group comprise:

1. Theme parks: Shenzhen The World Miniature Co., Ltd. ("**Window of the World**"), Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**");

2. Natural and cultural scenic 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. ("**Xiufeng Scenic Spot**"), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**"), Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**"), CTS Luzhou Laojiao Culture Tourism Development Company Limited ("**Luzhou Scenic Spot**");

   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. and Ningbo CTS Cicheng Ancient County Tourism Development Company Limited ("**Cicheng Tourism Company**");

3. 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**") and CTS (Anji) Tourism Development Company Limited ("**Anji Company**"); and

4. Supplementary tourist attraction operations: China Heaven Creation International Performing Arts Co., Ltd. ("**Heaven Creation Company**"), CTS (Shenzhen) City Development Co., Ltd. ("**CTS City**", formerly known as "CTS Tycoon (Shenzhen) Golf Club Company Limited"), China Travel Zhiye Culture Development (Shenzhen) Co., Ltd ("**China Travel Zhiye**") and CTS Scenery (Beijing) Tourism Management Limited ("**CTS Scenery**").

Due to the impact of travel restrictions and lockdown measures implemented in response to COVID-19, in 2020, the Group's total revenue from tourist attractions and related operations was HK$1,285 million, representing a decrease of 35% compared with the previous year. Attributable profit was HK$28 million, representing a decrease of 90% compared with the previous year. The attributable profit figure was mainly due to reversal of provision for the closure of golf clubs by CTS City in 2017 of HK$138 million, which was partly offset by operating loss of other spots of HK$121 million.

Theme parks
The number of non-local tourists to Shenzhen decreased significantly during the pandemic. Outbound tourists and group tours were also affected to a certain extent. Theme parks were also impacted greatly as their customer base is mainly foreign tourists. These factors led to a continuous decline in the number of tourists during the year. The operating performance of theme park has recovered slowly, with revenue decreased by 69% compared with the previous year. Attributable loss was HK$81 million, while attributable profit for the previous year was HK$119 million. During the year, the 3D projection and ice rink renovation projects at Window of the World were put into service. The revenue of management services of Splendid China increased. Window of the World and Splendid China will continue to lay emphasis on market development and research of potential market, product enrichment, and quality improvement and capacity expansion.

Natural and cultural scenic spot destinations
Under the pandemic, revenue from natural and cultural scenic spots amounted to HK$292 million, a 53% decrease compared with last year. Attributable loss amounted to HK$27 million, while attributable profit for the previous year was HK$86 million.

Due to a relatively slow recovery of operations, Songshan Scenic Spot's revenue decreased significantly and turning profit into loss. During the year, the Company made an open tender in relation to the disposal of 51% equity interest in Songshan Scenic Spot on the website of China Beijing Equity Exchange. Upon completing the transaction process, it entered into an equity transfer agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited on 25 January 2021, pursuant to which the Company agreed to dispose of its 51% equity interest in Songshan Scenic Spot to Deng Feng Songshan Shaolin Culture Tourism Group Company Limited at a consideration of approximately RMB255 million. The disposal of Songshan Scenic Spot will help to enhance the portfolio of the Group's natural and cultural scenic spots, raise the asset turnover rate, increase working capital, and further improve the sustainability of the Company's development. It is expected that the Group will record a net gain of approximately RMB5.87 million as a result of the disposal. As of the date of this report, the disposal has not yet been completed. For details, please refer to the Company announcement dated 25 January 2021.

The revenue of Shapotou Scenic Spot has decreased and turning profit into loss. However, the occupancy rate and average room rate of wooden tents in Zone B of the Star Hotel in Shapotou Scenic Spot were higher than expected, as the tents have become famous on social medias through influencers' promotion, attracting visitors during off-season in winter and hence bringing in revenue to Shapotou Scenic Spot. Revenue and profits of Xiufeng Scenic Spot have decreased. Huashan Scenic Spot implemented regional management to reduce losses. Although the revenue and profit of Detian Scenic Spot have decreased, the business situation is expected to gradually improve with the opening of "Far-sighted View of Vietnam", "Sino-Vietnam Cross-border Duty Free Shopping Street" and "Night Detian" projects during the second half of the year. Among these, "Night Detian" was awarded "Top Ten Night Tour Cultural Scenic Spots" in the Guangxi night cultural tourism brand selection for 2020.

In September 2020, the Company and Luzhou Laojiao Co., Ltd. jointly established the Luzhou Scenic Spot. The registered capital was RMB300 million, with the Company holding 60% of the equity. Luzhou Scenic Spot has upgraded and transformed Laojiaochi Scenic Spot, focusing on wine culture tourism projects, aiming to create an innovative cultural tourism spot featuring Yangtze River and liquor culture. During the year, Luzhou Scenic Spot made revenue contribution to the Company.

In November 2020, the Company and Ningbo Jiangbei Development Investment Group Co., Ltd. jointly established Cicheng Tourism Company. The registered capital is RMB300 million, with the Company holding 60% of the equity. Ningbo Jiangbei Development Investment Group Co., Ltd will gradually entrust the use rights of the built shops and the operation rights of the scenic spots in the designated area of Cicheng Ancient County to Cicheng Tourism Company. Cicheng Tourism Company will be responsible for the investment, development and operation management of designated area of Cicheng ancient county in Ningbo, with the goal of developing it into a well-known vacation spot.

On 24 December 2020, the Company's wholly-owned subsidiaries CTS Scenery Resort Investment Company Limited ("**CTS Scenery Resort**"), New Century Tourism Group Co., Ltd. ("**New Century Tourism**") and Hangzhou New Century Senbo Tourism Investment Co., Ltd. ("**New Century Senbo**") entered into an equity acquisition agreement, pursuant to which CTS Scenery Resort agreed to acquire a 34% equity interest in New Century Senbo from New Century Tourism at a consideration of RMB391 million. New Century Senbo was positioned as a micro-vacation project targetting the mid- to high-end market, promoting the provision of short-distance peri-urban holiday packages to the mid- to high-end customer group, and boosting consumption upgrade, and therefore, a value support system with special features, low cost and high quality was established. New Century Senbo has good tourism IP and high-reputation products that attract the market and a reproducible model with excellent performance. The Company's acquisition and merger of the mature tourism IP is beneficial to the leapfrog development of its tourism real estate businesses. For details, please refer to the Company announcement dated 24 December 2020. The acquisition was completed in February 2021, and CTS Scenery Resort became the second largest shareholder of New Century Senbo.

Leisure resorts

Under the pandemic, the number of visitors to leisure resorts decreased. Profit attributable to leisure resorts was HK$55 million, an increase of 248% compared with the previous year. Revenue was HK$683 million, an increase of 61% compared with the previous year. The increase in revenue was mainly due to a significant increase in revenue recognised in Anji Company's real estate project.

Although Zhuhai OSR recorded a year-on-year decrease in revenue, the cash flow was improved compared with the previous year from receiving government grants for lodging of quarantined persons. The renovation of the Neptune Hotel would continue. Xianyang OSR recorded a decrease in revenue, but an increase in income from the management services. In addition to the completion of upgrading the hot spring centre, it carried out pilot renovations of hot spring guestrooms with a good market response. Profit recognised in the real estate project by the associate Evergrande OSR increased.

Supplementary tourist attraction operations

The revenue from the supplementary tourist attraction operations was HK$54 million, representing a decrease of 40% compared with the previous year. Attributable profit was HK$81 million, a decrease of 26% compared with the previous year. The amount mainly represents the reversal of provision for closure of golf clubs by CTS City in 2017 of HK$138 million, and partly offset by operating loss of other spots.

Heaven Creation Company was engaged in scenic spot construction, creative planning and performing arts business. Revenue decreased and losses increased as the main audience of its repertoire are European and American tourists where the pandemic was not effectively controlled. With the suspension of some theatres, Heaven Creation Company cooperated with other scenic spots to create Beer Festival night performances, in order to actively increase revenue. China Travel Zhiye was engaged in providing tourism planning services, which recorded a decrease in revenue and a slight loss. CTS Scenery was engaged in providing management and consulting services, which recorded an increase in revenue. It will strengthen collaboration in product development, project promotion and implementation.

(II) Travel Agency, Travel Document and Related Operations

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

1. Travel agency business (China Travel Service (Hong Kong) Limited and overseas branches)

2. Travel document business

The social distancing requirements and restricted cross-border activities under COVID-19 have affected the market dynamics of the entire tourism industry. In 2020, the Group's travel agency, travel documents and related operations' revenue was HK$252 million, a decrease of 80.72% compared with the previous year. Attributable loss was HK$19 million, while attributable profit was HK$150 million for the previous year.

Revenue from travel agencies and related operations decreased. The business volume of travel document business has decreased, and attributable profit has decreased by 92%.

On 9 August 2019, the Group and CTG Travel Service Co., Ltd. ("**CTS Head Office**", formerly known as China Travel Service Co., Ltd.), a subsidiary of China National Travel Service Group Corporation Limited, entered into an asset and equity interest transfer master agreement, pursuant to which the Group agreed to dispose of its business and assets relating to travel agency to CTS Head Office, for a consideration of HK$5.13 million (the "**Disposal**"). For details, please refer to the Company announcement dated 9 August 2019. Due to the complexity of the transactions involved and the prevailing conditions, of which the Group has been working towards to a resolution, the Disposal is still in progress and has not been completed as of the date of this report.

(III) Hotel Operation

The Group's hotel operations comprise:

1. Five hotels in Hong Kong and Macau;

2. Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**"); and

3. CTS H.K. Metropark Hotels Management Company Limited.

In 2020, revenue from the Group's hotel operations was HK$326 million, representing a decrease of 54% compared with the previous year. Attributable loss was HK$97 million, and attributable profit of the previous year was HK$81 million. Affected by the COVID-19-related travel restrictions and lockdown measures, the average occupancy rate and catering income of the five hotels in Hong Kong and Macau and the Beijing Metropark Hotel dropped significantly, and the overall performance of the hotel business declined. Beijing Metropark Hotel recovered quickly and recorded a slight profit. Also, Metropark Hotel Kowloon recorded an improvement in revenue after it was designated by the government to receive oversea returnees for quarantine in Hong Kong in December 2020. Under the current business environment, some of the hotels launched discounts and promotions and strengthened cost control, in order to mitigate the negative impact of the pandemic.

(IV) Passenger Transportation Operations

The Group's passenger transportation operations comprise:

1. China Travel Tours Transportation Development (HK) Limited ("**CTTTD**") and its subsidiaries; and

2. Shun-Tak China Travel Shipping Investments Limited ("**Shun Tak-China Travel**").

On 6 March 2020, a wholly-owned subsidiary of the Company and a non-wholly-owned subsidiary of Shun Tak Holdings Limited ("**STHL**") entered into a share transfer agreement, pursuant to which the Group agreed to purchase 21% of the issued share capital of Shun Tak-China Travel at a consideration of HK$437 million. On the same day, the Company and Shun Tak-China Travel entered into a share transfer agreement, pursuant to which the Company agreed to dispose of the entire issued share capital, together with the shareholder's loan, of its wholly-owned subsidiary CTTTD, which holds the entire equity interest in China Travel Tours Transportation Services Hong Kong Limited ("**CTTTS**"), to Shun Tak-China Travel at a consideration of HK$508 million. On the same day, Shun Tak-China Travel and a wholly-owned subsidiary of STHL entered into a share transfer agreement, pursuant to which Shun Tak-China Travel agreed to purchase the entire issued share capital of Jointmight Investments Limited at a consideration of HK$55 million, to obtain certain equity interest of Shun Tak & CITS Coach (Macao) Limited (the "**Vehicle and Vessel Integration Project**"). For further details, please refer to the Company announcement dated 6 March 2020, and the circular dated 27 March 2020. The Vehicle and Vessel Integration Project was completed on 16 July 2020. Upon this, Shun Tak-China Travel became a non-wholly-owned subsidiary of the Company, and CTTTD was consolidated into Shun Tak-China Travel to become a non-wholly-owned subsidiary of the Company.

The Group's cross-border bus and passenger ferry services have been suspended due to COVID-19 and caused serious setbacks in passenger transportation. In 2020, revenue from the passenger transportation business was HK$91 million, a decrease of 81% compared with in previous year. Attributable loss was HK$297 million, compared with attributable loss of HK$14 million for the previous year. CTTTS has made efforts to develop local shuttle buses and corporate leasing to alleviate the suspension of its main business. Furthermore, it increased efforts to cultivate cultural media, cross-border shopping malls and other emerging businesses to expand its business model.

DEVELOPMENT STRATEGY

From its strategic position of building a "first-class tourist destination investment and operation service provider", the Group continued to focus on creating products related to tourism, leisure and vacation. It strove to become industry benchmarks in terms of scenery, content and experience, and pursued the strategic implementation of integrating the development of the scenic spot and real estate businesses. At present, the tourism industry is both an important source of economic growth and an important industry for improving people's livelihoods. The Group will expand its business further in the tourism consumption market, fully tap on consumption potential, create quality tourism products, promote wide application of technology in tourism destinations, improve the quality and efficiency of supply the core competitiveness of the industry, seize the opportunity of the post-pandemic consumption, and create a new pattern in tourism consumption.

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations. Window of the World launched preferential product policies such as single daytime double tickets, parent-child package tickets and annual cards. The 3D projection project and a renovated ice rink have commenced operation. Different products and market policies were introduced to cope with market changes induced by the pandemic. Splendid China's "Dragon sightseeing cable car project" were brought into operation during the second half of the year, it will strengthen comprehensive management service mechanisms, and enhance the overall value of service.

Shapotou scenic spot will focus on implementing its "Gate of Time and Space", "Desert Legend" and "Yellow River Theme Culture Museum" projects, and continue to develop a new "scenic spot + characteristic hotel" tourism model to facilitate transformation via leisure holiday products, such as hot springs, home-stay lodgings, hotels, shows and nighttime tours. With the opening of the "Night Detian" nighttime tourism experience, the "Far-sighted View of Vietnam" and the "Sino-Vietnam Cross-border Duty Free Shopping Street" projects in the Detian scenic area during the second half of the year, the operating performance is expected to gradually improve.

Zhuhai OSR will upgrade its existing products and develop new real estate business with a view to enrich the "Ocean Spring" brand portfolio with differentiated products. To this end, it will utilize the complementary effect between travel industry and real estate industry, and continue to push forward progress in the renovation of Neptune Hotel. The hot spring centre in Xianyang OSR has been upgraded and officially went into operation during the second half of the year. It will also seek sources of business and group travellers to optimise its customer base structure. Anji Company will drive revenue growth by focusing on product innovation and channel development to enable the benign interaction of new and old products.

The Group will continue to pursue the development of a tourism resort and real estate business in Jintang County. On 8 May 2020, the Company succeeded in its tender for the state-owned construction land use rights for three land parcels in Jintang County, Chengdu City, Sichuan Province, at a consideration of approximately RMB334 million. The parcels have a high development potential as they offer easy access to transportation, and the facilities around them are relatively comprehensive. The parcels' acquisition will aid in enhancing the market share of the Group's tourism real estate business, improving its industry position and brand awareness, and expanding the Group's profit growth drivers. For details, please refer to the Company announcement dated 8 May 2020.

The Vehicle and Vessel Integration Project was completed on 16 July 2020, after which the Group recorded a gain on deemed disposal of Shun Tak-China Travel of HK$183 million. The project is expected to consolidate and expand Shun Tak-China Travel's multimodal transportation platform, reinforce strategic cooperation between the Company and STHL, and give 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. In addition to expanding cross-border road transportation operations on the Hong Kong-Zhuhai-Macao Bridge, there will be opportunities to explore new areas of business in the future. Upon the consolidation of financial results from Shun Tak-China Travel, the Company's overall results will be enhanced by virtue of significantly increased assets and staff in Hong Kong. Shun Tak-China Travel is expected to become a key transport operator across Guangzhou, Hong Kong, Macau and Shenzhen and will contribute to fulfill the Chinese government's strategic goals in the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" as issued in February 2019. After the pandemic is under control, it is expected that the Pearl River Delta port cluster's transportation network, overall competitiveness and throughput will be significantly enhanced, bringing abundant business opportunities to the area.

The Group will develop new business and create new growth engines by strategically acquiring quality scenic spot resources, and explore new breakthroughs to expand its business into overseas markets. During the year, the Group undertook in-depth studies on major travel destinations associated with the "Belt and Road Initiative", continued its business negotiations and research with relevant parties in Maldives, expanded the scope of target areas, broadened business networks, identified suitable targets, focused on the Japanese vacation market (being the top destination for Chinese tourists), in order to seize investment opportunities. 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 the procedure for a land premium payment for the Group-owned land parcel at Hung Hom on which Hip Kee Godown (No. 3) is located in 2018. The parcel's change to hotel use has been approved by the government and has significantly increased the land's value and development potential. The Group plans to build a multifunctional medium- to high-grade boutique hotel on the parcel. The demolition of the old building has been completed and construction of the pile foundation carried out. The hotel is expected to open in early 2024.

The Group established a digital operations department for boosting digital transformation and development of resource management platform (ERP platform). The Group has completed initial planning and has determined key projects and pilot units for digital transformation. The Group will strengthen its internal and external communications, implement special training in "the exploration and practice of the digital transformation of the cultural tourism industry", and will aim to integrate the management and control of business, operations and administration.

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 workflows, and strengthen its production safety system, so as to ensure its healthy and sustainable development.

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2020, the Group had 8,978 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by the 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 2020, the Group's cash and bank balances amounted to HK$2,947 million, whereas the bank and other borrowings and loans from the holding company amounted to HK$661 million. The debt-to-capital ratio was 26%, and the debt including bank and other borrowings, trade payables, other payables and accrued loans from holding companies, 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 take appropriate measures as required.

PLEDGE OF ASSETS

As of 31 December 2020, the Group's bank deposits of approximately HK$11 million (31 December 2019: HK$18 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 2020, certain of the Group's buildings with net carrying amounts of HK$57 million (31 December 2019: 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

Except as set out in the "Business Review" section above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the year.

CONTINGENT LIABILITIES

As of 31 December 2020, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2019: 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 2020, the Group held wealth management products amounting to a total of RMB250 million (equivalent to approximately HK$298 million). During the year, income from financial assets at fair value through profit or loss was approximately HK$6 million.

	1 January 2020 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$'000	31 December 2020 HK$'000	Duration (month)	Expected annualised yields (%)
Issuers								
With agreed maturity date								
Agricultural Bank of China Limited	–	821,376	(540,083)	15,746	514	297,553	3	2.8-3.5
Without agreed maturity date								
Bank of Communications Co., Ltd.	56,904	–	(56,259)	(645)	–	–	N/A	2.93
	56,904	821,376	(596,342)	15,101	514	297,553	–	–

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 2021; whereas the outstanding wealth management products without agreed maturity date will be redeemed where appropriate according to the Group's fund position.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group did not make future plans for material investments or capital assets.

PROSPECTS

In 2020, the macro-economic situation remained complicated and the slowdown of economic expansion was notable. Downward pressure on the global economy increased due to suspension or reduction of socialising and economic activities under COVID-19, an ongoing global pandemic that began in early 2020. Continued US-China trade tensions brought many uncertainties to the global economy and political climate. Amid many challenges, China's annual GDP grew by 2.3% year-on-year and surpassed RMB100 trillion for the first time, reflecting the country's strong and stable economic foundation. The shift from the year-on-year 6.8% decrease in GDP growth rate for the first quarter of 2020 to a positive GDP growth rate for the whole of 2020 reflects that pandemic control measures were effective. The implementation of the tax and fee cutting policy ensured a restoration of normal public life and enabled enterprises to resume production, bringing about the gradual recovery and stabilisation of society and the economy.

The Group sought opportunities in these crises. It made comprehensive preparations for pandemic control while, on the basis of making proper, arrangements for various operations and management to secure adequate cashflow, resumed production in an orderly manner, and follow the national lines of “Six Stabilities” and “Six Guarantees”. The Group also enhanced its ability during the business suspension period thus accumulating strength for future development. We have made certain achievements in our operation and management with the joint persistence and efforts of the management.

The year 2021 heralds the start of the 14th Five-Year Plan for China’s national development. It is also a particularly important year in China’s modernization drive after the successful building of a moderately prosperous society in all respects. As its Central Economic Work Conference, the Chinese Central Government made a profound analysis on the general condition of the country and proposed that a strategic focus on boosting domestic demand be one of the eight key tasks in 2021. With the overall judgment made by the Central Government in connection with the economic situation, the Group will properly respond to the economic situation on the basis of our thorough understanding of the industry. We will remain true to our original aspiration and keep our mission firmly in mind. We will adhere to the general principle of pursuing progress while ensuring stability, accurately understand the government’s new direction for development, act on the new development philosophy, carry out its work on high-quality development as the theme, and pursue the fundamental purpose of satisfying a growing need for better tourism options, striving for a better balance between business development and safety.

