Annual Report 2011

~ 星旅相伴 行者無疆 ~

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code：308)

Contents

CORPORATE INFORMATION

DIRECTORS

Mr. Wang Shuai Ting *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Ms. Jiang Yan
Mr. Fang Xiaorong
Mr. Zhang Fengchun
Mr. Xu Muhan *(General Manager)*
Mr. Fu Zhuoyang
Dr. Fong Yun Wah*
Mr. Wong Man Kong, Peter*
Mr. Sze, Robert Tsai To*
Mr. Chan Wing Kee*

* Independent Non-Executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

Ernst & Young

LEGAL ADVISORS

DLA Piper Hong Kong

REGISTERED OFFICE

12th Floor, CTS House
78-83 Connaught Road Central
Hong Kong

SHARE REGISTRAR

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank Ltd
Standard Chartered Bank (Hong Kong) Limited
Credit Agricole Corporate & Investment Bank
BNP Paribas
Chong Hing Bank
China Everbright Bank
China Construction Bank

FINANCIAL CALENDAR AND INVESTOR RELATION INFORMATION

Announcement of 2011 Final Results		15 March 2012
Announcement of 2011 Interim Results		18 August 2011
Announcement of 2010 Final Results		30 March 2011
Announcement of 2010 Interim Results		26 August 2010
Dividends	2011 Final	HK 3 cents per share payable on 1 June 2012
	2011 Interim	HK 2 cents per share paid on 26 September 2011
	2010 Final	HK 1 cent per share paid on 16 June 2011
	2010 Interim	Nil
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 2 May 2012 to 4 May 2012
Annual General Meeting in 2012		4 May 2012
Closure of Register of Members for ascertaining shareholders' entitlement to the proposed final dividend		Period from 10 May 2012 to 11 May 2012
Listing Date		11 November 1992
Authorised Shares		7,000,000,000
Issued Shares		5,689,895,525 (as at 31 December 2011)
Website address		irasia.com/listco/hk/ctii
Stock Code		308
Board Lot		2,000 shares
Financial Year End		31 December
Par Value		HK$0.10

MAJOR OPERATIONS

TRAVEL AGENCY AND RELATED OPERATIONS

China Travel Service (Hong Kong) Limited	100%
Mangocity.com Limited	100%

HOTEL OPERATIONS

Metropark Hotel Mongkok	100%
Metropark Hotel Wanchai	100%
Metropark Hotel Kowloon	100%
Metropark Hotel Causeway Bay	100%
Metropark Hotel Macau	100%
CTS (HK) Grand Metropark Hotel Beijing	100%
Metropark Service Apartment Shanghai	100%
Yangzhou Grand Metropark Hotel	60%

SCENIC SPOTS OPERATIONS

Shenzhen Splendid China Development Co., Ltd.	51%
Shenzhen the World Miniature Co., Ltd.	51%
CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd.	51%
Mutual Great (Hong Kong) Limited	100%
CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd.	65%

RESORT OPERATIONS

China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd.	100%
Xianyang Ocean Spring Resort Co., Ltd.	83.72%

PASSENGER TRANSPORTATION SERVICES

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

GOLF CLUB OPERATIONS

CTS Tycoon (Shenzhen) Golf Club Company Limited	100%

ARTS PERFORMANCE OPERATIONS

China Heaven Creation International Performing Arts Co., Ltd.	85.3%

POWER GENERATION BUSINESS

Shaanxi Weihe Power Co., Ltd.	51%

FINANCIAL RATIOS HIGHLIGHTS

	2011	2010 (Restated)
Income statement ratios		
Interest coverage ratio	**69.66**	25.49
Earnings per share (HK cents)	**12.21**	2.73
Dividend per share (HK cents)	**5.00**	1.00
Dividend payout ratio (%)	**40.95**	36.63
Financial position ratios		
Current ratio	**2.05**	2.15
Quick ratio	**2.04**	2.13
Net assets value per share (HK$)	**2.28**	2.11
Net bank and other borrowings to equity	**(0.19)**	(0.17)
Debt to capital ratio (%)	**18.11**	13.87
Rate of return ratios		
Return on average equity (%)	**5.91**	1.78
Return on total capital and borrowings (%)	**5.72**	2.77
Market price ratios		
Dividend yield		
Year low (%)	**2.67**	0.40
Year high (%)	**5.37**	0.68
Price to earnings ratio		
Year low	**7.62**	53.85
Year high	**15.32**	92.31

Formula for financial ratios:

Interest coverage ratio	(Profit before tax + 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 cash equivalents)/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 tax + Finance costs)/(Total liabilities + Total equity)

FIVE YEAR FINANCIAL SUMMARY

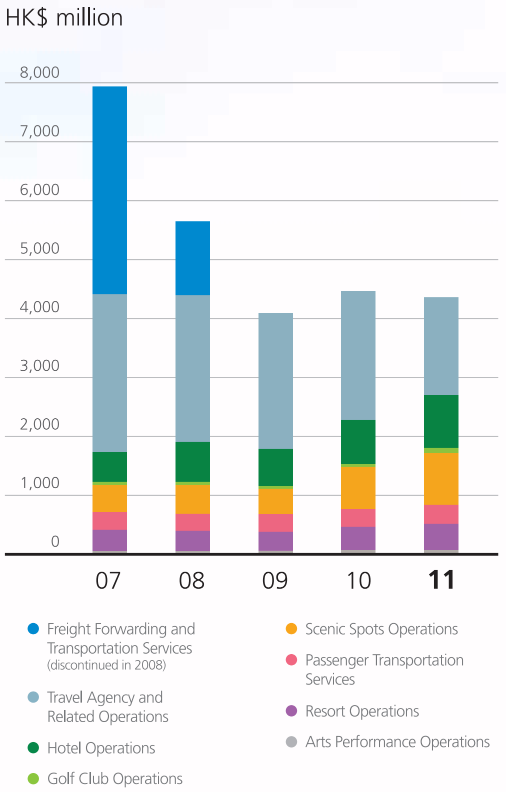
A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Results					