With the rollout of vaccination programmes, it is generally expected that the pandemic will gradually come under control, and economic activities will get back on track. However, the business environment remains uncertain in the short term. The Group is cautious about future development prospects, and will respond by monitoring the COVID-19 situation and evaluating its potential risks and impacts on both financial and trading prospects. The Group’s overall business remains fundamentally stable and sound, with abundant funds and excellent investment and development capability and capacity. The Company will make an all-out effort to accomplish its various tasks, and proceed with the radical reform and integrated development of the Group. We will remain on the outlook for suitable growth opportunities to complement our existing revenue streams in the medium to longer term, and create greater shareholder value.

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 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group's principal subsidiaries are set out in note 40 to the consolidated financial statements. 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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong), 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 2020, 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 26, the "Financial Review" section on page 7, the "Corporate Governance Report" section on pages 43 to 54, the"Environment, Social and Governance Report" section on pages 55 to 75 and note 45 to the consolidated financial statements on pages 183 to 190 of the Annual Report.

GROUP'S LOSS

The Group's loss for the year ended 31 December 2020 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 82 to 194.

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2019: HK$Nil) for the year ended 31 December 2020.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are shown in note 37 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 46 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 2020, the Company has not entered into any equity-linked agreements.

DISTRIBUTABLE RESERVES

At 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 297 and 299 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$4,406,930,000.

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$1,320,000.

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. The 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. Jiang Hong *(Appointed as Chairman on 20 May 2020)*
Mr. Fu Zhuoyang *(Resigned on 20 May 2020)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Wu Qiang *(General Manager)*
Mr. You Cheng
Mr. Yang Hao
Mr. Fan Dongsheng *(Appointed on 20 January 2020)*

Non-executive director:
Mr. Tsang Wai Hung *(Appointed on 19 June 2020)*

Independent non-executive directors:
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

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 (the "**Articles**"), Mr. Lo Sui On, Mr. Wu Qiang, Mr. Yang Hao and Mr. Chen Johnny 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. Tsang Wai Hung, who has been appointed by the Board on 19 June 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 2020 Interim Report are set out below:

Name of Director	Changes
Chen Johnny	Re-designed as a non-executive director but remained as the chairman of the board of directors of Convoy Global Holdings Limited (Stock Code: 1019) with effect from 1 January 2021.

Wu Qiang

- Appointed as a director of Glading Development Limited, a subsidiary of the Company, with effect from 9 December 2020.
- Appointed as a director of Metrocity Hotel Limited, a subsidiary of the Company, with effect from 9 December 2020.
- Appointed as a director of Hotel Metropole Holdings Ltd., a subsidiary of the Company, with effect from 9 December 2020.
- Appointed as a director of Well Done Enterprises Inc., a subsidiary of the Company, with effect from 9 December 2020.
- Appointed as a director of CTS H.K. Metropark Hotels Management Company Limited, a subsidiary of the Company, with effect from 9 December 2020.

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, arrangements or contracts (that are 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 TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020 and up to the date of this annual report, the Group had the following connected transaction and continuing connected transactions, details of which are as follows:

Connected Transaction

On 27 May 2020, the Company, as lender, entered into a loan agreement with CTS Financial Services Corporation Limited ("**CTS Financial Investment**"), formerly known as China Travel Financial Investment Holdings Co., Limited), as borrower, for a term of one year commencing from 27 May 2020 and ending on 26 May 2021, pursuant to which the Company has agreed to provide a loan of US$20,000,000 to CTS Financial Investment. The loan is provided to CTS Financial Investment for the purpose of its general working capital, and the Group is expected to receive a stable interest revenue from the loan.

CTS (Holdings) is a substantial shareholder of the Company. CTS Financial 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 27 May 2020.

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 was 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 2020 was RMB1,183 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) constitute a major transaction 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) 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**") and China Travel Service Entry Permit Service Hong Kong Limited ("**CTS Document**", formerly known as China Travel Air Service Hong Kong Limited) (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 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.

On 1 June 2020, CTSPM, CTS (Holdings) and CTS Document, a wholly-owned subsidiary of the Company, entered into a deed of novation in relation to the Agency Agreement, pursuant to which the parties agreed CTS Document to undertake and perform, on behalf of CTSPM, all its obligations under the Agency Agreement, and receive, on behalf of CTSPM, its rights and benefits under the Agency Agreement, for a term until 30 June 2047.

(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 (the "**2017 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. On 29 December 2020, the Company and China CTS entered into a tour group services master agreement (the "**2020 Tour Group Services Master Agreement**") to renew the terms of the continuing connected transactions contemplated under the 2017 Tour Group Services Master Agreement for a term commencing on 1 January 2021 and ending on 31 December 2021, where the Group and the China CTS Group will continue to provide tour group services to each other.

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 and 29 December 2020.

(4) On 31 December 2019, the Company entered into a master lease agreement with China CTS to (i) govern the lease arrangements with the China CTS Group as lessee 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 2020 and the actual amounts of such transactions for the year ended 31 December 2020 are as follows:

	Caps for the years ended/ending 31 December				Actual amounts for the year ended 31 December
	2019	2020	2021	2022	2020
	'000	'000	'000	'000	'000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration by CTSPM and CTS Document	HK$310,000	HK$310,000	HK$310,000	N/A	HK$74,032
II. Continuing connected transactions with the China CTS Group					
(b) Provision of tour group services by the Group to the China CTS Group	HK$45,000	HK$58,000	HK$7,700	N/A	HK$104
(c) Provision of tour group services by the China CTS Group to the Group	HK$108,000	HK$129,000	HK$41,000	N/A	HK$10,492
(d) Lease arrangements with the China CTS Group as lessor	HK$23,000	HK$25,000	HK$26,000	N/A	HK$9,743
(e) Lease arrangements with the China CTS Group as lessee	RMB9,270	HK$25,010	HK$25,210	HK$25,210	HK$956
(f) Lease of computer system to the China CTS Group as lessee	N/A	HK$8,443	HK$7,921	HK$7,921	Nil

(iii) 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 2020 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.

(iv) 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 CTG Investment Management Corporation Limited ("**CTG Investment**", formerly known as Earn Success Investment Limited), 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 CTG Investment and its subsidiaries and associates, but excluding the Group, ("**CTG Investment 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 CTG Investment Group under the commercial services master agreement will not only enable the Company to benefit from the quality tourism resources of CTG Investment 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$92,000,000, respectively. The actual amount of the transactions for the year ended 31 December 2020 was HK$Nil.

CTS (Holdings) is a controlling shareholder of the Company. CTG Investment 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 2020 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 2020 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.

DETAILS OF PERFORMANCE GUARANTEE UNDER RULE 14.36B

As disclosed in the announcement of the Company dated 24 December 2020, pursuant to an equity purchase agreement (the "**Equity Purchase Agreement**") dated 24 December 2020 entered into among CTS Scenery Resort Investment Company Limited ("**CTS Scenery Resort**", an indirect wholly-owned subsidiary of the Company), New Century Tourism Group Co., Ltd. ("**New Century Tourism**") and Hangzhou New Century Senbo Tourism Investment Co., Ltd. (the "**Target Company**") in relation to the acquisition of 34% of the equity interest and its ancillary rights and benefits of the Target Company (the "**Target Equity**") by CTS Scenery Resort. (the "**Acquisition**"), New Century Tourism has provided a performance guarantee to CTS Scenery Resort for a term of 4 years and has made the following performance commitments:

(a) the Target Company shall not be at a loss for the year of 2020. If the Target Company records losses for the year of 2020, New Century Tourism shall, on a dollar for dollar basis, make compensation for the amount of loss to the Target Company in the form of donation.

(b) the accumulated net profit during the period from year 2021 to 2023 shall not be less than RMB150 million (the "**Committed Performance**"). Financial data is to be audited by an accounting firm recognized by CTS Scenery Resort. If the Target Company's accumulated net profit from year 2021 to 2023 is less than RMB150 million, CTS Scenery Resort has the right to require New Century Tourism to buy back the Target Equity held by CTS Scenery Resort based on the Consideration plus an interest rate of 8.5% per annum (simple interest);

(c) If the actual audited net profit reaches the Committed Performance but failed to reach 120% of the Committed Performance (i.e. accumulated net profit of RMB180 million during the period from year 2021 to 2023), CTS Scenery Resort is entitled to launch a tender offer to New Century Tourism for the then equity of the Target Company held by New Century Tourism, with the offer price not less than the equity proportion of the tender offer x the Target Group's overall valuation of the Acquisition (RMB1,150 million) x (1+N x 8.5%) (N = n/360, n = total days from the date of Completion to the date of signing the formal agreement of the tender offer). New Century Tourism has the right to decide whether or not to accept the offer and if not, CTS Scenery Resort has the right to require New Century Tourism to buy back the Target Equity held by CTS Scenery Resort based on the Consideration plus an interest rate of 8.5% per annum (simple interest), the repurchase price of which shall be deducted from the dividend of CTS Scenery Resort received from the Target Company; and

(d) On the basis that, the actual audited accumulated net profit of the Target Company exceeds RMB180 million from year 2021 to 2023, and there are no material adverse changes on various material matters of the Target Company including assets, business, team, brand, etc., and there are no breach of the Equity Purchase Agreement by the Target Company and New Century Tourism, while New Century Tourism having undertaken to comply with the requirements of the stock exchange in the place where CTS Scenery Resort is listed in respect of the acquisition of equity interest/material acquisition of assets, and reorganisation, including but not limited to undertaking performance commitments, etc., CTS Scenery Resort has the right to launch a tender offer for the then equity of the Target Company held by New Century Tourism to New Century Tourism within 3 months after the issuance of the audit report, with the offer price being the long-term valuation of the Target Company (being 19 times of the audited net profit in 2023 with an upper limit of not more than RMB1.9 billion) x the equity proportion of the tender offer. If the tender offer is not accepted by New Century Tourism, CTS Scenery Resort has the right to require New Century Tourism to buy back the Target Equity held by CTS Scenery Resort based on the Consideration plus an interest rate of 8.5% per annum (simple interest), the repurchase price of which shall be deducted from the dividend of CTS Scenery Resort received from the Target Company.

The Target Company recorded a profit for the year 2020 based on its management account, but is subject to the final audit to be performed by auditors. The Company will closely monitor the above-mentioned Committed Performance and disclose the status of satisfaction of the Committed Performance in its future annual reports in compliance with Rule 14.36B of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2020, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 31 December 2020
	Corporate interest	Personal interest	Family interest			
Mr. Lo Sui On	–	600,000	–	–	600,000	0.01%
Mr. Wu Qiang	–	600,000	–	–	600,000	0.01%
Mr. You Cheng	–	450,000	–	–	450,000	0.01%

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 38 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 2020	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31 December 2020	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors								
Fu Zhuoyang (Note 3)	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	10,798,000	–	–	(10,798,000)	–	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	13,136,000	–	–	(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. All the share options granted and yet to be exercised under the 2002 Share Option Scheme have lapsed on 17 June 2020. No further shares can be issued by the Company upon exercise of share options granted and yet to be exercised under the 2002 Share Option Scheme as at 31 December 2020.

Note 3: Mr. Fu Zhuoyang resigned as the Chairman and an Executive Director of the Company with effect from 20 May 2020.

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 2020 are set out below.

	Number of options							
Name or category of participant	Balance as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31 December 2020	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors								
Wu Qiangw	680,000	–	–	(680,000)	–	15 September 2016	15 September 2018 to 14 September 2021	2.304
Sub-Total	690,000	–	–	(680,000)	–			
Other employees in aggregate	26,730,800	–	–	(26,730,800)	–	15 September 2016	15 September 2018 to 14 September 2021	2.304
	2,924,000	–	–	(2,924,000)	–	30 December 2016	30 December 2018 to 29 December 2021	2.304
Sub-Total	29,654,800	–	–	(29,654,800)	–			
Grand Total	30,334,800	–	–	(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

Under the 2002 Share Option Scheme and 2012 Share Option Scheme, there was no participant with options granted in excess of the individual limit. Saved as disclosed herein, no options were granted to employees, suppliers of goods or services or any other participants.

The accounting policies on Share Option Scheme are set out in note 38 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 2020, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.25% 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 2020, 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 2020, 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 2020
China CTS	Interest of controlled corporation (Note 1)	3,385,492,610	61.15%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Note 1 and 2)	3,385,492,610	61.15%
Hongkong New Travel Investments Ltd.	Beneficial owner (Note 2)	1,136,254,901	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,136,254,901	20.52%

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 3,385,492,610 shares, 2,228,047,188 shares are held directly by CTS (Holdings). 21,190,521 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,136,254,901 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 100% by CTS Asset Management (I) 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.

Save as aforesaid, as at 31 December 2020, 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 2020 are set out in note 33 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 4 July 2011, the Company entered into a facility agreement with a bank for an uncommitted revolving term loan facility of HK$300,000,000. Pursuant to the terms of the facility agreement, the Company undertook to the bank, inter alia, that (i) CTS (Holdings), the controlling shareholder of the Company, shall remain as the ultimate single largest shareholder of the Company with ownership not less than 40% in the Company and maintain management control of the Company; and (ii) CTS (Holdings) shall remain to be under the direct or indirect management and 100% ownership of the State Council of the PRC.

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 undertook 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.

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 the management on the accounting principles and practices adopted by the Company and discussed the auditing, risk management, internal controls and financial reporting matters including a review of the final results of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 43 to 54.

AUDITORS

The financial statements of the Company for the year ended 31 December 2020 were audited by KPMG. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2021 annual general meeting to re-appoint them and to authorize the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Jiang Hong
Chairman

Hong Kong, 30 March 2021

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 2020, 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. The Company did not have formal letters of appointment for Mr. Lo Sui On, Mr. Yang Hao, Mr. Fan Dongsheng and Mr. Tsang Wai Hung. However, the said 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 29 May 2020 because of other business commitment.

THE BOARD

Composition

The Board currently comprises 12 Directors, being 6 Executive Directors, 1 Non-Executive Director 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 27 to 42.

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.

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. Jiang Hong is currently serving as the Chairman and Mr. Wu Qiang 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:			
Mr. Jiang Hong	√	–	√
Mr. Fu Zhuoyang Note 2	√	–	√
Mr. Lo Sui On	√	√	√
Mr. Wu Qiang	√	–	√
Mr. You Cheng	√	–	√
Mr. Yang Hao	–	–	√
Mr. Fan Dongsheng Note 1	√	–	√
Non-executive Director:			
Mr. Tsang Wai Hung Note 3	√	–	√
Independent Non-executive Directors:			
Mr. Tse Cho Che Edward	√	√	√
Mr. Zhang Xiaoke	√	–	√
Mr. Huang Hui	√	√	√
Mr. Chen Johnny	√	√	√
Mr. Song Dawei	√	–	√

Note 1 Mr. Fan Dongsheng was appointed as an Executive Director of the Company with effect from 20 January 2020.

Note 2 Mr. Fu Zhuoyang resigned as the Chairman and an Executive Director of the Company with effect from 20 May 2020.

Note 3 Mr. Tsang Wai Hung was appointed as a Non-Executive Director of the Company with effect from 19 June 2020.

Board Meetings
During the year ended 31 December 2020, the Board held one interim meeting and 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. Chen Johnny *(Chairman)*
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Song Dawei

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 2020 and reviewed the audited financial statements for the year ended 31 December 2019 and the unaudited interim financial statements for the six months ended 30 June 2020. 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 2020 have been reviewed by the Audit Committee.

Remuneration Committee

Members:

Independent Non-Executive Directors:	Mr. Chen Johnny *(Chairman)*
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Song Dawei
Executive Director:	Mr. Fu Zhuoyang (resigned on 20 May 2020)
	Mr. Jiang Hong (appointed on 20 May 2020)

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 2020 are disclosed in the notes to the consolidated financial statements. The Remuneration Committee held one meeting in 2020 and reviewed the Directors' fees for 2020.

Nomination Committee

Members:

Executive Director:	Mr. Fu Zhuoyang *(Chairman)* (resigned on 20 May 2020)
	Mr. Jiang Hong *(Chairman)* (appointed on 20 May 2020)
Independent Non-Executive Directors:	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Chen Johnny
	Mr. Song Dawei

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 reviewing 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.

In selecting new directors or filling casual vacancies, the Nomination Committee will consider the candidate's professional qualification and skill, integrity and reputation, achievement and experience in the industry in which the Company operates, as well as his time commitment. The committee will nominate candidates it considers appropriate with reference to the standards of the Board Diversity Policy.

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 recognises 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 2020 and reviewed the re-election of retiring Directors at the 2020 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 and Annual General Meeting of the Company during the year ended 31 December 2020 are set out as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2020				
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors:					
Mr. Jiang Hong Note 2	5/5	N/A	0/1	0/1	0/1
Mr. Fu Zhuoyang Note 1	0/2	N/A	0/1	0/1	0/0
Mr. Lo Sui On	5/5	N/A	N/A	N/A	0/1
Mr. Wu Qiang	5/5	N/A	N/A	N/A	0/1
Mr. You Cheng	4/5	N/A	N/A	N/A	0/1
Mr. Yang Hao	3/5	N/A	N/A	N/A	0/1
Mr. Fan Dongsheng Note 3	5/5	N/A	N/A	N/A	0/1
Non-executive Director:					
Mr. Tsang Wai Hung Note 4	3/3	N/A	N/A	N/A	0/0
Independent Non-executive Directors:					
Mr. Tse Cho Che Edward	5/5	2/2	1/1	1/1	1/1
Mr. Zhang Xiaoke	4/5	1/2	1/1	1/1	0/1
Mr. Huang Hui	5/5	1/2	0/1	0/1	1/1
Mr. Chen Johnny	5/5	2/2	1/1	1/1	1/1
Mr. Song Dawei	4/5	1/2	1/1	1/1	0/1

Note 1 Mr. Fu Zhuoyang resigned as a the Chairman and an Executive Director, a member of the Remuneration Committee and the Chairman of the Nomination Committee of the Company with effect from 20 May 2020.

Note 2 Mr. Jiang Hong appointed as the Chairman of the Board, a member of the Remuneration Committee and the Chairman of the Nomination Committee of the Company with effect from 20 May 2020.

Note 3 Mr. Fan Dongsheng appointed as an Executive Director of the Company with effect from 20 January 2020.

Note 4 Mr. Tsang Wai Hung appointed as a Non-Executive Director of the Company with effect from 19 June 2020.

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 2020.

AUDITORS' REMUNERATION

During the year ended 31 December 2020, the remuneration to the Company's auditors, KPMG is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	8,471
Non-audit services	1,174
Total	9,645

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 pages 76 to 81.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

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

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 risks 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 2020.

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. 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 Shareholders such interim dividends as it considers appropriate, and recommend the payment of final dividends which are required to be approved by Shareholders in general meetings.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Lai Siu Chung. For the year, Mr. Lai Siu Chung has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition of Shareholders

Pursuant to Sections 566 to 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 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 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.

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 2020, the Company held press and analyst conferences following the release of its 2019 annual results and 2020 interim results announcement, attended various investor conferences, and arranged teleconference 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.

1. INTRODUCTION

Our company (the "**Company**" or "**we**") are pleased to present our fifth Environmental, Social and Governance ("**ESG**") Report ("**ESG report**"). This ESG report should be read in conjunction with the Corporate Governance Report contained in the Company's 2020 Annual Report to enable all stakeholders to have a more comprehensive understanding of the Company's ESG strategy, management practices and relevant performance in 2020.

Reporting Scope

The ESG report covers the same period as the Company's 2020 Annual Report, from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"). Taking into account the sustainability context of the Company, the report scope includes the principle business activities, which are operations of travel destinations ("travel destinations" include hotel operations, theme parks, natural and cultural scenic spot destinations and leisure resorts) and passenger transportation operations. The quantitative environmental performance of our operation is based on data collected from 13 operation units which have significant impacts:

Hotel operations
Metropark Hotel Mongkok
Kew Green Hotel Wanchai
Metropark Hotel Kowloon
Metropark Hotel Causeway Bay
Metropark Hotel Macau
Beijing Metropark Hotel
Theme parks
Window of the World
Splendid China
Natural and cultural scenic spot destination
Shapotou Scenic Spot [1]
Leisure resorts
Zhuhai OSR
Xianyang OSR
Anji Company
Passenger transportation operation
China Travel Tours Transportation Services

Reporting Standards

We have prepared the ESG report in accordance with the 2016 version of the *Environmental, Social and Governance Reporting Guide* (the "**Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEX**"). This ESG report has complied with the "comply or explain" provisions of the Guide and has been prepared on the basis of the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency". The Appendices at the end of the ESG report correspond our disclosures to the requirements set out in the Guide.

[1] only include CTS (Ningxia) Shapotou Tourist Spot Co., Ltd.

2. OUR APPROACH TO SUSTAINABILITY

Sustainability is the core principle of our business development and reflects on every decision made for our operations. We strive to set up relevant management policies in our business operations to deliver long-term value to our stakeholders. At the same time, we encourage employees to develop environmentally friendly initiatives to raise their awareness of sustainability.

The Company has established ESG management mechanism to improve the standardised and strategic management of the Company's sustainable development. The board of the Company has overall responsibility for the Company's ESG strategy and reporting, and is responsible to review, put decisions into practice and supervise our measures on ESG issues. With the oversight from the board, top management involves in tailoring relevant policies for business units. Each business unit coordinates relevant works based on their business functions, collects and reports their performance to the management level on a regular basis. Our performance and achievement of ESG issues will be fully discussed in the ESG report.

2.1 Stakeholder Engagement

We attach great importance to daily communication with our stakeholders and establish a stakeholder communication mechanism. We strive to establish a good relationship with a wide range of stakeholders, the government, investors, employee, customers, contractors, suppliers and community residents are all our major stakeholders. The Company uses various channels regularly to understand the expectations and concerns of those stakeholders. Meanwhile, we continue to communicate with representatives from different business units and conduct internal discussions, assess and manage ESG issues related to our business to respond the expectations of stakeholders continuously.

The following table lists the key concerns of the various stakeholders we have identified and the corresponding communication methods

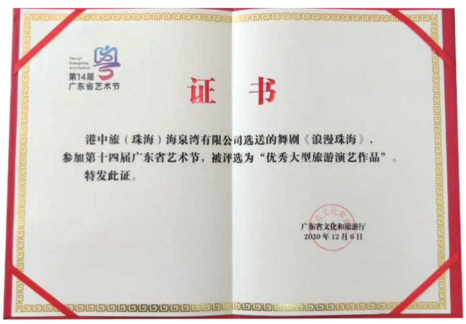
Stakeholders	Key concerns	Form of engagement
Government	• Alignment with national development plans and policies • Legal compliance • Anti-corruption • Appreciation of state-owned assets • Economic development	❖ Respond to national policies and plans ❖ Evaluate current operations according to updates 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
Employee	• 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 ("GHG") emissions • Resource utilisation	❖ Supervise the construction process ❖ Examine Environmental Impact Assessment Report ❖ Set energy-saving and emission reduction targets ❖ Poverty alleviation projects

2.2 Materiality Assessment

Materiality assessment is an essential approach to understand the expectations and concerns of stakeholders regarding our sustainable development, it also points out significant direction for our sustainable development. We have commissioned third-party professional organisation to conduct comprehensive materiality analysis, which ranges from energy conservation, emission reduction, employee welfare and development, operation practices, social responsibility and to other main aspects of our business. At the same time, we also emphasised the involvement of the board and senior management in the materiality assessment. By considering the views of the board and senior management, along with the results of robust stakeholder engagement, the Company conducted materiality assessment on ESG issues, categorised and prioritised the ESG issues in order by four categories of environment, employee, operating practice and community. We finally identified 15 material ESG issues to discuss in detail within the ESG report, identified material ESG issues are listed in the table below:

Sustainability aspects	Material issues
Environmental	1. Air pollution and GHG emissions and mitigation 2. Waste management 3. Use of energy and water 4. Environmental management
Social – Employment and Labour practices	5. Labour practices 6. Occupational health and safety 7. Training and development 8. Preventio6n of child and forced labour
Social – Operating practices	9. Supply chain management 10. Service responsibility 11. Intellectual property and data privacy 12. Anti-corruption 13. Customer satisfaction 14. Health and safety of clients
Social – Community	15. Contribution to community

2.3 Awards and Recognition



Awards	Awarded to
Guangdong province enterprise of observing contract and valuing credit	Zhuhai OSR
Best seaside resort hotel 2020	Zhuhai OSR
Outstanding large-scale tourism performing arts award	Zhuhai OSR
2020 china's national tourism annual resort	Zhuhai OSR
China's most popular awarding resort	Zhuhai OSR
Quality Tourism Services Accreditation Scheme "First Class Restaurant"	Metropark Hotel Macau
2020 Customer Review Awards	Metropark Hotel Kowloon
China ecological tourism model scenic spot	Shapotou Scenic Spot
Discovering China's most beautiful starry sky – 2020 recommended destinations	Shapotou Scenic Spot
Model scenic spot of ethnic unity and progress	Shapotou Scenic Spot
Provincial resort	Shapotou Scenic Spot
2020 star awarding for new luxury resort hotel that is worth looking forward to	Shapotou Scenic Spot
2020 best resort hotel in Asia	Shapotou Scenic Spot

We strive to provide premium quality of tours and outstanding travel experience for all customers. In the future, we will continue to enhance our competitiveness and reputation by maintaining and implementing our concept of sustainable development.

3. OUR ENVIRONMENT

Environmental quality is essential to our business operations, so that we commit to promote environmentally responsible business practices. To deal with the increasingly severe environmental risks, we actively implement the principle of sustainable development to protect environment, conserve energy and reduce emission. With the commitment to comply with relevant applicable environmental laws and regulations, including 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 internal policies, plans and systems to promote continuous improvement. For instance, Metropark Hotel Causeway Bay has developed "Environmental Protection Policy" and implemented various initiatives regarding energy saving and waste recycling. Our hotels also collaborate with third-party service providers to collect recyclable waste produced by business operation. In addition, we conduct Environmental Impact Assessment (EIA) for all construction works in travel destinations to mitigate any potential impact on the local environment, so as to ensure the sustainable development for the local tourism. There were no noncompliance cases noted in relation to environmental laws and regulations in 2020.

3.1 Energy and Resources

We realise that, increasing the efficiency of energy and resources will help to reduce the carbon footprint from business operations, it also reduces operation costs to achieve cost-effectiveness for the business. Thus, we take steps to ensure that our operations are in line with the environmental policies implemented by the government, improve our internal environmental management to minimise our use of energy and other resources. By taking unremitting efforts, we ensure our business operations to makes positive impacts on the environment.

In pursuit of sustainability and high energy efficiency, we have implemented the following initiatives:

(1) install curtains for windows to block the sunlight that results thermal energy absorption in the office area, and finally reduce the power consumption of air conditioners and other electrical appliances;

(2) the use of light-emitting diode "LED" lighting system has become a prevalent way for energy-saving. Each of our business units has developed relevant energy management policies to gradually adopt LED lights;

(3) encourage our scenic spot to minimise energy consumption and improve energy efficiency without affecting customers' experience. Splendid China has adopted Water and Electricity Consumption Data Collection Procedures and Energy-saving Measures, collects energy consumption statistics on a regular basis and makes various attempts to reduce energy consumption. For instance, Splendid China performs dynamic control on night light depends on the number of tourists and their position, switches off main power transformer in power consumption off-peak season;

(4) require employees to turn off lighting system, air conditioning, computers and other electronic equipment that are not in used when they leave the office;

(5) carry out various employee education activities to enhance employees' awareness of environmental protection.

The following table covers the information regarding our resource consumption in 2020:

	Energy and resource consumption[1]		Unit	Intensity[1]		Unit
	2020	2019		2020	2019	
Electricity use	71,380.36	89,784.16	MWh	36.29	20.05	MWh/ million HK$
Natural gas	8,383.32	17,198.18		4.26	3.84	
Gasoline	2,688.24	6,702.72		1.37	1.50	
Diesel fuel	19,152.33	95,857.43		9.74	21.41	
Liquified petroleum gas	3,248.17	4,571.38		1.65	1.02	
Town gas	1,451.83	1,770.29		0.74	0.40	
Compressed natural gas	691.29	0.00		0.35	0.00	
Total	106,995.53	215,884.16		54.40	48.22	
Refrigerant	166.00	140.4	Kg	–	–	

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 Company and China Travel Tours Transportation Services is included. We use the Group's consolidated revenue HK$1,967 million in 2020 as the denominator for intensity calculation in 2020, and the Group's consolidated revenue HK$4,477 million in 2019 as the denominator for intensity calculation in 2019, to reflect the energy consumption as each consolidated revenue generated.

Calculated energy consumption intensity for China Travel Tours Transportation Services:

Energy consumption intensity	2020	Energy consumption source
Fuel used for operation/Total vehicle mileage ('000)	9.44 GJ/km ('000)	Natural gas, gasoline, diesel fuel

Case studies
Updating LED lighting system According to energy management policy of the hotel, Metropark Hotel Causeway Bay installed 60 energy-efficient LED lights during the Reporting Period, each LED light saves approximately 10 percent of electricity than previous lighting system.

3.2 Emission Reduction

We adhere to relevant laws and regulations for energy-saving and emission reduction. The Company has developed a series of management systems to achieve emissions reduction in a systematic way.

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 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals and GB/T 32150-2015 General guideline of the greenhouse gas emissions accounting and reporting for industrial enterprises. The audit scope covers emissions from vehicles, energy consumption, data collection process, data quality and choice of emissions factor, etc. During the Reporting Period, China Travel Tours Transportation Services' total carbon dioxide emissions decreased by 79.1% than previous year. The main reason was that the volume of passenger decreased significantly due to the pandemic in 2020, so that China Travel Tours Transportation Services has resulted substantial reduction in fuel and electricity consumption.

In 2020, we have strengthen our management on GHG emissions of our business units. It is our first attempt to cover automobiles and boilers data of our travel destinations and hotels into the ESG report. Calculated GHG emission figures for 2020 are shown in the following table.

Scope of emission	2020[1]	2019[1]	
Scope 1 Emissions and intensity[2]	**9,049.94 tCO_2e 4.60 tCO_2e/million HK$**	**30,356.87 tCO_2e 6.78 tCO_2e/million HK$**	**Unit[4]**
Natural gas	1,676.16	3,456.38	tCO_2e
Gasoline	647.97	1,583.6	
Diesel fuel	4,698.95	23,558.5	
Liquified petroleum gas	734.65	1,101.58	
Town gas	277.55	418.14	
Compressed natural gas	561.43	0.00	
Refrigerant	453.22	318.27	
Scope 2 Emissions and intensity[3]	**44,077.64 tCO_2e 22.41 tCO_2e/million HK$**	**72,152.12 tCO_2e 16.12 tCO_2e/million HK$**	**Unit**
Electricity use	44,012.64	72,072.45	tCO_2e
Town gas	65.01	79.67	

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 Company and China Travel Tours Transportation Services is included. We use the Group's consolidated revenue HK$1,967 million in 2020 as the denominator for intensity calculation in 2020, and the Group's consolidated revenue HK$4,477 million in 2019 as the denominator for intensity calculation in 2019, to reflect the energy consumption as each consolidated revenue generated.

2. Scope 1 direct greenhouse gas emissions are calculated based on the total consumption of natural gas, gasoline diesel fuel, liquefied petroleum gas, town gas, compressed natural gas and refrigerant. Methodologies of calculation refer to: the *Guidelines on Enterprises Greenhouse Gas Emissions Accounting and Reporting* issued by National Development and Reform Commission, the Energy Statistics Manual from the International Energy Agency and the *Reporting Guidance on Environmental KPIs* in Appendix 2 of the How to Prepare an ESG Report published by the Stock Exchange.

3. Scope 2 indirect 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 update accordingly; for example, the emissions of the Hong Kong hotels located on Hong Kong Island were calculated by HEC emission factors. According to the *Notice on Making Plans for 2018 Annual Carbon Emission Reporting and Verification and Emission Testing* issued by the Ministry of Ecology and Environment, PRC in January 2019, the average emission factor of electricity use of operating units in mainland China was updated.

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

The air pollutants generated from our business operations are mainly emitted by the use of automobiles. We have calculated our air pollutants by taking carbon monoxide (CO), hydrocarbon (HC), nitrogen oxides (NOx), particulate matter (PM) and other harmful solid particles into account. In 2020, we cover the data of 298 operating vehicles from China Travel Tours Transportation Services and operating vehicles from other operating units, operating boats and stove from Shapotou Scenic Spot to calculate air pollutants, the results are shown in the following table:

Air Pollutant	Total Air Pollutants Generated[1] (t)
Carbon Monoxide	60.19
Hydrocarbon	15.44
Nitrogen Oxide	66.53
Particulate Matter	5.39

Notes:

1. Emission data of China Travel Tours Transportation Services was the audited figure, whose calculation is based on the operation fuel consumption and relevant vehicle emission standards. Emissions of air pollutants of operating units in Hongkong and Macau are calculated based on the Reporting *Guidance on Environmental KPIs* in Appendix 2 of the How to Prepare an ESG Report published by the Stock Exchange. For operation units in China mainland, calculations of air pollutants emission refer to *Technical Guideline for the Preparation of Road Vehicle Emission Inventory (Trial)* and *Technical Guidelines for the Preparation of Non-road Mobile Source Air Pollutant Emission Inventory (Trial)* published by the former Ministry of Environmental Protection of the People's Republic of China.

Case Studies
Clean Energy To reduce the carbon emissions caused by the operation, Shapotou Scenic Spot gradually replaces traditional energy with clean energy by generating 7,200kWh of renewable energy through photovoltaic by 2020.
Zero emission from electric vehicles Anji Company is a leisure resort that advocates green and environmental protection. In 2020, Anji Company replaces fuel vehicles with electric vehicles to provide transport services for tourists and reduce air pollution emissions in the scenic spot.

3.3 Water

Our company attaches great importance to the management and utilisation of water resource. We have set up plans to advocate our business units to adopt effective solutions to ensure the sustainability and efficiency of water supply. In the Reporting Period, our business units have formulated different water resource management plans that work with their operations, installed and upgraded water conserving facilities to reduce water consumption and enhance the usage rate of recycling water. In addition, Splendid China has also implemented the following initiatives to effectively achieve water conservation:

(1) Recycle the lake water and rainwater to clean the roads, and provide water for sprinkling irrigation;

(2) make full use of the rain in rainy season, appropriately reduce the number of watering for plants, flowers and lawns;

(3) regularly check, maintain, or replace the water supply equipment to reduce the waste of water resources caused by leakage and burst of water pipes.

Our water consumption in 2020 was 2,474,332.50 tonnes[1].

Case Studies
Intelligent water supply system Metropark Hotel Mongkok installs an advanced centralised water supply system, which adjusts water flow and temperature depends on the time, weather, and occupancy, it can effectively reduce the energy and resource consumed in hot water supply. In 2020, Metropark Hotel Mongkok reduced 34.23% water[2] consumption than that of 2019.
Using natural springs Shapotou Scenic Spot benefits from the regional geographical structure, uses the spring water that flows out from the desert surface to conserve water resource.

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 Company and China Travel Tours Transportation Services is included.

2. Change of water consumption compared to last year is also caused by the pandemic.

3.4 Waste Management

In our daily operations, the wastes are primarily generated from our travel destinations, which includes food waste, domestic waste and wastes from offices. Based on the *Waste Disposal Ordinance*, the *Legislative Proposals on Regulation of Edible Fats and Oils and Recycling of "Waste Cooking Oils"* and the nature of the business, each business units develop appropriate waste management plan, to reduce waste generation and recycle waste as much as possible in a reasonable and scientific way. Thus, each of our business units actively cooperate with qualified third-party environmental protection service providers, supervise and manage the entire process of classification, collection, transportation and disposal of the wastes. With the regular waste disposal, recycling, refining and fertiliser producing, we have achieved the recycling of the resource. At the same time, we have prevented our sewage system of the business units from damage and repairments that caused by oil contaminant, and it saves the local environment as well. For instance, Window of the World and Splendid China carry out garbage classification according to the Garbage Classification Management Policy in Shenzhen, and place garbage bin for classification in scenic spots, authorise professional recycling companies to dispose wastes.

We advocate paperless office, manage consumable office supplies and promote the use of recycled paper to reduce the generation of discarded office supplies. Therefore, our business units have set up various management policies to achieve paperless office, such as the *Environmental Management Policy* of Metropark Hotel Causeway Bay and the *Paperless Office Policy* of Beijing Metropark Hotel. In accordance with the above polices, our business units advocate employees to use portable storage tools and electronic files in office, and provide wastepaper recycling point for employees to discard. Through our collaboration with qualified professional service providers to recycle wastepaper, we have effectively reduced our indirect GHG emissions that resulted by unreasonable paper consumption.

The wastes generated from our operation are listed below. Some wastes are recycled by third party recycling companies, scrapped vehicles are recovered by a repairer

Waste Disposed (by types)	2020		Unit	Intensity
Non-hazardous waste	***Produced***	***Recycled***		Tonne/million HK$
Food waste	17,936	17,639		9.12
Domestic waste	8,048.24	0.00		4.09
Paper	16.37	11.54		8.32×10^{-3}
Metal	9.36	4.77		4.76×10^{-3}
Plastic	13.28	11.64	Tonne	6.75×10^{-3}
Glass	183.50	181.80		9.33×10^{-2}
Construction waste	580.51	250.51		2.95
Hazardous waste	***Produced***	***Recycled***		
Toner	0.10	0.00		0.05 kg/million HK$
Scrapped Vehicles	24	24	Unit	0.01 unit/million HK$

Note:

1. We are gradually improving our management system on environmental statistics, business units that are available for data collection include: 6 business units in China mainland including: Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Anji Company, Beijing Metropark Hotel (data available for non-hazardous waste); and China Travel Tours Transportation Services (data available for hazardous waste). We use the Group's consolidated revenue HK$1,967 million in 2020 as the denominator for all intensity calculation to reflect the waste generated as each consolidated revenue generated.

Case Studies
Recycle Lucky Money envelop and mooncake boxes Metropark Hotel Macau participated in the activity organised by the Environmental Protection Bureau of Macau. The hotel set up a recycling box in the public area in the hotel to recycle Lucky Money envelop and moon cake boxes.
Paperless office Metropark Hotel Kowloon aims to achieve paperless office, there was 17% less paper consumed in 2020 than in 2019.
Waste cooking oils recovery During the Reporting Period, Metropark Hotel Mongkok and Metropark Hotel Macau properly recovered and disposed 672 litres and 480 litres of waste cooking oils respectively through qualified third-party service provider.
Waste engine oil and waste disposal According to the local waste disposal policy, Shapotou Scenic Spot conducts waste classification. In 2020, a total of 540 kg of waste engine oil was recovered through third-party service provider.

4. OUR PEOPLE

Employees are our most valuable asset. We adhere to the concept of "people-oriented", always stand in the perspective of our employees hear their voices and understand their needs. We attach great importance on team building, commit to offer competitive compensation and benefits for our employees, implement open, fair and responsible recruitment principle, and establish extensive training and development programs to help employees to grow. With our unremitting efforts, we promote a fair, open, inclusive, and excellent working environment for employees to lay our foundation for sustainable development.

4.1 Employee Recruitment and Benefits

The development of the Company depends on the outstanding human resource policy. we attract and retain excellent talents to ensure the sustainable development of the business. We have created significant employment opportunities in the places where we operate, we also strictly comply with local laws and regulations.

Based on our Administrative Measures for Recruitment and other relevant laws and policies to manage salary, dismissal, recruitment, working hours and leaves to ensure employees' rights. We emphasise equal opportunity and eliminate discrimination on the grounds of gender, disability, pregnancy, race, religion, age, family status or any other aspect of personal difference in recruitment. We expect all employees to appreciate, care and respect for each other and have zero tolerance for any form of discrimination or harassment.

We strictly abide to the Labour Law of the People's Republic of China, the Provisions on Prohibition of Child Labour, the Regulations on Supervision on Labour and Social Security and other regulations to address employment risk. We use public security system to undertake strict censorship on new employees to verify their identity to ensure the compliance of our recruitment process. Any form of child and forced labour in our organisation is strictly prohibited. We also provide relevant training on labour law to inform employees of their rights. By the end of the Reporting Period, 13 operation units of the Company had a total of 6,692 employees. During the Reporting Period, there was no cases of discrimination, child and forced labour, or any other violations against laws.

Case Studies
Extra holidays Metropark Hotel Macau offers staff extra holidays for traditional Chinese festivals, including Buddha's Birthday and Dragon Boat Festival. The number of public holidays available to staff has been extended from 12 days to 14 days per year.
Allowance for front line employees against the pandemic Metropark Hotel Kowloon provides special allowance to staffs who participate in pandemic prevention, it aims to encourage employees to actively participate in the pandemic prevention.

4.2 Health and Well-being

We continue to improve relevant policies to enhance inclusivity in workplace, provide more cares for our employees. We continue to invest resources to optimise employee welfare, such as providing comprehensive health and life insurance and setting up specific retirement plans. Considering that employees may experience different situations and challenges in their lives, we encourage employees to seek a work-life balance, for this purpose we provide different kinds of assistance to enable employees to pursue their personal goals and promote job engagement on their return. For example, 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 our hotels to assist working parents in combining their working and caring responsibilities. Considering the pandemic in 2020, we encourage employees to agree options with their colleagues and managers, such as flexible working hours and alternative locations, to better balance their work and personal commitments. To constantly improve the policy for employees, we hope to hear the voice from employees, expect more employees to talk with their managers or top management to share their ideas. Thus, we set up employee communication channel to obtain their feedbacks, so that we can improve our decision-making and the way to work.

We ensure the safety and health condition of employees' working environment, and commit to create a safe, healthy and friendly working environment for employees. Beijing Metropark Hotel has established an occupational disease and health management mechanism and appoints expert to take charge of it, invites qualified institute to carry out environmental testing on occupational disease every year, all relevant sites in the hotel are qualified during the Reporting Period. The hotel also regularly publicises occupational safety and health knowledge and organizes occupational safety seminars to help staff to keep informed of occupational and health knowledge, and to identify causes of health hazards and the principles and methods to prevent them. To protect the health of employees, reduce injuries, prevent occupational diseases, and improve their life quality and work efficiency, according to our Salary Management System and the Provisions on the Employee Allowance Standards, Zhuhai OSR、Shapotou Scenic Spot and Beijing Metropark Hotel arrange professional clinics to provide free health check for employees every year.

In accordance with the Occupational Safety and Health Ordinance and relevant laws, regulations and standards, Metropark Hotel Mongkok、Metropark Hotel Causeway Bay carried out internal management and formulated the Emergency Plan for Work Safety Accidents, the Occupational Safety and Health Policy and the Code of Staff Safety at Work. We conduct self-check on firefighting, public hygiene, engineering, security and other key aspects through regular safety meetings, self-assessment on fire and life safety and food hygiene. We also provide employees safety guidance and training, require employees to abide with safety rules to prevent accident and work injury.

The Company continues to pay attention to the pandemic, ensures the safety of our staffs and do everything as we can to support them if necessary. In 2020, there was no work-related fatality happened in each of our business units, while 29 employees were injured, and the lost working days amounted to 1,083. We will continue to strengthen safety education and provide necessary assistance to employees to prevent accidental work injuries.

Case Studies

Safety action

Shapotou Scenic Spot offers employees a safe working environment and necessary protective measures. For positions such as property management, electrician, sanitation, maintenance, drivers etc., various protection tools are distributed regularly to employees to provide safety protection.

4.3 Training and Development

Building an outstanding team is essential to promote the sustainable development of a company. Employee career development is very important for team building, by considering the Company's development goals and personal career needs, we establish a complete mechanism of training and development to invest our employee in different stage of their career development. We provide various types of tailored training, improve staff quality, broaden the employee career development path to support employees grow.

In 2020, Anji Company invited experts, local fire department and the Red Cross Society to provide comprehensive and systematic training for employees, which include occupational skills, first aid, fire safety, pandemic prevention and etc., it ensures employees to comprehensively improve their abilities. In addition, at the end of 2020, Anji Company officially launch the talent succession plan "Key Go/GE", it offers employees a clearer career plan and supports their career development.

Recruitment and development of new employees is very important to us. According to the Provisional Human Resource Management System, Window of the World provides comprehensive orientation, which combines online training, knowledge competition, sports and other activities to help employees to improve their professional ability and adaptability in workplace. The management team of the Window of the World is committed to ensure that all employees have access to high-quality training opportunities. During the pandemic, by advocating "fight with anxiety through learning and strengthen our will through knowledge", we encourage employees to actively participate in training and provide professional training for 3,477 times through online courses.

Training activities provided to staff in 2020 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 2020, total training hours of our employees exceeds 149,000 hours.

Case Studies
"Education Class" project Zhuhai OSR provides educational opportunities for employees and gives training incentives of 500 to 1,000 yuan per employee. By the end of 2020, there are 33 students in the program, this number is doubled compared to last year at the same time.
"Magic Ningxia" cultural tourism online celebrity talent incubation "Online celebrity" has become a mainstream for media communication. In response to the professional talent training class organised by the Cultural and Tourism Department of the Autonomous Region, Shapotou Scenic Spot advertises Ningxia tourism through online celebrity. Last year, a total of 22 occupational trainings were carried out in various fields by Shapotou Scenic Spot.

5. OPERATING PRACTICES

We adhere to the philosophy of standardised operating practices, and base on this to provide us the most stringent guidance on our conducts. As a responsible company, we must strictly abide by laws and regulations, to be ethical and transparent. Responsible business practices not only help our business and long-term development, but also have a positive impact on the environment and society in which we operate. We ensure our operations comply with all laws, and build sustainable partnerships with stakeholders, constantly improve the quality of our services, ensure that we serve our customers responsibly and maintain business growth at a steady pace.

5.1 Supply Chain Management

Our supplier network covers Hong Kong, Macau and Mainland China. In the Reporting Period, we work with more than 1,934 suppliers and service provides. All suppliers are evaluated strictly internally before cooperation, to reduce any potential risks related to the supply chain. Regarding quality control issues, Anji Company、Metropark Hotel Mongkok、Metropark Hotel Causeway Bay conduct "suppliers annual assessment" to comprehensively evaluate various suppliers and sign security agreements, terminate cooperation with unqualified suppliers. We have stricter requirements on suppliers who supply high-risk food and goods. For example, suppliers of high-risk food such as salmon, sushi, bread crab, blue mouth, etc., must have qualified hygiene certificate before supplier recruitment, at the same time, suppliers must also accept irregular on-site audit by us.

We abide by the Food Safety Law of the People's Republic of China, the Food Safety Law in Macao and the Food Safety Ordinance in Hong Kong and relevant laws. Our hotels in Hong Kong also conduct on-site review of the supply quality and the status of suppliers, sample and send the food to laboratory for testing. The supplier should also provide relevant hygiene certificate when delivering the goods, all import trades through suppliers requires "Entry-exit Inspection and Quarantine Certificate". During the pandemic, we also actively respond to the pandemic prevention and control policy to ensure the safety and quality of food and goods. For example, pandemic prevention products should be certified by third-party independent inspection, and all imported cold-chain products must meet specific standards of imported cold-chain products during the pandemic. Only after providing "nucleic acid test report for imported food", disinfection certificate of vehicles and warehouse, nucleic acid test report of delivery personnel and the green health code, the goods can be accepted and stored by our warehouse.

We strictly manage the cooperation with suppliers, identify and correct any potential problems in a timely manner. During the Reporting Period, no supplier violates any laws or regulations regarding business ethics, environmental protection, human rights or labour practices.

Case Studies

Suppliers management

Metropark Hotel Macau scores suppliers for every half year, evaluates the quality, price, packaging, delivery time and other aspects of suppliers' products in annual procurement.

5.2 Service Responsibility

Customer Health and Safety

We emphasise "people-oriented, safety first". Each of our business units committed to strengthen production safety supervision and risk prevention, strengthen employee training, improve safety awareness and emergency management, and reduce potential safety risks. For example, on a regular basis, Metropark Hotel Kowloon、Metropark Hotel Macau provide staffs with fire safety training and defibrillator training courses by familiarizing themselves with safety rules, evacuation and inviting experts.

We also ensure the functionality of our infrastructure to provide our customers with outstanding and guaranteed service. Metropark Hotel Macau、Anji Company carry out daily inspection, cleaning, disinfection and maintenance for all kinds of equipment and water supply pools to ensure equipment operation and water quality. The hotel also arranges regular patrols by security guards and carries out monitoring and security screening in the security room. The security department keeps instant contacts with police to ensure the safety of all guests.

During the pandemic, all business units take actions to ensure the safety of clients. For example, Window of the World strengthens pandemic prevention and control in scenic spots, all tourist buses and indoor areas require social distancing, and place reminders in obvious areas to prevent the spread of the pandemic while providing services for tourists. Metropark Hotel Mongkok、Metropark Hotel Kowloon have set up body temperature detectors at entrances and exits, all working staffs should be fully disinfected and wear appropriate protective equipment. To avoid cross-infection, housekeepers can clean the rooms only after disinfecting the rooms and when guests are not in the rooms, hotel reception should install protective transparent plastic board to protect staff and guests. In 2020, no major safety accidents occurred in any business units.

Customer Satisfaction

To optimise service standards and promote the word-of-mouth management, each of our business units have formulated customer complaint management policies, and regularly conduct customer service training for employees to ensure that complaints from customers can be addressed in a timely and proper manner. During the Reporting Period, we did not receive any major customer complaints against our company or our employees.

To optimise the check-in and check-out procedures, Metropark Hotel Mongkok conducts training for all staff regarding service attitude, communication and reception skills, the hotel also invites customers to write comments on its services, so as to find out the shortcomings of its service for improvements. In accordance with the internal policy of the hotel, the manager on duty must deal with complaints immediately to make the guests feel respect and care. Through internal management and improvement, Metropark Hotel Mongkok wins praises from customers, its service rating ranks among the top 6% in Hong Kong on TripAdvisor.

Shapotou Scenic Spot set up a complete service quality inspection system and *Service Complaint Treatment Procedures* to improve tourist complaint treatment procedures, carry out and report internal service quality inspection regularly. During the Reporting Period, Shapotou Scenic Spot has issued 6 service quality inspection reports, 75 relevant problems were identified and corrected. Shapotou Scenic Spot also carries out word-of mouth management, pays attention to the online public sentiment regarding Shapotou Scenic Spot and properly handles it, in 2020, Shapotou Scenic Spot dealt with more than 10 relevant events and issued a summarised report.

Service innovation is also our target, Metropark Hotel Kowloon set up a specialised team and successfully invited 592 guests to join chat app, which offers more efficiency and convenience for the hotel to communicate and meet the needs of guests. At the same time, we actively participate in various kinds of customer satisfaction surveys. In 2020, 1,107 valid questionnaires were collected by Metropark Hotel Macau, with an overall satisfaction rate of 99.22%.

Case Studies
Anti-Epidemic Hygiene Measures Certification Scheme During the pandemic, Metropark Hotel Kowloon adopts appropriate hygiene measures to combat the COVID-19 pandemic and passed the strict unannounced on-site assessment by HKQAA, it obtained “Anti-Epidemic Hygiene Measures Certification” on December 16, 2020.
Customer service improvement To improve customer service, during the Reporting Period, Anji Company starts implementing “guideline for professional service and leading actions”, In June 2020, Anji Company set up an independent guest service department to provide professional customer service, it aims to respond to various needs of customers in a timely manner and continue to improve relevant services. By the end of 2020, ratings on Anji Company on all kinds of online platforms had significantly improved.

5.3 Intellectual Property and Data privacy

As for us, the safety and confidentiality of our customers' information is the core part of our business. We strengthen management and control over the privacy of our customers and employees to ensure the safety of our data.

Our business has potential privacy risks, relevant business units strictly protect the privacy of customers as required by relevant confidentiality rules, and sign confidentiality agreements with employees, we also train employees in accordance with BSA standards. Window of the World standardises its ticket sales centre, authorises its information centre to manage ticket information of tourists and restrict access, ensure the information of tourists will not be disclosed and protect privacy and the rights of consumers. In Hong Kong, we strictly abide by the Personal Data (Privacy) Ordinance, developed and strictly enforce policies and management practices to protect customer privacy to prevent unauthorised use of customer data. Metropark Hotel Mongkok regularly destroys customer documents to ensure customer information safety.

Window of the World strictly abides by Copyright Law of the People's Republic of China, Patent Law of the People's Republic of China, and Trademark Law of the People's Republic of China, reviews the music materials used in the scenic spot in advance. All music materials have signed contracts with copyright owners, the uses of relevant music materials abide by the specified terms in laws and contracts, which effectively avoids potential intellectual property disputes.

In 2020, we were not aware of any events 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.

5.4 Anti-Corruption

Constructing anti-corruption system and strictly preventing corruption is the foundation for enterprise to maintain efficient operations. We have zero tolerance for any form of corruption, bribery, extortion and money-laundering. Based on the Prevention of Bribery Ordinance, Metropark Hotel Mongkok set up the Regulations for Behaviour and Discipline of Employee, conducts integrity education and anti-corruption measures, specifies risk prevention plans and policies, carries out monitoring and regular reporting on key risks, strictly addresses improper behaviours that violate regulations such as bribery, abuse of power and etc. We also require all employees to be aware of the relevant policies, codes of conduct and potential traps at work, and to sign relevant integrity statement.

In 2020, we continued to improve the internal control mechanism, no risks or violations of regulations were found in key business units, no legal cases concerning corrupt practices were brought against the Company.

Case Studies
Department structural adjustment Metropark Hotel Kowloon strengthens the control of the procurement process and adjusts the internal structure, separated the finance department from the procurement department in organisational structure, maintains the independence of each department.
Integrity education Zhuhai OSR organised its senior management and employees to visit detention centres, prisons and education bases, by watching education videos to promote integrity and advocate the value of integrity and self-discipline.
Discipline inspection and system improvement During the Reporting Period, Window of the World established 16 working systems from five aspects, including discipline inspection, responsibility, routine supervision, functional supervision and accountability. Based on the working system, 35 inspections were conducted, it found 21 problems and put forward 35 suggestions, which were fully addressed.

6. COMMUNITY

We take social responsibility fulfilment as our own responsibility, devote ourselves to spread warmth for the vulnerable groups in society, attach importance to community investment, and help the underprivileged and deserving members of the community by supporting different types of public welfare events. In addition to responding to World Wide Fund for Nature and the Hong Kong Community Chest's events, we have also held various activities to encourage employees to actively participate in voluntary services, share the achievements of corporate development with the community, and promote the harmonious development of the community through various activities. During the Reporting Period, we organised and participated in 13 volunteer activities, the total service hours in Hong Kong, Macau and Mainland China are more than 1,533 hours.

We pay close attention to the aging society and actively participate in relevant community events. We visited the nursing home and our retired staff on holidays, share the mooncakes made by our hotels with them. During the pandemic, each of our business units actively responded to the call of the nation, conducted voluntary donations and encouraged employees to provide assistance to medical workers who contribute to pandemic prevention in Wuhan, and we raised a total of 215,014 RMB in the form of donations from our employees.

Case Studies
"Walk for Millions" There were 4 employees from Kew Green Hotel Wanchai and Metropark Hotel Mongkok participated in "Walk for Millions" held by the Community Chest.
Cultural heritage protection and environmental improvement Shapotou Scenic Spot locates in an area that full of historical relics. The travel destination has taken measures to protect the rock paintings and other cultural relics, carried out rectification on surrounding highway and environment. A total of 46 person-times participated in this activity. Household investigation for pandemic prevention and control Shapotou Scenic Spot volunteered to support local pandemic prevention and control, 38 employees assisted medical workers on household investigation for nearly 1,200 hours.

Appendix – HKEx Environmental, Social and Governance Reporting Guide Content Index

Indicators		Reference	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure			59-65
KPI A1.1	Type of emissions and respective emissions data	Our Environment – Emissions Reduction	62-63
KPI A1.1	Greenhouse gas emissions in total	Our Environment – Emissions Reduction	61-62
KPI A1.1	Total hazardous waste produced	Our Environment – Waste Management	64-65
KPI A1.1	Total non-hazardous waste produced	Our Environment – Waste Management	64-65
KPI A1.1	Measures to mitigate emissions and results achieved	Our Environment – Emissions Reduction	61-63
KPI A1.1	How hazardous and non-hazardous waste is handled, reduction initiatives, and results achieved	Our Environment – Waste Management	64-65
Aspect A2: Use of Resources			
General Disclosure			59-63
KPI A2.1	Direct and indirect energy consumption by type	Our Environment – Energy and Resources	60
KPI A2.2	Water consumption in total	Our Environment – Water	63
KPI A2.3	Energy use efficiency initiatives and results achieved	Our Environment – Energy and Resources	59-60
KPI A2.4	Water efficiency initiatives and results achieved	Our Environment – Water	63
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			59
KPI A3.1	The significant impacts of activities on the environment and natural resources and the actions taken to manage them	Our Environment	59

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	66
Aspect B2: Health and Safety			
General Disclosure	Providing a safe working environment and protecting employees from occupational hazards	Our People – Health and Well-being	67-68
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	68-69
Aspect B4: Labour Standards			
General Disclosure	Preventing child and forced labour	Our People – Employee Recruitment and Benefits	66
Aspect B5: Supply Chain Management			
General Disclosure	Environmental and social risks of the supply chain	Operating Practices – Supply Chain Management	69-70
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	70-72
Aspect B7: Anti-corruption			
General Disclosure	Bribery, extortion, fraud and money laundering	Operating Practices – Anti-Corruption	72-73
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	73

INDEPENDENT AUDITOR'S REPORT

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 82 to 194, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 2020, 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$1,103 million and HK$259 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 2020;
- 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

30 March 2021

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **HK$'000**	2019 HK$'000
Revenue	5	**1,966,709**	4,476,996
Cost of sales		**(1,891,006)**	(2,653,331)
Gross profit		**75,703**	1,823,665
Other income and gains, net		**603,157**	325,924
Changes in fair value of investment properties		**(183,271)**	(36,238)
Selling and distribution costs		**(403,120)**	(533,938)
Administrative expenses		**(874,070)**	(998,836)
Operating (loss)/profit	7	**(781,601)**	580,577
Finance income	6	**68,554**	87,550
Finance costs	6	**–**	–
Finance income, net	6	**68,554**	87,550
Share of profits less losses of			
– associates		**(22,612)**	66,185
– joint ventures		**(6,160)**	–
(Loss)/profit before taxation		**(741,819)**	734,312
Taxation	10	**129,735**	(196,548)
(Loss)/profit for the year		**(612,084)**	537,764
Attributable to:			
Equity owners of the Company		**(390,792)**	386,880
Non-controlling interests		**(221,292)**	150,884
(Loss)/profit for the year		**(612,084)**	537,764
(Loss)/earnings per share for (loss)/profit attributable to equity owners of the Company (HK cents)	12		
Basic (loss)/earnings per share		**(7.06)**	7.08
Diluted (loss)/earnings per share		**(7.06)**	7.08

The notes on pages 90 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year		**(612,084)**	537,764
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property valuation, net of tax	10(c)	**605**	1,925
Equity investments at FVOCI – net movement in fair value reserve (non-recycling), net of tax	10(e)	**(19,598)**	7,871
Items that may be reclassified subsequently to profit or loss:			
Share of hedging reserve, net of tax	10(d)	**(2,181)**	5,627
Exchange differences on translation of foreign operations, net		**586,197**	(258,600)
Cash flow hedges:			
net movement in hedging reserve	10(f)	**6,290**	–
Other comprehensive income for the year, net of tax		**571,313**	(243,177)
Total comprehensive income for the year		**(40,771)**	294,587
Attributable to:			
Equity owners of the Company		**122,505**	166,519
Non-controlling interests		**(163,276)**	128,068
Total comprehensive income for the year		**(40,771)**	294,587

The notes on pages 90 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**9,412,901**	8,120,307
Investment properties	14	**1,621,154**	1,745,232
Prepaid land lease payments	15	**411,054**	2,163,793
Goodwill	16	**1,347,825**	1,323,828
Other intangible assets	17	**112,734**	198,160
Interest in associates	19	**933,012**	1,216,602
Interest in joint ventures	20	**155,578**	–
Other financial assets	21	**27,395**	48,782
Prepayments and other receivables	26	**555,382**	5,918
Deferred tax assets	35	**259,473**	61,901
Total non-current assets		**14,836,508**	14,884,523
Current assets			
Inventories	22	**175,392**	17,780
Properties under development	23	**4,250,099**	2,263,561
Completed properties held for sale	24	**374,488**	26,607
Trade receivables	25	**81,743**	59,748
Deposits, prepayments and other receivables	26	**705,683**	330,469
Loan to fellow subsidiaries	29	**381,439**	395,865
Amounts due from holding companies	29	**1,165**	22,224
Amounts due from fellow subsidiaries	29	**152,228**	113,989
Tax recoverable		**13,983**	75,812
Financial assets at fair value through profit or loss	27	**297,553**	56,904
Pledged time deposits	28	**10,644**	18,333
Cash and bank balances	28	**2,947,404**	3,198,048
Assets of disposal group classified as held for sale	36	**955,865**	343,065
Total current assets		**10,347,686**	6,922,405
Total assets		**25,184,194**	21,806,928

as at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020 HK$'000**	2019 HK$'000
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	37	**9,222,295**	9,222,295
Reserves		**6,985,164**	6,863,980
		16,207,459	16,086,275
Non-controlling interests		**2,228,804**	1,277,892
Total equity		**18,436,263**	17,364,167
LIABILITIES			
Non-current liabilities			
Deferred income	32	**772,363**	679,069
Lease liabilities	34	**229,791**	244,810
Bank and other borrowings	33	**95,052**	–
Deferred tax liabilities	35	**686,561**	604,956
Total non-current liabilities		**1,783,767**	1,528,835
Current liabilities			
Trade payables	30	**439,284**	243,635
Other payables and accruals	31	**3,207,303**	2,055,319
Loans from holding companies	29	**514,130**	77,028
Amounts due to holding companies	29	**3,882**	1,715
Amounts due to fellow subsidiaries	29	**4,924**	1,553
Lease liabilities	34	**61,309**	30,468
Tax payables		**110,164**	157,406
Bank and other borrowings	33	**51,569**	3,801
Liabilities of disposal group classified as held for sale	36	**571,599**	343,001
Total current liabilities		**4,964,164**	2,913,926
Total liabilities		**6,747,931**	4,442,761
Total equity and liabilities		**25,184,194**	21,806,928

Approved and authorised for issue by the board of directors on 30 March 2021:

Jiang Hong
Director

Wu Qiang
Director

The notes on pages 90 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Attributable to equity owners of the Company											
	Share capital HK'000 (note 37)	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 2020	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
Comprehensive income												
Loss for the year	-	-	-	-	-	-	-	-	(390,792)	(390,792)	(221,292)	(612,084)
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)	-	-	-	-	-	-	-	(17,066)	-	(17,066)	(2,532)	(19,598)
Gain on property revaluation, net of tax	-	-	605	-	-	-	-	-	-	605	-	605
Items that may be reclassified subsequently to profit or loss:												
Share of hedging reserve, net of tax	-	-	-	(2,181)	-	-	-	-	-	(2,181)	-	(2,181)
Exchange differences on translation of foreign operations, net	-	-	-	-	-	-	528,794	-	-	528,794	57,403	586,197
Cash flow hedges:												
Change in fair value, net of tax	-	-	-	(3,937)	-	-	-	-	-	(3,937)	(3,937)	(7,874)
Transfer to profit or loss	-	-	-	7,082	-	-	-	-	-	7,082	7,082	14,164
Total other comprehensive income for the year, net of tax	-	-	605	964	-	-	528,794	(17,066)	-	513,297	58,016	571,313
Total comprehensive income for the year	-	-	605	964	-	-	528,794	(17,066)	(390,792)	122,505	(163,276)	(40,771)
Transactions with owners												
Transfer from retained profits	-	-	-	-	-	9,750	-	-	(9,750)	-	-	-
Forfeiture of share options	-	(4,491)	-	-	-	-	-	-	4,491	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(7,027)	(7,027)
Deem disposal of associates	-	-	-	1,824	-	-	-	-	-	1,824	-	1,824
Acquisition of subsidiaries	-	-	-	(3,145)	-	-	-	-	-	(3,145)	1,060,693	1,057,548
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	60,522	60,522
Total transactions with owners for the year	-	(4,491)	-	(1,321)	-	9,750	-	-	(5,259)	(1,321)	1,114,188	1,112,867
At 31 December 2020	9,222,295	-	556,603	-	(547,172)	240,201	147,036	2,331	6,586,165	16,207,459	2,228,804	18,436,263

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Attributable to equity owners of the Company											
	Share capital HK'000 (note 37)	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 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:

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 90 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020 HK$'000**	2019 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(741,819)**	734,312
Adjustments for:			
Finance income		**(68,554)**	(87,550)
Loss on disposal of property, plant and equipment, net		**3,309**	4,332
Income from financial assets at fair value through profit or loss		**(6,344)**	(13,478)
Depreciation		**606,975**	485,625
Amortisation of prepaid land lease payments		**32,664**	29,401
Amortisation of other intangible assets		**2,946**	2,977
Provision for impairment of property, plant and equipment and properties under development		**7,147**	–
Reversal of impairment of trade and other receivables		**(285)**	(334)
Gain on bargain purchase of a subsidiary		**(36,834)**	–
Gain on deemed disposal of an associate		**(182,822)**	–
Reversal of provision for the closure of golf club		**(138,346)**	(155,358)
Changes in fair value of investment properties		**183,271**	36,238
Share of profits less losses of associates		**22,612**	(66,185)
Share of profits less losses of joint ventures		**6,160**	–
Equity-settled share option expense, net		**–**	(32,326)
		(309,920)	1,248,370
Decrease in inventories		**16,039**	493
Increase in properties under development and completed properties held for sale		**(374,149)**	(590,436)
(Increase)/decrease in trade receivables, deposits, prepayments and other receivables		**(808,830)**	116,202
Decrease in amounts due from associates		**1,079**	8,767
Decrease in amounts due from holding companies		**115,964**	1,404
Increase in amounts due from fellow subsidiaries		**(38,239)**	(73,825)
Increase/(decrease) in trade payables, other payables and accruals		**871,149**	(115,046)
Increase/(decrease) in amounts due to associates		**4,241**	(8,138)
Increase/(decrease) in amounts due to fellow subsidiaries		**8,030**	(6,080)
Increase in deferred income, net of sales tax		**53,868**	4,417
Cash (used in)/generated from operations		**(460,768)**	586,128
Hong Kong, PRC and Macau profits taxes paid		**(53,038)**	(185,025)
Overseas taxes paid		**581**	(21)
Net cash flows (used in)/generated from operating activities		**(513,225)**	401,082

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Finance income received		**82,921**	105,607
Dividends received from associates and joint ventures		**–**	136,564
Increase in loan to fellow subsidiaries		**14,426**	(238,502)
Purchases of property, plant and equipment and prepaid land lease payments		**(480,322)**	(461,426)
Proceeds from disposal of property, plant and equipment		**13,888**	28,634
Disposal of subsidiaries, net of cash		**–**	(610)
Acquisition of associates		**–**	(460)
Acquisition of joint ventures		**(106,196)**	–
Acquisition of subsidiaries, net		**208,572**	–
Increase in entrustment loan receivables		**–**	273,910
Proceeds upon disposal of financial assets at fair value through profit or loss		**602,686**	2,581,307
Additions to financial assets at fair value through profit or loss		**(863,556)**	(1,694,449)
Decrease in pledged time deposits		**10,140**	23,321
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**818,589**	559,596
Net cash generated from investing activities		**301,148**	1,313,492
Cash flows from financing activities			
Capital element of lease rental paid		**(58,665)**	(42,034)
Interest element of lease rental paid		**(12,990)**	(13,819)
Finance cost paid		**(5,235)**	(8,701)
Dividends paid		**–**	(61,810)
Exercise of share option		**–**	425
Dividends paid to non-controlling shareholders		**(7,027)**	(146,311)
Contribution from non-controlling shareholders		**90,842**	198,188
Proceeds of new bank loans		**143,340**	–
Repayment of bank loans		**–**	(242,985)
Proceeds of amount due to non-controlling shareholder		**133,882**	–
Proceeds of loan from holding companies		**432,148**	–
Net cash generated from/(used in) financing activities		**716,295**	(317,047)
Net increase in cash and cash equivalents		**504,218**	1,397,527
Cash and cash equivalents at beginning of year	28(a)	**2,460,369**	1,101,901
Effect of foreign exchange rate changes, net		**87,391**	(39,059)
Cash and cash equivalents at end of year	28(a)	**3,051,978**	2,460,369

The notes on pages 90 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 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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);

– financial assets at fair value through profit or loss (see note 2.10); and

– derivative financial instruments (see note 2.14).

(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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business

- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

(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)

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year (see note 39).

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 13). There is no impact on the opening balance of equity at 1 January 2020.

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.

(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)

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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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 unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.29). 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 and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.29). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2.7 and 2.11(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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 (i)).

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.10).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (see note 2.11). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Leasehold land 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:

Right-of-use assets	Over the lease terms
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%
Vessels	5% to 6.7%
Synrolift system	6.7%
Repairable parts	6.7% to 10%

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 on the date the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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

2.6 Investment properties

Investment properties, principally comprising leasehold land and buildings, are 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. Investment properties are 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Ticketing operation rights are stated at cost less any impairment losses (see note 2.11(ii)) 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

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 laptops and office furniture. 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)

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;

– 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.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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

(ii) As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2.23(h).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2.9(i), then the Group classifies the sub-lease as an operating lease.

(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 45. 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 irrevocable 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 (j).

(Expressed in Hong Kong dollars unless otherwise indicated)

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 and contract assets: 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 and contract assets 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.

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 (i) 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, lease receivable and 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);

– 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 (i)).

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 used solely to manage exposures to fluctuations in fuel prices in accordance with the Group's risk management policies. The Group does not hold or issue derivative financial instruments for proprietary trading purposes.

All derivative financial instruments are recognised at fair value in the statement of financial position. Where derivative financial instruments are designated as hedging instruments in a cash flow hedge and hedge exposure to fluctuations in fuel prices, any fair value change is accounted for as follows:

(a) the effective portion of the fair value change is recognised in other comprehensive income and accumulated separately in equity and is included in profit or loss as an adjustment to revenue, net finance charges or fuel expense in the same period or periods during which the hedged transaction affects profit or loss.

(b) the ineffective portion of the fair value change is recognised in profit or loss immediately.

Derivative financial instruments which do not qualify as hedging instruments are accounted for as fair value through profit or loss and any fair value change is recognised in profit or loss immediately

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".

The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast purchase occurs).

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories and other contract costs (continued)

(i) Inventories (continued)

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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions, contingent liabilities and onerous contracts

(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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(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) revenue arising from the sale of fuel is recognised upon delivery to customers and recognised at a point in time;

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

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

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Foreign currencies (continued)

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

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

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 noncurrent 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

At each end of the reporting period, the Group performs an impairment assessment of property, plant and equipment 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.

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. If the value in use is lower than the carry values of the assets, the management will further assess the fair value less costs of disposal to calculate the recoverable amount and determine the impairment amount.

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 2020.

(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 and vessel 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 (loss)/profit attributable to equity owners of the Company of each reportable operating segment excluding changes in fair value of investment properties, result from acquisition or disposal of investments, property, plant and equipment and share option expenses.

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

	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	1,285,388	252,398	325,698	90,756	1,954,240	12,469	1,966,709
Inter-segment revenue	1,542	231	8,883	878	11,534	464	11,998
	1,286,930	252,629	334,581	91,634	1,965,774	12,933	1,978,707
Elimination of inter-segment revenue					(11,534)	(464)	(11,998)
Revenue					1,954,240	12,469	1,966,709
Segment results	27,984	(18,689)	(97,486)	(297,147)	(385,338)	(51,334)	(436,672)
Non-controlling interests							(221,292)
Segment operating results before non-controlling interests							(657,964)
Gain on deemed disposal of an associate							182,822
Gain on bargain purchase of a subsidiary							36,834
Changes in fair value of investment properties, net of tax							(170,486)
Net loss on disposal of property, plant and equipment, net of tax							(3,290)
Loss for the year							(612,084)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020 (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	12,630,044	2,002,875	3,755,562	2,073,008	20,461,489	3,634,115	24,095,604
Interest in associates	813,678	–	–	102,026	915,704	17,308	933,012
Interest in joint ventures	103,325	–	–	52,253	155,578	–	155,578
Inter-segment receivables	158,987	603,073	616,192	75,606	1,453,858	6,538,185	7,992,043
	13,706,034	2,605,948	4,371,754	2,302,893	22,986,629	10,189,608	33,176,237
Elimination of inter-segment receivables							(7,992,043)
Total assets							25,184,194
Segment liabilities	4,629,372	500,710	479,360	607,097	6,216,539	531,392	6,747,931
Inter-segment payables	3,844,122	558,587	2,147,617	966,691	7,517,017	475,026	7,992,043
	8,473,494	1,059,297	2,626,977	1,573,788	13,733,556	1,006,418	14,739,974
Elimination of inter-segment payables							(7,992,043)
Total liabilities							6,747,931
Other segment information:							
Share of profits less losses of associates	74,211	–	–	(96,075)	(21,864)	(748)	(22,612)
Share of profits less losses of joint ventures	(3,608)	–	–	(2,552)	(6,160)	–	(6,160)
Capital expenditure (note a)	575,521	626,209	4,522	37,519	1,243,771	21,116	1,264,887
– owned property, plant and equipment	575,521	565,714	4,522	18,785	1,164,542	21,116	1,185,658
– right-of-use assets	–	60,495	–	18,734	79,229	–	79,229
Depreciation and amortisation	267,226	31,581	131,578	157,867	588,252	1,111	589,363
– owned property, plant and equipment	241,948	17,770	131,578	143,516	534,812	1,111	535,923
– right-of-use assets	25,278	13,811	–	14,351	53,440	–	53,440
Provision for impairment recognised in the income statement, net (note b)	8,538	(1,676)	–	–	6,862	–	6,862

Notes:

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

(b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, property, plant and equipment, prepaid land lease payment and amounts due from associates.

(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 property, plant and equipment and prepaid land lease payments.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 HK$'000	2019 HK$'000
Hong Kong	**404,836**	1,625,297
Mainland China (including Macau)	**1,488,695**	2,420,215
Overseas	**73,178**	431,484
	1,966,709	4,476,996

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

	2020 HK$'000	2019 HK$'000
Hong Kong	**6,794,395**	5,834,701
Mainland China (including Macau)	**7,688,946**	7,867,122
Overseas	**50,365**	45,874
	14,533,706	13,747,697

The information about the Group's non-current assets is based on the physical location of assets which exclude other financial assets 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 2020 (2019: 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.

(a) Disaggregation of revenue

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	**720,768**	1,772,817
– Tour, travel agency, travel document and related income	**264,867**	1,308,916
– Hotel income	**332,333**	710,252
– Passenger transportation income	**90,756**	487,036
– Property sales income	**437,813**	57,695
– Consultancy and service income	**47,580**	73,819
	1,894,117	4,410,535
Revenue from other sources		
Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	**72,592**	66,461
	1,966,709	4,476,996

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

As at 31 December 2020, there were no aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts (2019: HK$104,247,000). The amount in 2019 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

	2020 **HK$'000**	2019 HK$'000
Finance income:		
Bank deposits and entrustment loans	**68,554**	87,550
Interest expense:		
Lease liabilities	**(12,990)**	(13,819)
Bank borrowings, overdrafts and other borrowings – wholly repayable within five years	**(5,235)**	(8,701)
	(18,225)	(22,520)
Less: Interest expense capitalised into properties under development and property, plant and equipment*	**18,225**	22,520
Finance costs	**–**	–
Finance income, net	**68,554**	87,550

* The borrowing costs have been capitalised at a rate of 3.49% per annum (2019: 5.21%).

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OPERATING (LOSS)/PROFIT

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

		2020 HK$'000	2019 HK$'000
(a)	Other income and gains, net		
	Rental income on investment properties, net	**(19,817)**	(37,171)
	Foreign exchange differences, net	**4,536**	(680)
	Government grants	**(87,308)**	(26,898)
	Management fee income	**(67,782)**	(70,276)
	Income from financial assets at fair value through profit or loss	**(6,344)**	(13,478)
	Loss on disposal of property, plant and equipment, net	**3,309**	4,332
	Reversal of provision for the closure of golf club	**(138,346)**	(155,358)
	Gain on deemed disposal of an associate	**(182,822)**	–
	Gain on bargain purchase of a subsidiary	**(36,834)**	–
	Other	**(71,749)**	(26,395)
		(603,157)	(325,924)

		2020 HK$'000	2019 HK$'000
(b)	Other items:		
	Depreciation charge		
	– owned property, plant and equipment	**535,923**	438,475
	– right-of-use assets	**53,440**	47,150
		589,363	485,625
	Amortisation of prepaid land lease payments	**32,664**	29,401
	Amortisation of other intangible assets	**2,946**	2,977
	Auditors' remuneration		
	– Audit services	**9,080**	12,256
	– Non-audit services	**1,174**	2,937
	Employee benefit expenses (including directors' remuneration (Note 8)):		
	– Wages and salaries	**1,277,196**	1,325,743
	Equity-settled share option expenses		
	Forfeited option expenses	**–**	(32,326)
	– Equity-settled share option expenses, net	**–**	(32,326)
	– Retirement benefit scheme contributions*	**69,380**	83,041
	Total employee benefit expenses	**1,346,576**	1,376,458
	Reversal of impairment of trade and other receivables, net	**(285)**	(334)
	Provision for impairment of property, plant and equipment and prepaid land lease payments	**7,147**	–
	Direct operating expenses of investment properties	**1,906**	2,157

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OPERATING (LOSS)/PROFIT (Continued)

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

	2020 HK$'000	2019 HK$'000
Fuel cost^	**12,952**	–
Cost of properties sold	**237,893**	30,821

* At 31 December 2020, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2019: 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 uses fuel swap contracts to hedge its fuel price risk arising from highly probable forecast of fuel purchases. The Group used the mark-to-market values quoted by independent financial institutions to estimate the fair values of these derivatives.

The loss in fair value of the fuel swap contracts, that are designated and qualified as cash flow hedges, amounting to HK$4,715,000 (2019: Nil) was recognised in hedging reserve in equity for the year ended 31 December 2020. Under cash flow hedges, the gain of HK$7,082,000 (2019: Nil) was transferred from hedging reserve to the consolidated income statement.

There were no reserve arose from change in fair value of the fuel swap contracts, which qualified as cash flow hedge as at 31 December 2020 (2019: HK$ 357,000).

The derivative financial instruments are denominated in United States dollar.

The following table provides a reconciliation of the hedging reserve in respect of fuel price risk and shows the effectiveness of the hedging relationships:

	2020 HK$'000
Acquisition of subsidiaries on 16 July 2020	**(3,145)**
Effective portion of the cash flow hedge recognised in other comprehensive income	**(4,715)**
Related tax	**778**
Transfer to profit and loss	**7,082**
Balance at 31 December	**–**

(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 2020:

	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 HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity-settled share option expense HK$'000	Estimated money value of other benefits (note (a)) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	HK$'000	Total HK$'000
Independent Non-Executive Directors										
Mr. Chen Johnny (note (b))	350	-	-	-	-	-	-	-	-	350
Mr. Huang Hui	350	-	-	-	-	-	-	-	-	350
Mr. Song, Dawei (note (c))	350	-	-	-	-	-	-	-	-	350
Mr. Tse Cho Che Edward	350	-	-	-	-	-	-	-	-	350
Mr. Zhang Xiaoke	350	-	-	-	-	-	-	-	-	350
Executive Directors										
Mr. Fan Dongsheng (note (g))	228	-	-	-	-	-	-	-	-	228
Mr. Fu Zhuoyang (note (e))	126	-	-	-	-	-	-	-	-	126
Mr. Jiang Hong	296	1,974	1,778	166	-	180	173	-	-	4,567
Mr. Lo Sui On	240	-	-	-	-	-	-	-	-	240
Mr. Wu Qiang (note (f))	240	1,696	1,618	-	-	39	138	-	-	3,731
Mr. Yang Hao	240	-	-	-	-	-	-	-	-	240
Mr. You Cheng	240	1,596	1,636	125	-	150	138	-	-	3,885
Non-Executive Director										
Mr. Tsang Wai Hung (note (h))	161	-	-	-	-	-	-	-	-	161

(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 2019:

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

Certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details are set out in note 38 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 18 January 2019

(c) Appointed on 23 August 2019

(d) Resigned on 22 November 2019

(e) Resigned on 20 May 2020

(f) Appointed on 08 March 2019

(g) Appointed on 20 January 2020

(h) Appointed on 19 June 2020

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: 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 (2019: 3). Details of the remuneration of the five highest paid individuals for the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, housing allowances, other allowances and benefits in kind	**9,179**	11,548
Discretionary bonus	**8,157**	–
Equity-settled share option expenses	**–**	–
Retirement benefit scheme contributions	**602**	365
	17,938	11,913

(Expressed in Hong Kong dollars unless otherwise indicated)

9 FIVE HIGHEST PAID INDIVIDUALS (continued)

The emoluments fell within the following bands:

	Number of employees	
	2020	2019
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	4
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**3**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
	5	5

Share options were granted to the five highest paid individuals in respect of their services to the Group, further details of which are included in the disclosures in note 38 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% (2019: 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.

	2020 HK$'000	2019 HK$'000
Current – Hong Kong		
Charge for the year	**13,899**	51,432
Under-provision in prior years	**6,401**	591
	20,300	52,023
Current – Mainland China and Macau		
Charge for the year	**20,839**	118,903
Under/(over)-provision in prior years	**619**	(2,929)
	21,458	115,974
Current – Overseas		
Charge for the year	**–**	854
LAT	**31,462**	366
Deferred tax	**(202,955)**	27,331
Total tax (credit)/charge for the year	**(129,735)**	196,548

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TAXATION (continued)

(b) A reconciliation of the tax expense of the Group applicable to (loss)/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:

	2020 **HK$'000**	2019 HK$'000
(Loss)/profit before taxation	**(741,819)**	734,312
Share of profits less losses of associates	**22,612**	(66,185)
Share of profits less losses of joint ventures	**6,160**	–
	(713,047)	668,127
Tax at the applicable tax rates	**(148,584)**	145,222
Income not subject to tax	**(69,743)**	(38,448)
Expenses not deductible for tax purposes	**33,041**	49,600
Effect of withholding tax on the distributed/distributable profits of the Group's PRC subsidiaries and associates	**(6,705)**	14,579
Tax losses utilised from previous periods	**–**	(909)
Tax losses not recognised	**11,989**	22,186
LAT	**31,462**	366
Temporary difference not recognised	**11,785**	6,290
Under/(over)-provision in prior years, net	**7,020**	(2,338)
Tax (credit)/charge	**(129,735)**	196,548

The share of tax attributable to associates amounting to HK$5,604,000 (2019: HK$10,690,000) is included in "Share of profits less losses of associates" in the consolidated income statement.

The share of tax attributable to joint ventures amounting to HK$1,676,000 (2019: HK$Nil) is included in "Share of profits less losses of joint ventures" in the consolidated income statement.

(c) The gain on property revaluation as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$199,000 (2019: HK$625,000).

(d) The share of hedging reserve as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$431,000 (2019: HK$1,112,000).

(e) The 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$1,789,000 (2019: HK$333,000).

(f) The change in fair value in cash flow hedges as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$621,000 (2019: HK$Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

11 DIVIDENDS

	2020 **HK$'000**	2019 HK$'000
Interim dividend, paid, of HK Nil cents (2019: HK3 cents) per ordinary share	**–**	163,685

At a board meeting held on 30 March 2021, the Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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

The calculations of basic and diluted (loss)/earnings per share are based on:

	2020	2019
Basic (loss)/earnings per share		
(Loss)/profit attributable to equity owners of the Company (HK$'000)	**(390,792)**	386,880
Weighted average number of ordinary shares in issue	**5,536,633,709**	5,466,925,961
Basic (loss)/earnings per share (HK cents)	**(7.06)**	7.08

Diluted (loss)/earnings per share

Diluted (loss)/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.

	2020	2019
(Loss)/profit attributable to equity owners of the Company (HK$'000)	**(390,792)**	386,880
Weighted average number of ordinary shares in issue	**5,536,633,709**	5,466,925,961
Adjustment for:		
Share options	**–**	528,557
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**5,536,633,709**	5,467,454,518
Diluted (loss)/earnings per share (HK cents)	**(7.06)**	7.08

(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 2020							
At 31 December 2019 and at 1 January 2020							
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
At 1 January 2020	3,208,008	1,905,810	580,355	976,418	270,350	1,179,366	8,120,307
Additions	–	236,830	1,296	305,218	71,513	21,073	635,930
Acquisition of subsidiaries (Note 39(a))	–	634,700	–	–	13,445	593,574	1,241,719
Surplus on revaluation	–	804	–	–	–	–	804
Disposals and write-off	–	(2,269)	(2,849)	–	–	(12,079)	(17,197)
Depreciation	(94,598)	(61,683)	(40,509)	–	(53,440)	(339,133)	(589,363)
Transfer to investment properties	–	(8,103)	–	–	–	–	(8,103)
Transfer within property, plant and equipment	112,643	28,988	53,989	(344,189)	–	148,569	–
Reclassified to assets of disposal group classified as held for sale	–	(41,429)	–	(142,068)	(37,481)	(24,060)	(245,038)
Impairment	–	–	–	(7,147)	–	–	(7,147)
Currency translation differences	53,859	113,763	20,909	57,216	6,706	28,536	280,989
At 31 December 2020	3,279,912	2,807,411	613,191	845,448	271,093	1,595,846	9,412,901
At 31 December 2020:							
Cost	5,878,298	3,988,034	1,763,269	853,240	384,044	3,876,837	16,743,722
Accumulated depreciation and impairment	(2,598,386)	(1,180,623)	(1,150,078)	(7,792)	(112,951)	(2,280,991)	(7,330,821)
	3,279,912	2,807,411	613,191	845,448	271,093	1,595,846	9,412,901

(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	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	–	–	–	–	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
Surplus on revaluation	–	2,551	–	–	–	–	2,551
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	–	(33,457)	–	–	–	–	(33,457)
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)

At 31 December 2020, included in the Group's land and buildings amounting to HK$679,679,000 (2019: HK$506,710,000) 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 2020, certain of the Group's buildings with net carrying amounts of HK$57,496,000 (2019: HK$1,456,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

During the year ended 31 December 2020, 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 2020, the major assets of Zhuhai Resort are land and properties with carrying values amounting to HK$1,103,000,000 (2019: HK$1,101,170,000) 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 2020, the major assets of Xianyang Resort are land and properties with carrying values amounting to HK$259,000,000 (2019: HK$256,985,000) 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.

At 31 December 2020, accumulated impairment losses amounted to HK$423,229,000 (2019: HK$390,560,000).

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	**2020** **HK$'000**	2019 HK$'000
Properties leased for own use, carried at depreciated cost	(i)	**268,467**	268,252
Plant, machinery and equipment, carried at depreciated cost	(ii)	**2,626**	2,098
		271,093	270,350

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**51,814**	46,700
Plant, machinery and equipment	**1,626**	450
	53,440	47,150
Interest on lease liabilities (Note 6)	**12,990**	13,819
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**33,842**	17,780
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**24**	131
COVID-19-related rent concessions received		
– long-term leases	**7,283**	–
– short-term leases	**30,240**	–

During the year, additions to right-of-use assets were HK$71,513,000 (2019: HK$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 28(c) and 34, respectively.

As disclosed in note 2.1(a), the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (i) below.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Properties leased for own use

The Group has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 30 years. During 2020, the Group received rent concessions of HK$37,523,000 (2019: HK$Nil) in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

(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.

14 INVESTMENT PROPERTIES

	2020 **HK$'000**	2019 HK$'000
At fair value		
At 1 January	**1,745,232**	1,794,236
Changes in fair value recognised in income statement	**(179,571)**	(36,238)
Transfer from property, plant and equipment	**8,103**	33,457
Reclassified to assets of disposal group classified as held for sale	**–**	(29,500)
Currency translation differences	**47,390**	(16,723)
At 31 December	**1,621,154**	1,745,232

The fair value of investment properties is determined by using valuation techniques. For the judgement and assumptions involved, please refer to note 45 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 included 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:

	2020 **HK$'000**	2019 HK$'000
Within 1 year	**70,650**	95,538
After 1 year but within 2 years	**43,869**	73,511
After 2 year but within 3 years	**34,380**	44,675
After 3 year but within 4 years	**28,704**	27,956
After 4 year but within 5 years	**27,290**	23,078
After 5 years	**–**	15,979
	204,893	280,737

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PREPAID LAND LEASE PAYMENTS

	2020 HK$'000	2019 HK$'000
At 1 January	**2,193,194**	2,196,601
Additions and transfer from property, plant and equipment and other receivables	**–**	68,740
Amortisation	**(32,664)**	(29,401)
Transfer to non-current prepayment and other receivable	**(29,437)**	–
Transfer to properties under development	**(1,523,378)**	–
Transfer to assets of disposal group classified as held for sale	**(261,133)**	–
Currency translation differences	**114,318**	(42,746)
At 31 December	**460,900**	2,193,194
Current portion included in deposits, prepayments and other receivables	**(49,846)**	(29,401)
Non-current portion	**411,054**	2,163,793

At 31 December 2020, included in the Group's prepaid land lease payments, there were no 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 (2019: HK$1,610,004,000).

16 GOODWILL

	Note	2020 HK$'000	2019 HK$'000
At 1 January		**1,629,961**	1,629,961
Addition through acquisition of subsidiaries	39(a)	**44,917**	–
Reclassification to interest in associates		**(21,338)**	–
At 31 December		**1,653,540**	1,629,961
Accumulated impairment		**(305,715)**	(306,133)
Net book amount		**1,347,825**	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% (2019: 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% (2019: 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 10% (2019: 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**54,902**	75,822	**48,154**	3,237	**1,347,825**	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 2020 and 2019. 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 2020	**88,126**	**34,291**	**75,743**	**198,160**
Additions	**–**	**–**	**2,700**	**2,700**
Reclassified to assets of disposal group classified as held for sale	**(90,631)**	**–**	**–**	**(90,631)**
Amortisation	**(2,946)**	**–**	**–**	**(2,946)**
Currency translation differences	**5,451**	**–**	**–**	**5,451**
At 31 December 2020	**–**	**34,291**	**78,443**	**112,734**
Cost	**–**	**34,291**	**78,443**	**112,734**
Accumulated amortisation	**–**	**–**	**–**	**–**
	–	**34,291**	**78,443**	**112,734**
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

Amortisation of HK$2,946,000 for the year ended 31 December 2020 (2019: HK$2,977,000) 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 40 to the consolidated financial statements.

Material non-controlling interests

The total non-controlling interests as at 31 December 2020 is HK$2,228,804,000, of which HK$771,749,000 is attributable to Shun Tak – China Travel Shipping Investments Limited ("Shun Tak – China Travel") representing for 50% of equity for non-controlling interest, HK$279,561,000 is attributed to Shenzhen The World Miniature Co., Ltd. ("Window of the World") representing for 49% of equity for non-controlling interest, HK$263,492,000 is attributable to CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("CTS (Dengfeng)") for 49% of equity for non-controlling interest and HK$213,030,000 is attributed to CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou") representing for 54% 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

	Shun Tak – China Travel		Window of the World		CTS Dengfeng		Shapotou	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Non-current assets	**1,854,809**	–	**433,626**	393,563	**480,647**	464,008	**600,966**	443,060
Current assets	**497,438**	–	**290,848**	374,085	**113,789**	197,933	**94,577**	70,925
Non-current liabilities	**(317,581)**	–	**–**	–	**(1,188)**	(1,116)	**(143,697)**	(10,728)
Current liabilities	**(263,044)**	–	**(153,941)**	(169,805)	**(127,667)**	(191,317)	**(160,651)**	(87,351)
Net assets	**1,771,622**	–	**570,533**	597,843	**465,581**	469,508	**391,195**	415,906

Summarised income statement

	Shun Tak – China Travel		Window of the World		CTS Dengfeng		Shapotou	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Revenue	**116,709**	–	**165,545**	564,008	**61,553**	268,636	**121,817**	195,801
(Loss)/ profit after taxation	**(524,654)**	–	**(62,282)**	194,549	**(32,490)**	41,151	**(48,735)**	3,269
Total comprehensive income	**(528,723)**	–	**(62,282)**	194,549	**(32,490)**	41,151	**(48,735)**	3,269
Total comprehensive income attributable to non-controlling interests	**(122,026)**	–	**(30,518)**	95,329	**(15,920)**	20,164	**(26,317)**	1,766
Dividends paid to non-controlling interests	**–**	–	**–**	(98,889)	**–**	(12,657)	**–**	–

(Expressed in Hong Kong dollars unless otherwise indicated)

18 SUBSIDIARIES (continued)

Summarised cash flows

	Shun Tak – China travel		Window of the World		CTS Dengfeng		Shapotou	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Net cash flows (used in)/ generated from operating activities	**(506,144)**	–	**(58,589)**	216,783	**(43,811)**	13,386	**12,674**	49,488
Net cash flows generated from / (used in) investing activities	**(92,680)**	–	**122,004**	129,144	**13,446**	(2,226)	**(146,800)**	16,513
Net cash flows generated from/ (used in) financing activities	**172,076**	–	**–**	(201,814)	**5,313**	(27,433)	**133,175**	(83,090)
Net increase/(decrease) in cash and cash equivalents	**(426,748)**	–	**63,415**	144,113	**(25,052)**	(16,273)	**(951)**	(17,089)
Cash and cash equivalents at end of year	**192,239**	–	**283,857**	254,875	**34,766**	68,062	**47,029**	45,130

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

19 INTEREST IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets	**933,222**	1,220,228
Provision for impairment	**(210)**	(3,626)
	933,012	1,216,602

(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 2020	2019	Principal activities
All China Express Limited#	10,000 Ordinary shares HK$10,000	Hong Kong	**30**	30	Passenger transportation
Changsha Colorful World Company Limited#	RMB100,000,000	PRC/Mainland China	**26**	26	Scenic spot operations
Huangshan Taiping Cable Car Co. Ltd.#	US$6,975,000	PRC/Mainland China	**30**	30	Cable car operations
Huangshan Yuping Cable Car Company Ltd.#	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	**N/A**	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
Celelight Company Limited#	HK$10,000	Hong Kong	**33.34**	–	Trading of fuel oil
China Ferry Terminal Services Limited#	HK$741,163	Hong Kong	**24.87**	–	Provision of baggage handling services at the China Ferry Terminal
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited#	HK$1,000,000	Hong Kong	**20**	–	Investment holding

(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: (continued)

Name	Particulars of issued share capital	Place of incorporation operations	Percentage of equity and profit sharing attributable to the Group		Principal activities
			2020	2019	
Hong Kong & Macao International Airport Transportation Service (HK) Co. Limited#	HK$5,000,000	Hong Kong	**12.50**	–	Investment holding
Hong Kong & Macao International Airport Transportation Service Co. Ltd. #	HK$100	Hong Kong	**12.50**	–	Provision of cross boundary bus service between Macau Boundary Crossing Facilities and Hong Kong International Airport via Hong Kong-ZhuhaiMacau Bridge
China International Travel Service (Macao) Ltd	HK$5,000,000	Macau	**39**	–	Travel agency and travel relating services

\# Not audited by KPMG.

* The associate has been further acquired and become subsidiaries. Please refer to note 39.

(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)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shun Tak – China Travel		恒大海泉灣		Other associates in aggregate		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross amounts of the associates'								
Non-current assets	**–**	729,181	**15,960**	23,067	**1,129,287**	851,441	**1,145,247**	1,603,689
Current assets	**–**	1,282,568	**2,009,115**	1,838,672	**839,936**	440,599	**2,849,051**	3,561,839
Non-current liabilities	**–**	(22,556)	**–**	–	**(11,948)**	(16,452)	**(11,948)**	(39,008)
Current liabilities	**–**	(254,169)	**(930,516)**	(970,130)	**(363,743)**	(134,427)	**(1,294,259)**	(1,358,726)
Equity	**–**	1,735,024	**1,094,559**	891,609	**1,593,532**	1,141,161	**2,688,091**	3,767,794
Revenue	**81,800**	1,324,802	**323,695**	393,557	**330,797**	703,306	**736,292**	2,421,665
(Loss)/profit from continuing operations	**(313,225)**	(72,942)	**135,655**	91,721	**2,215**	190,245	**(175,355)**	209,024
Other comprehensive income	**(7,521)**	19,405	**–**	–	**–**	–	**(7,521)**	19,405
Total comprehensive income	**(320,746)**	(53,537)	**135,655**	91,721	**2,215**	190,245	**(182,876)**	228,429
Dividends received from associates	**–**	–	**–**	(113,119)	**–**	(23,445)	**–**	(136,564)
Reconciled to the group's interests in the associates								
Gross amounts of net assets of associates	**–**	1,735,024	**1,094,559**	891,609	**1,593,532**	1,141,161	**2,688,091**	3,767,794
Group's effective interest	**–**	29%	**49%**	49%	**–**	–	**–**	–
Group's share of net assets of associates		503,157	**536,334**	436,888	**375,968**	280,183	**912,302**	1,220,228
Goodwill	**–**	–	**–**	–	**20,920**	–	**20,920**	–
Carrying amount in the consolidated financial statements	**–**	503,157	**536,334**	436,888	**396,888**	280,183	**933,222**	1,220,228

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INTEREST IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**155,578**	–

(a) Details of the Group's joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Particulars of issued share capital/registered capital	Place of incorporation/ operations	Percentage of equity and profit sharing attributable to the Group 2020	2019	Principal activity
Hong Kong International Airport Ferry Terminal Services Limited	MOP5 million	Hong Kong	40%	–	Provision of handling services of passengers
寧波市中旅慈城古縣城旅遊發展有限公司	RMB300 million	PRC/Mainland China	60%	–	Scenic Spot operations
Shun Tak & CITS Coach (Macao) Limited	HK$9,708,738	Macau	36%	–	Provision of coach service and coach rental services
Shenzhen Qing Long High-Speed Passenger Shipping Co., Ltd.	US$1,319,537	PRC/Mainland China	40%	–	Route waterway transportation and ticket agency services

(b) Aggregate information of joint ventures that are not individually material:

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**155,578**	–
Aggregate amounts of the Group's share of these joint venture	**(6,160)**	–
Loss from continuing operations	**(12,534)**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(12,534)**	–

(Expressed in Hong Kong dollars unless otherwise indicated)

21 OTHER FINANCIAL ASSETS

	2020 $'000	2019 $'000
Unlisted equity securities:		
At 1 January	**48,782**	40,129
Net unrealised (losses)/gains recognised in other comprehensive income during the year	**(21,387)**	8,653
At 31 December	**27,395**	48,782

(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. No dividends were received on these investments during the year (2019: HK$2,215,000). There was no disposal and no transfers of the cumulative gain or loss within equity during the year ended 31 December 2020 and 2019.

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.

22 INVENTORIES

	2020 HK$'000	2019 HK$'000
Food and beverages	**9,297**	8,332
Fuel	**1,640**	–
Spare parts and consumables	**157,121**	1,800
General merchandise	**7,334**	7,648
	175,392	17,780

23 PROPERTIES UNDER DEVELOPMENT

	2020 HK$'000	2019 HK$'000
At 1 January	**2,263,561**	1,683,262
Additions	**787,170**	628,483
Transfer from prepaid land lease payments	**1,523,378**	–
Transfer to completed properties held for sale	**(565,712)**	–
Currency translation differences	**241,702**	(48,184)
At 31 December	**4,250,099**	2,263,561

(Expressed in Hong Kong dollars unless otherwise indicated)

23 PROPERTIES UNDER DEVELOPMENT (continued)

	2020 **HK$'000**	2019 HK$'000
Properties under development comprise:		
Land use rights	**2,826,801**	1,278,632
Construction cost and capitalised expenditures	**1,423,298**	984,929
	4,250,099	2,263,561

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

	2020 **HK$'000**	2019 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	**2,826,801**	1,278,632

The amount of properties under development expected to be recovered after more than one year is HK$3,434,748,000 (2019: HK$1,643,900,000).

24 COMPLETED PROPERTIES HELD FOR SALE

	2020 **HK$'000**	2019 HK$'000
At 1 January	**26,607**	57,837
Additions	**–**	295
Transfer from properties under development	**565,712**	–
Sold during the year	**(237,893)**	(30,821)
Currency translation differences	**20,062**	(704)
At 31 December	**374,488**	26,607

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

	2020 **HK$'000**	2019 HK$'000
Carrying amount of inventories sold	**237,893**	30,821

(Expressed in Hong Kong dollars unless otherwise indicated)

24 COMPLETED PROPERTIES HELD FOR SALE (continued)

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

	2020 HK$'000	2019 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	**73,117**	3,911

The amount of properties for completed properties held for sale expected to be recovered within one year is HK$374,488,000 (2019: HK$26,607,000).

25 TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**109,240**	130,356
Less: loss allowance	**(19,714)**	(18,603)
	89,526	111,753
Less: reclassified to assets of disposal group classified as held for sale	**(7,783)**	(52,005)
	81,743	59,748

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:

	2020 HK$'000	2019 HK$'000
Within 3 months	**31,432**	48,467
Over 3 months to 6 months	**23,925**	7,058
Over 6 months to 12 months	**20,559**	2,255
Over 1 year to 2 years	**5,130**	1,001
Over 2 years	**697**	967
	81,743	59,748

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 45.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 TRADE RECEIVABLES (continued)

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

	2020 **HK$'000**	2019 HK$'000
Balance at 1 January	**16,891**	20,280
Impairment losses recognised during the year	**1,668**	151
Impairment losses reversed	**(47)**	(1,106)
Currency translation differences	**1,202**	(722)
Reclassified to assets held for sale	**(392)**	(1,712)
Balance at 31 December	**19,322**	16,891

As at 31 December 2020, trade receivables of HK$19,322,000 (2019: HK$16,891,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	2020 **HK$'000**	2019 HK$'000
Over 3 months to 6 months	**1,824**	4,960
Over 6 months to 12 months	**366**	–
Over 1 year to 2 years	**743**	122
Over 2 years	**16,389**	11,809
	19,322	16,891

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

(Expressed in Hong Kong dollars unless otherwise indicated)

26 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2020 HK$'000	2019 HK$'000
Deposits, prepayments and other receivables		**1,308,407**	354,176
Amounts due from non-controlling shareholders	(a)	**42,331**	35,413
Amounts due from associates	(b)	**5,006**	6,085
Amount due from a related company	(b)	**7,305**	8,759
Less: reclassified to assets of disposal group classified as held for sale		**(101,984)**	(68,046)
		1,261,065	336,387
Less: non-current portion of prepayments and other receivables		**(555,382)**	(5,918)
		705,683	330,469

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

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

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

Notes:

(a) The balances include the amount due from a non-controlling shareholder of CTS (Dengfeng), approximately RMB20,000,000 (2019: RMB15,000,000) and the amount due from a non-controlling shareholder of Macao CTS Passenger Road Transport Company Ltd., approximately HK$18,568,000 (2019: HK$18,668,000). The balance are unsecured and interest-free and recoverable on demand.

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

27 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:

	2020 HK$'000	2019 HK$'000
Within 1 year	**297,553**	56,904

The fair value hierarchy used for determining and disclosing the fair values are further disclosed in note 45.

28 CASH AND BANK BALANCES

(a)

	2020 **HK$'000**	2019 HK$'000
Cash and bank balances	**2,539,104**	2,012,339
Time deposits	**552,743**	1,350,868
	3,091,847	3,363,207
Less: reclassified to assets of disposal group classified as held for sale	**(133,799)**	(146,826)
	2,958,048	3,216,381
Less: pledged time deposits	**(10,644)**	(18,333)
Cash and bank balances in the consolidated statement of financial position	**2,947,404**	3,198,048
Add: Cash reclassified to assets of disposal group classified as held for sale	**131,376**	142,002
Less: Deposits with maturity of more than three months	**(26,802)**	(879,681)
Cash and cash equivalents in the consolidated cash flow statement	**3,051,978**	2,460,369

	2020 **HK$'000**	2019 HK$'000
Maximum exposure to credit risks	**2,954,991**	3,208,248

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$2,664,122,000 (2019: HK$2,700,991,000). 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)

28 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$'000	Loans from holding companies HK$'000	Lease liabilities HK$'000	Interest payable HK$'000	Total HK$'000
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 and 1 January 2020	**3,801**	**77,028**	**275,278**	**–**	**356,107**
Changes from financing cash flows:					
Proceeds from new loans	**143,098**	**432,148**	**–**	**–**	**575,246**
Capital element of lease rentals paid	**–**	**–**	**(58,665)**	**–**	**(58,665)**
Interest element of lease rentals paid	**–**	**–**	**(12,990)**	**–**	**(12,990)**
Finance cost paid	**–**	**–**	**–**	**(5,235)**	**(5,235)**
Total changes from financing cash flows	**143,098**	**432,148**	**(71,655)**	**(5,235)**	**498,356**
Other changes					
Finance costs (Note 6)	**–**	**–**	**12,990**	**5,235**	**18,225**
Increase in lease liabilities from entering into new lease during the year	**–**	**–**	**71,513**	**–**	**71,513**
Increase in lease liabilities from acquisition of subsidiaries	**–**	**–**	**13,656**	**–**	**13,656**
COVID-19-related rent concessions received (Note 13)	**–**	**–**	**(7,283)**	**–**	**(7,283)**
Reclassified to liabilities of disposal group classified as held for sale	**(520)**	**–**	**(19,462)**	**–**	**(19,982)**
Currency translation differences	**242**	**4,954**	**16,063**	**–**	**21,259**
At 31 December 2020	**146,621**	**514,130**	**291,100**	**–**	**951,851**

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CASH AND BANK BALANCES (continued)

(c) Total cash outflow for leases

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

	2020 **HK$'000**	2019 HK$'000
Within operating cash flows	**3,626**	17,911
Within financing cash flows	**71,655**	55,853
	75,281	73,764

29 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES

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

(a) Loans to fellow subsidiaries

Loans to fellow subsidiaries included the loans 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 6 month London Interbank Offered Rate ("LIBOR") plus 2.6% per annum and recoverable on 16 May 2021.

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

(b) Loans from holding companies

Loans from holding companies included the loans from China Travel Service (Holdings) Hong Kong Limited and China National Travel Service Group Corporation Limited.

The loan from China Travel Service (Holdings) Hong Kong Limited is unsecured, interest-bearing at the 1-month LIBOR plus 2.6% per annum and repayable on 10 June 2021.

The loan from China Travel Service (Holdings) Hong Kong Limited is unsecured, interest-bearing at the 3-month Hong Kong Interbank Offered Rate plus 0.75% per annum and repayable on 21 September 2021.

The loans from China National Travel Service Group Corporation Limited are unsecured, interest bearing at 1.2% per annum and repayable on demand.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES (continued)

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

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

	2020 **HK$'000**	2019 HK$'000
Amounts due from holding companies		
Within 1 year	**1,165**	22,224
Amounts due from fellow subsidiaries		
Within 1 year	**152,228**	113,989

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.

	2020 **HK$'000**	2019 HK$'000
Amounts due to holding companies		
Within 1 year	**3,882**	1,715
Amounts due to fellow subsidiaries		
Within 1 year	**4,924**	1,553

30 TRADE PAYABLES

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

	2020 **HK$'000**	2019 HK$'000
Within 3 months	**365,953**	200,694
Over 3 months to 6 months	**22,737**	14,208
Over 6 months to 12 months	**25,002**	12,861
Over 1 year to 2 years	**9,902**	5,190
Over 2 years	**15,690**	10,682
	439,284	243,635

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

(Expressed in Hong Kong dollars unless otherwise indicated)

31 OTHER PAYABLES AND ACCRUALS

	Note	2020 HK$'000	2019 HK$'000
Construction in progress payables		**609,203**	544,307
Accrued employee benefits		**356,647**	382,952
Receipt in advance		**–**	4,338
Contract liabilities	(a)	**1,455,120**	431,216
Amounts due to non-controlling shareholders		**133,882**	6,253
Amount due to an associate	(b)	**70,934**	66,693
Other payable and accruals		**894,904**	794,514
		3,520,690	2,230,273
Less: reclassified to liabilities of disposal group classified as held for sale		**(313,387)**	(174,954)
		3,207,303	2,055,319

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

Except of the balance of HK$81,896,000 (2019: HK$54,000,000) are settled after 1 year, all of the remaining balance are settled or recognised as expense within 1 year.

(a) Contract liabilities

	2020 HK$'000	2019 HK$'000
Contract liabilities		
Property development		
– Forward sales deposits and instalments received	**1,287,924**	216,549
Service contracts		
– Billings in advance of performance	**167,196**	214,667
	1,455,120	431,216

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 OTHER PAYABLES AND ACCRUALS (continued)

(a) Contract liabilities (continued)

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 properties construction period for the full amount of the contract price. In addition, the contract liabilities 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.

Movements in contract liabilities

	2020 HK$'000	2019 HK$'000
Balance at 1 January	**431,216**	254,544
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	**(431,216)**	(254,544)
Increase in contract liabilities as a result of billing in advance of service contracts	**167,196**	214,667
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	**1,287,924**	216,549
Balance at 31 December	**1,455,120**	431,216

There is no 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 (2019: $53,678,000).

(b) Amount due to an associate

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

32 DEFERRED INCOME

Deferred income primarily represents government grant income.

(Expressed in Hong Kong dollars unless otherwise indicated)

33 BANK AND OTHER BORROWINGS

	2020			2019		
	Contractual interest rate per annum (%)	Maturity	HK$'000	Contractual interest rate per annum (%)	Maturity	HK$'000
Current						
Bank loan – secured	1-year Loan Prime Rate ("LPR")	2021	47,768	N/A	N/A	–
Bank loan – unsecured	N/A	N/A	–	1.975	2020	304
Other borrowings – unsecured	Interest-free	on demand	3,801	Interest-free	on demand	3,801
			51,569			4,105
Non-current						
Bank loan – secured	1-year LPR	2023	95,052	N/A	N/A	–
Bank loan – unsecured	Interest-free	2022	520	N/A	N/A	–
			95,572			–
			147,141			4,105
Reclassified to liabilities of disposal group classified as held for sale			(520)			(304)
Bank and other borrowings			146,621			3,801

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollar	3,801	3,801
Renminbi	142,820	–
	146,621	3,801

At 31 December 2020, the Group's borrowings were repayable as follows:

	2020 HK$'000	2019 HK$'000
Bank loans:		
Within 1 year	47,768	–
Between 1 and 2 years	95,052	–
	142,820	–
Other borrowings:		
Within 1 year	3,801	3,801
	146,621	3,801

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

33 BANK AND OTHER BORROWINGS (continued)

At 31 December 2020, the banking facilities of the Group were secured by land and building with carrying value of HK$56,515,000 (2019: HK$Nil), land use right with original cost of HK$5,470,000 (2019: HK$Nil) and ticketing right of a scenic spot.

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 45. As at 31 December 2020, none of the covenants relating to drawn down facilities had been breached (2019: Nil).

34 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:

	2020		2019	
	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	**65,677**	**76,967**	42,227	54,942
After 1 year but within 2 years	**44,254**	**55,194**	31,983	43,171
After 2 years but within 5 years	**75,402**	**100,331**	59,215	86,604
After 5 years	**144,885**	**201,931**	164,199	199,960
	264,541	**357,456**	255,397	329,735
	330,218	**434,423**	297,624	384,677
Less: total future interest expenses		**(104,205)**		(87,053)
Reclassified to liabilities of disposal group classified as held for sale		**(39,118)**		(22,346)
Present value of lease liabilities		**291,100**		275,278
– Current		**61,309**		30,468
– Non-current		**229,791**		244,810
		291,100		275,278

(Expressed in Hong Kong dollars unless otherwise indicated)

35 DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Surplus on revaluation of properties HK$'000	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 2020	**120,116**	**103,268**	**2,706**	**209,781**	**14,547**	**154,538**	**604,956**
Deferred tax charged/(credited) to the income statement	**(22,026)**	**(12,785)**	**–**	**(25,337)**	**(5,859)**	**33,853**	**(32,154)**
Acquisition of subsidiaries	**14,805**	**–**	**–**	**111,186**	**–**	**–**	**125,991**
Currency translation differences	**5,615**	**–**	**–**	**6,096**	**–**	**3,410**	**15,121**
Deferred tax charged to other comprehensive income	**–**	**199**	**(1,789)**	**–**	**–**	**–**	**(1,590)**
Reclassified to liabilities of disposal group classified as held for sale	**–**	**–**	**–**	**(25,763)**	**–**	**–**	**(25,763)**
At 31 December 2020	**118,510**	**90,682**	**917**	**275,963**	**8,688**	**191,801**	**686,561**
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

(Expressed in Hong Kong dollars unless otherwise indicated)

35 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, accruals HK$'000	Deferred tax on unpaid LAT HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2020	**(12,798)**	**(1,225)**	**(8,026)**	**–**	**(3,615)**	**(36,237)**	**(61,901)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(29,084)**	**(29,084)**
Deferred tax charged/(credited) to the income statement	**2,645**	**(2,628)**	**(14,122)**	**(5,259)**	**3,058**	**(153,772)**	**(170,078)**
Currency translation differences	**(912)**	**(39)**	**(458)**	**–**	**(216)**	**(4,660)**	**(6,285)**
Reclassified to assets of disposal group classified as held for sales	**–**	**328**	**6,777**	**–**	**–**	**770**	**7,875**
At 31 December 2020	**(11,065)**	**(3,564)**	**(15,829)**	**(5,259)**	**(773)**	**(222,983)**	**(259,473)**
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 sales	–	17	–	–	1,657	–	1,674
At 31 December 2019	(12,798)	(1,225)	(8,026)	–	(3,615)	(36,237)	(61,901)

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

	2020 HK$'000	2019 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(259,473)**	(61,901)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**686,561**	604,956
	427,088	543,055

The Group has tax losses arising in Hong Kong of HK$93,535,000 (2019: HK$93,535,000) 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$593,434,000 (2019: HK$545,476,000) and overseas of HK$23,600,000 (2019: HK$23,600,000) 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)

36 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 Service (Hong Kong) Limited and its wholly-owned subsidiaries (together "CTSHK") within the travel agency, travel document and related operations segment, for a consideration of HK$5,130,000 to CTG Travel Service Co., Ltd. (formerly known as "China Travel Service Co., Ltd."), a fellow subsidiary of the Company.

At 31 December 2020, the major classes of assets and liabilities of disposal group classified as held for sale are as follows:

	HK$'000
Assets of disposal group classified as held for sale	
Property, plant and equipment (including right-of-use assets)	**37,516**
Investment properties	**25,800**
Deferred tax assets	**1,151**
Inventories	**291**
Trade receivables, net	**7,700**
Deposits, prepayments and other receivables	**51,048**
Tax recoverable	**625**
Pledged time deposits	**2,423**
Cash and bank balances	**96,611**
	223,165
Liabilities of disposal group classified as held for sale	
Bank and other borrowings	**520**
Trade payables	**81,530**
Other payables and accruals	**181,670**
Loans from holding companies	**87,477**
Amounts due to holding companies	**307**
Amounts due to fellow subsidiaries	**4,659**
Lease liabilities	**15,506**
Tax payable	**253**
	371,922

(Expressed in Hong Kong dollars unless otherwise indicated)

36 ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

On 8 October 2020, the Board announced that the Group intended to dispose of its 51% equity interest in CTS (Dengfeng) Songshan Shandin Culture Tourism Co., Ltd. ("Songshan Scenic Spot") and the entire shareholder's loan owed by Songshan Scenic Spot to the Group as at the date of open listing through Public Tender to be conducted on the China Beijing Equity Exchange. The Songshan Scenic Spot would therefore be classified as disposal group classified as held for sale

At 31 December 2020, the major classes of assets and liabilities of disposal group classified as held for sale are as follows:

	HK$'000
Assets of disposal group classified as held for sale	
Property, plant and equipment (including right-of-use assets)	**245,038**
Prepaid land lease payment	**261,133**
Other intangible assets	**90,631**
Deferred tax assets	**7,875**
Inventories	**59**
Trade receivables	**83**
Deposits, prepayments and other receivables	**50,936**
Financial assets at fair value through profit or loss	**42,180**
Cash and bank balances	**34,765**
	732,700
Liabilities of disposal group classified as held for sale	
Deferred income	**1,188**
Deferred tax liabilities	**25,763**
Other payables and accruals	**131,717**
Lease liabilities	**39,118**
Tax payable	**1,891**
	199,677

37 SHARE CAPITAL

	2020 Number of shares	**2020** HK$'000	2019 Number of shares	2019 HK$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**5,536,633,709**	**9,222,295**	5,455,913,525	9,119,836
Share issued upon share option scheme	**–**	**–**	250,000	584
Shares issued upon scrip dividend scheme	**–**	**–**	80,470,184	101,875
At 31 December	**5,536,633,709**	**9,222,295**	5,536,633,709	9,222,295

(Expressed in Hong Kong dollars unless otherwise indicated)

38 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.

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:

	2020		2019	
	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	**2.121**	**43,471**	2.200	77,786
Forfeited during the year	**2.121**	**(43,471)**	2.304	(34,065)
Exercised during the year	**–**	**–**	1.700	(250)
At 31 December	**–**	**–**	2.121	43,471

(Expressed in Hong Kong dollars unless otherwise indicated)

38 SHARE OPTION SCHEME (continued)

There were no share options outstanding at the end of the reporting period. The exercise prices and exercise periods of the share options outstanding as at 31 December 2019 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		

\# 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 did not recognised any reversal of share option expense (2019: HK$34,065,000) in profit or loss during the year ended 31 December 2020.

The fair value of equity-settled share options granted during the year ended 31 December 2020 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.

39 BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary

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, an associate of the Company, at an aggregate consideration of HK$437,000,000. 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.

The transaction was completed on 16 July 2020.

(Expressed in Hong Kong dollars unless otherwise indicated)

39 BUSINESS COMBINATIONS (continued)

(a) Acquisition of a subsidiary (continued)

The following table summarises the consideration paid for Shun Tak – China Travel, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	16 July 2020 HK$'000
Purchase consideration	
– Purchase consideration	421,805
– Fair value of associates	593,920
Total purchase consideration	1,015,725
Recognised amounts of identifiable assets acquired and liabilities assumed fair value	
Cash at bank	685,739
Property, plant and equipment	1,241,719
Interest in associates	26,348
Interest in joint ventures	24,491
Deferred tax assets	29,084
Inventories	174,001
Trade and other receivables	48,769
Trade and other payables	(160,253)
Deferred tax liabilities	(121,744)
Others	(7,495)
Total identifiable net assets	1,940,659

The following table summarises the goodwill recognised at the acquisition date.

	16 July 2020 HK$'000
Consideration transferred	1,015,725
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of Shun Tak-China Travel	969,851
Fair value of identified net assets	(1,940,659)
Goodwill	44,917

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the Company into the existing transportation segment business. None of the goodwill recognised is expected to be deductible for tax purpose.

	16 July 2020 HK$'000
Cash consideration	(421,805)
Cash and bank balances in subsidiary acquired	685,739
Cash inflow on acquisition	263,934

(Expressed in Hong Kong dollars unless otherwise indicated)

39 BUSINESS COMBINATIONS (continued)

(a) Acquisition of a subsidiary (continued)

The acquired business contributed revenues of HK$9,928,000 and net loss of HK$217,648,000 to the Group for the period from 16 July 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated loss for the year ended 31 December 2020 would have been HK$91,728,000 and HK$530,873,000 respectively.

(b) Acquisition of a subsidiary

On 6 March 2020, the Shun Tak Tourism as the seller and Shun Tak – China Travel, a wholly-owned subsidiary of the Company, as the purchaser entered into SPA pursuant to which Shun Tak Tourism has conditionally agreed to dispose of and Shun Tak – China Travel has conditionally agreed to purchase the issued share capital of Jointmight Limited, at an aggregate consideration of HK$55 million. Upon the completion of the purchase, Jointmight Limited will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results.

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

	16 July 2020 HK$'000
Total purchase consideration	
Cash paid	(55,362)
Recognised amounts of identifiable assets acquired and liabilities assumed fair value	
Interest in associates	54,213
Interest in joint ventures	31,051
Trade and other receivables	11,179
Deferred tax liabilities	(4,247)
Total identifiable net assets	92,196
Gain on bargain purchase	36,834

The gain on bargain purchase of HK$36,834,000 will be recognised in the line of "other income and gains, net" of the consolidated income statement. The gain on bargain purchase is mainly due to the Group's bargaining power and ability in negotiating the agreed terms with the seller.

	16 July 2020 HK$'000
Cash consideration and cash outflow on acquisition	(55,362)

(Expressed in Hong Kong dollars unless otherwise indicated)

39 BUSINESS COMBINATIONS (continued)

(b) Acquisition of a subsidiary (continued)

The acquired business contributed revenues of HK$Nil and net loss of HK$2,165,000 to the Group for the period from 16 July 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated loss for the year ended 31 December 2020 would have been HK$Nil and HK$10,730,000 respectively.

(c) Disposal of a subsidiary

On 6 March 2020, 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$508,000,000. 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.

The transaction was completed on 16 July 2020 and the non-controlling interest is recognised with the balance of HK$60,522,000 on that day.

(Expressed in Hong Kong dollars unless otherwise indicated)

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2020	2019	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. (formerly known as China Travel (HK & Macau Tour) Management Hong Kong Ltd.	Hong Kong	500,000 ordinary shares HK$500,000	**100**	100	Tour operations
China Travel Advertising Hong Kong Ltd.	Hong Kong	10 ordinary shares HK$1,000 5,000 non-voting deferred shares HK$500,000	**100**	100	Provision of printing and advertising agency services
China Travel Service Entry Permit Service Hong Kong Limited (formerly known as China Travel Air Service Hong Kong Ltd.)	Hong Kong	10 ordinary shares HK$1,000 10,000 non-voting deferred shares HK$1,000,000	**100**	100	Air ticketing agency
China Travel and Trading (Deutschland) GmbH [4]	Germany	EUR380,000	**100**	100	Travel and air ticketing agency
China Travel Express Ltd.	Hong Kong	10,000 ordinary shares HK$10,000	**100**	100	Passenger transportation
China Travel Hi-Tech Computer Hong Kong Ltd.	Hong Kong	10,000,000 ordinary shares HK$10,000,000	**100**	100	Trading of computer equipment, provision of computer services and investment holding
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. [2,5]	PRC/Mainland China	US$231,000,000	**100**	100	Hot spring resort operations
China Travel Service (Australia) Pty Ltd. [4]	Australia	AUD3,319,932	**100**	100	Travel and air ticketing agency

(Expressed in Hong Kong dollars unless otherwise indicated)

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2020	2019	Principal activities
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 (formerly 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. [6]	Hong Kong	2 ordinary shares HK$200 5,000 non-voting deferred shares HK$500,000	**50**	100	Passenger transportation
CTS H.K. Metropark Hotels Management Company Ltd.	Hong Kong	100,001 ordinary shares HK$100,001	**100**	100	Hotel management
CTS (Dengfeng) [1,5]	PRC/Mainland China	RMB300,000,000	**51**	51	Tourist attraction operations
北京港中旅維景國際酒店管理有限公司[3,4]	PRC/Mainland China	HK$5,000,000	**100**	100	Hotel management
CTS Scenery Resort Investment Company Ltd. [2,4]	PRC/Mainland China	RMB132,250,000	**100**	100	Investment in and management of resort hotels and scenic spots
中旅(深圳)城市發展有限公司 (formerly known as 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

(Expressed in Hong Kong dollars unless otherwise indicated)

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2020	2019	Principal activities
Guangdong CTS (HK) & Jinhuang Transportation Ltd. [2,4,6]	PRC/Mainland China	HK$30,000,000	**50**	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. [6]	Hong Kong	1,000,000 ordinary shares HK$1,000,000	**40**	80	Passenger transportation
Splendid China [1,5]	PRC/Mainland China	RMB184,000,000	**51**	51	Tourist attraction operations
Window of the World [1,5]	PRC/Mainland China	US$29,500,000	**51**	51	Tourist attraction operations
Sociedade De Fomento Predial Fu Wa (Macau), Limitada	Macau	MOP200,000	**100**	100	Property investment holding and hotel operations
Triumph King Ltd.	Hong Kong	2 ordinary shares HK$2 100 non-voting deferred shares HK$100	**100**	100	Property investment holding
U.S. China Travel Service, Inc. [4]	United States of America	US$6,471,639	**100**	100	Travel and air ticketing agency
Well Done Enterprises Inc.	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Property investment holding and hotel operations
Xianyang Ocean Spring Resort Co., Ltd. [1]	PRC/Mainland China	RMB451,000,000	**89.14**	89.14	Hot spring resort operations

(Expressed in Hong Kong dollars unless otherwise indicated)

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2020	2019	Principal activities
北京港中旅數碼科技有限公司[2,4]	PRC/Mainland China	HK$3,900,000	**100**	100	Travel agency management and software system development
深圳市港中旅快綫運輸有限公司[3,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation and investment holding
珠海市港中旅快線有限公司[2,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation
CTS (Anji) Tourism Development Co., Ltd. [1,5]	PRC/Mainland China	US$82,834,661	**97.09**	97.09	Tourist attraction operations
珠海海泉灣博派會展服務有限公司[3]	PRC/Mainland China	RMB6,000,000	**60**	60	Conference and exhibition operations
Shapotou [1,5,6]	PRC/Mainland China	RMB192,117,800	**46**	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**	70	Tourist attraction operations
Shun Tak-China Travel Shipping Investments Limited [6]	BVI/Hong Kong	US$10,000	**50**	–	Investment holding
Shun Tak-China Travel Ferries Limited [6]	BVI/Hong Kong	US$2	**50**	–	Investment holding
Shun Tak – China Travel Macau Ferries Limited [6]	BVI/Hong Kong	US$1	**50**	–	Shipping

(Expressed in Hong Kong dollars unless otherwise indicated)

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2020	2019	Principal activities
FEH Company Limited	Macau	MOP100,000	**50**	–	Shipping
Shun Tak China Travel Ship Management (Macau) Limited [6]	Macau	MOP10,000,000	**50**	–	Shipping management
STCT Ferry Services (Macau) Limited [6]	Macau	MOP10,000,000	**50**	–	Shipping
Estoril Tours Travel Agency Limited [6]	Macau	MOP1,000,000	**50**	–	Travel agency
Far East Hydrofoil Company, Limited [6]	Hong Kong	HK$2,000	**50**	–	Shipping
Shun Tak-China Travel Ship Management Limited [6]	Hong Kong	HK$200	**50**	–	Ship management
Celeworld Limited [6]	Hong Kong	HK$10	**50**	–	Fuel supply
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK$200	**50**	–	Ship repairing
Shun Tak-China Travel Turbojet Limited [6]	Hong Kong	HK$20	**50**	–	Provision of food and beverage services
Shun Tak-China Travel International Marine Consultant Limited [6]	Hong Kong	HK$2	**50**	–	Investment holding
Turbojet Ferry Services (Guangzhou) Limited [6]	Hong Kong	HK$2	**50**	–	Investment holding
Turbojet Shipyard Limited [6]	Hong Kong	HK$2	**50**	–	Shipping repairment
Hongkong Macao Hydrofoil Company, Limited [6]	Hong Kong	HK$2	**50**	–	Shipping
Sino Advantage Limited [6]	Hong Kong	HK$2	**50**	–	Logistics and courier services
Shun Tak-China Travel International Logistics Investment Limited [6]	Hong Kong	HK$2	**50**	–	Investment holding
Turbojet Travel Services Limited [6]	Hong Kong	HK$500,000	**50**	–	Travel agency

(Expressed in Hong Kong dollars unless otherwise indicated)

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

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

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

1 Sino-foreign equity joint ventures

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

3 Registered as limited liability companies under PRC law

4 Not audited by 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

41 CONTINGENT LIABILITIES

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

	2020 **HK$'000**	2019 HK$'000
Performance bond given to a customer for due performance of a sales contract	**300**	300

42 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 2020, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	2020 **HK$'000**	2019 HK$'000
Equipment and motor vehicles:		
Within one year	**4,307**	3,996
In the second to fifth years, inclusive	**2,072**	1,183
	6,379	5,179

(Expressed in Hong Kong dollars unless otherwise indicated)

43 COMMITMENTS

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

	2020 HK$'000	2019 HK$'000
Property project, land and buildings:		
Contracted, but not provided for	**617,332**	569,768
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**23,572**	62,719
Scenic spots:		
Contracted, but not provided for	**71,016**	165,713
Unpaid capital contribution to a joint venture:		
Contracted, but not provided for	**464,569**	19,536

44 RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

	Note	**2020 HK$'000**	2019 HK$'000
Travel-related income from	(a)		
– immediate holding company#*		**77,780**	275,845
– fellow subsidiaries*		**1,403**	25,104
– associates		**12,031**	42,758
– other related parties*		**1,077**	4,423
Hotel-related income from	(a)		
– immediate holding company		**1,085**	1,411
– fellow subsidiaries		**617**	1,640
Management income from	(b)		
– fellow subsidiaries*		**60,896**	63,480
– associates and joint venture		**1,212**	4,587
– a non-controlling shareholder		**30,036**	39,381
Rental income from	(c)		
– fellow subsidiaries*		**1,042**	5,557
– an associate		**4,041**	42,276
– a non-controlling shareholder		**4,432**	2,767
– a related party		**1,894**	2,610

(Expressed in Hong Kong dollars unless otherwise indicated)

44 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

	Note	**2020 HK$'000**	2019 HK$'000
Interest income from loans to			
– fellow subsidiaries		**16,473**	13,765
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		**(11,538)**	(71,021)
– associates		**–**	(599)
– other related parties*		**(1,303)**	(15,664)
– a non-controlling shareholder		**(1,542)**	(1,524)
Management expenses paid to	(b)		
– fellow subsidiaries*		**(1,194)**	(2,037)
Lease Liabilities due to:	(d)		
– immediate holding company*		**2,328**	6,777
– fellow subsidiaries*		**1,420**	2,029
– other related parties		**198,565**	197,273
Related interest expense (lease liabilities):	(d)		
– immediate holding company*		**(134)**	(371)
– fellow subsidiaries*		**(84)**	(116)
– other related parties		**(9,432)**	(9,634)
Amount of rent payable per month:	(d)		
– immediate holding company*		**(385)**	(1,216)
– fellow subsidiaries*		**(31)**	(76)
– an associate		**–**	(90)
– a non-controlling shareholder		**(17)**	(410)
– other related parties		**(1,872)**	(1,903)
Other operating expenses paid to			
– a related party		**(16,749)**	(24,944)

(Expressed in Hong Kong dollars unless otherwise indicated)

44 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

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 is charged in accordance with respective tenancy agreements.

(d) The outstanding balances arising from the leasing arrangement with the immediate holding company, fellow subsidiaries, an associate, a non-controlling shareholder and other related parties are included in "lease liabilities" (Note 34).

(Expressed in Hong Kong dollars unless otherwise indicated)

44 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (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. On 26 May 2020, the Company entered into an extension agreement with CTS Finance Investment to extend the Loan maturity date to 25 May 2023. The interest rate shall be the fixed rate 1.2% per annum. As at 31 December 2020, the arrangement remained effective with RMB30,000,000 withdrawn (2019: RMB30,000,000).

(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. On 24 May 2020, the Company entered into an extension agreement with CTS Finance Investment to extend the Loan maturity date to 23 May 2023.The interest rate shall be the fixed rate 1.2% per annum. As 31 December 2020, the arrangement remained effective with RMB39,000,000 withdrawn (2019: RMB39,000,000).

(iii) On 11 June 2020, China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), as lender, entered into the Loan Agreement with the Company, as borrower, for a term of one year commencing from 11 June 2020 and ending on 10 June 2021, pursuant to which CTS (Holdings) has agreed to provide a loan of USD30,000,000 to the Company. Under both agreements, the interest rate shall be the one-month LIBOR plus 0.75% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 1 month from the loan drawdown date. As at 31 December 2020, the arrangement remained effective with USD30,000,000 withdrawn.

(iv) On 22 September 2020, China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), as lender, entered into the Loan Agreement with the Company, as borrower, for a term of one year commencing from 22 September 2020 and ending on 21 September 2021, pursuant to which CTS (Holdings) has agreed to provide a loan of HKD200,000,000 to the Company. Under both agreements, the interest rate shall be the three-month HIBOR plus 0.75% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 3 month from the loan drawdown date. As at 31 December 2020, the arrangement remained effective with HKD200,000,000 withdrawn.

(v) 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, pursuant to which the Company has agreed to provide a loan of USD20,000,000 to CTS Finance Investment. On 17 May 2019, the Company entered into an extension agreement with CTS Finance Investment to extend the Loan maturity date to 17 May 2020. On 27 May 2020, the Company entered into an extension agreement with CTS Finance Investment to extend the loan maturity date to 26 May 2021 Under both agreements, the interest rate shall be the six-month 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 2020, the arrangement remained effective with USD20,000,000 withdrawn after repayment of USD3,000,000 on September 2020. These transactions also constitute connected transactions as defined under Listing Rules.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

(vi) 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 2020, the related deposit balance was RMB1,183,360,275 withdrawn (2019: RMB1,147,263,453). These transactions also constitute continuing connected transactions as defined under Listing Rules.

(vii) 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 RMB210,000,000 to CTS (China) Investment. The interest rate shall be the fixed rate 5.225% per annum. As 31 December 2020, the arrangement remained effective with RMB210,000,000 (2019: RMB210,000,000) withdrawn.

(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:

	2020 **HK$'000**	2019 HK$'000
Short term employee benefits	**17,938**	11,669
Total remuneration paid to key management personnel	**17,938**	11,669

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

45 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.

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:

	2020				
	Carrying value HK$'000	**Within 1 year or on demand HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**439,284**	**439,284**	**–**	**–**	**439,284**
Other payables and accruals	**3,207,303**	**3,207,303**	**–**	**–**	**3,207,303**
Loans from a holding company	**514,130**	**514,130**	**–**	**–**	**514,130**
Lease liabilities	**291,100**	**76,546**	**128,183**	**148,775**	**353,504**
Amounts due to holding companies	**3,882**	**3,882**	**–**	**–**	**3,882**
Amounts due to fellow subsidiaries	**4,924**	**4,924**	**–**	**–**	**4,924**
Bank and other borrowings	**146,621**	**55,860**	**100,497**	**–**	**156,357**
	4,607,244	**4,301,929**	**228,680**	**148,775**	**4,679,384**

	2019				
	Carrying value HK$'000	Within 1 year or on demand HK$'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	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

(Expressed in Hong Kong dollars unless otherwise indicated)

45 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)

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/decrease in RMB rate %	Increase/ decrease in profit before tax HK$'000
2020		
If Hong Kong dollar weakens/strengthens against RMB	**5**	**7,112**
If Hong Kong dollar weakens/strengthens against RMB	**10**	**14,224**
2019		
If Hong Kong dollar weakens/strengthens against RMB	5	3,648
If Hong Kong dollar weakens/strengthens against RMB	10	7,297

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's exposure to changes in interest rates relates primarily to the Group's bank loans. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate risk profile as monitored by management is set out below.

Interest rate profile

The following table details, as reported to the management of the Group, the interest rate profile of the Group's borrowings at the end of the reporting period.

	2020		2019	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Lease liabilities	**3.0-4.9%**	**291,100**	3.0%-4.9%	275,278
Unsecured debentures	**–**	**3,801**	–	3,801
		294,901		279,079
Variable rate borrowings:				
Bank loans	**3.85%**	**142,820**	–	–
Total borrowings		**437,721**		279,079
Fixed rate borrowings as a percentage of total borrowings		**67%**		100%

(Expressed in Hong Kong dollars unless otherwise indicated)

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before tax by approximately HK$714,000 (2019: HK$Nil) and decreased/increased the Group's retained profits by approximately HK$714,000 (2019: HK$Nil).

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

Fuel price risk

Fuel cost is a significant part of the Group's cost of inventories sold and service provided. Exposure to fluctuations in the fuel price is managed by hedging a percentage of its anticipated fuel consumption using fuel derivatives.

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 2020 and 31 December 2019.

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 assessed the range at which it maintains its adjusted net debt-to-capital ratio to be 10% to 50% (2019: 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)

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	2020 **HK$'000**	2019 HK$'000
Trade payables	**439,284**	243,635
Other payables and accruals	**3,207,303**	2,055,319
Loans from holding companies	**514,130**	77,028
Amounts due to holding companies	**3,882**	1,715
Amounts due to fellow subsidiaries	**4,924**	1,553
Lease liabilities	**291,100**	275,278
Bank and other borrowings	**146,621**	3,801
Debt	**4,607,244**	2,658,329
Capital	**16,207,459**	16,086,275
Debt-to-capital ratio	**28%**	17%

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 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: HK$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)

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value estimation (continued)

	2020			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Investment properties	**–**	**–**	**1,621,154**	**1,621,154**
Other financial assets	**–**	**–**	**27,395**	**27,395**
Financial assets at fair value through profit or loss	**–**	**297,553**	**–**	**297,553**
	–	**297,553**	**1,648,549**	**1,946,102**

	2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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

(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).

	2020 HK$'000	2019 HK$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**742,900**	864,000
Outside Hong Kong:		
– Commercial properties	**878,254**	881,232
	1,621,154	1,745,232

The Group measures their investment properties at fair value. The investment properties were revalued on 31 December 2020 by RHL Appraisal Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK$1,621,154,000 (2019: HK$1,745,232,000). 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)

45 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; and

– 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 2020 and 31 December 2019, the range of premium/(discount) used in the direct comparison approach is as follows:

	2020 Range of premium/ (discount)
Hong Kong	**-30% to 10%**
Outside Hong Kong	**-42% to -0.45%**

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

(Expressed in Hong Kong dollars unless otherwise indicated)

45 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	14.7% to 24.0%

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 2020, 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$357,000 (2019: HK$638,000). The analysis is performed on the same basis for 2019.

(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 (2020: 2.80%-3.15%; 2019: 2.85%-4.05%). The fair values are within level 2 of the fair value hierarchy.

(Expressed in Hong Kong dollars unless otherwise indicated)

46 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	**31 December 2020 HK$'000**	31 December 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**113**	387
Investment property		**3,710**	3,540
Interests in subsidiaries		**6,836,706**	6,219,722
Interest in associates		**102,462**	–
Intangible asset		**1,142**	2,284
Other financial asset		**22,147**	38,640
Total non-current assets		**6,966,280**	6,264,573
Current assets			
Inventories		**90**	90
Deposits, prepayments, and other receivables		**166**	882
Amounts due from subsidiaries		**7,888,083**	7,223,738
Amount due from holding companies		**–**	361
Amounts due from fellow subsidiaries		**150**	71
Loan to a fellow subsidiary		**131,926**	156,365
Cash and bank balances		**162,205**	194,808
Total current assets		**8,182,620**	7,576,315
Total assets		**15,148,900**	13,840,888
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,222,295**	9,222,295
Reserves	a	**4,414,310**	3,691,017
		13,636,605	12,913,312

(Expressed in Hong Kong dollars unless otherwise indicated)

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

Statement of financial position of the Company (continued)

	Note	**31 December 2020 HK$'000**	31 December 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,390**	2,997
Total non-current liabilities		**1,390**	2,997
Current liabilities			
Other payables and accruals		**86,634**	85,053
Amounts due to subsidiaries		**897,463**	757,282
Amounts due to holding companies		**1,620**	923
Amounts due to fellow subsidiaries		**69**	15
Bank and other borrowings		**–**	–
Tax payable		**92,971**	81,306
Loans from holding companies		**432,148**	–
Total current liabilities		**1,510,905**	924,579
Total liabilities		**1,512,295**	927,576
Total equity and liabilities		**15,148,900**	13,840,888

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2021 and was signed on its behalf:

Jiang Hong
Director

Wu Qiang
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(a) Reserve movement of the Company

	Share option reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000
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)
At 31 December 2019	**4,491**	**22,223**	**3,664,303**	**3,691,017**
Balance at 1 January 2020	**4,491**	**22,223**	**3,664,303**	**3,691,017**
Profit for the year and total comprehensive income for the year	**–**	**–**	**738,136**	**738,136**
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**–**	**(14,843)**	**–**	**(14,843)**
Forfeiture of share options	**(4,491)**	**–**	**4,491**	**–**
At 31 December 2020	**–**	**7,380**	**4,406,930**	**4,414,310**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.24 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

47 SUBSEQUENT EVENTS

(i) On 8 October 2020, the Board announced that from 10 November 2020 to 7 December 2020, the Company made an open tender in relation to the disposal of the 51% equity interest in CTS (Dengfeng) ("Target Equity") and the Shareholder's Loan of CTS (Dengfeng) on the website of China Beijing Equity Exchange. As at the expiry of the initial public tender period, the Company could not find intended qualified transferee(s). On 10 December 2020, after the expiry of the initial public tender period, CTS (Dengfeng) has repaid the Shareholder's Loan of CTS (Dengfeng) of approximately RMB63,143,130 to the Company. In light of the response of the market and condition, the Company decided to proceed with a second open tender with the bid price adjusted downward. Accordingly, the Company made an open tender again from 16 December 2020 to 13 January 2021 on the website of China Beijing Equity Exchange in respect of the disposal of the Target Equity. On 25 January 2021, after the completion of transaction process at China Beijing Equity Exchange, the Company have entered into the Equity Transfer Agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited ("Deng Feng"), pursuant to which the Company has agreed to dispose of and Deng Feng has agreed to purchase the Target Equity at the Consideration of RMB255,112,200.

(ii) On 24 December 2020, the Board announced that the Company's wholly-owned subsidiaries, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort"), New Century Tourism Group Co., Ltd. ("New Century Tourism") and Hangzhou New Century Senbo Tourism Investment Co., Ltd. ("New Century Senbo") entered into the Equity Purchase Agreement, pursuant to which CTS Scenery Resort has conditionally agreed to purchase 34% equity interest in New Century Senbo from New Century Tourism at a consideration of RMB391,000,000.

PARTICULARS OF PRINCIPAL HOTEL PROPERTIES

31 December 2020

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 2020

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
Units 1105-1109 and 1112, Zhongong Plaza, Huangpu Boulevord, Tianhe District, Guangzhou, PRC	Office	Medium

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)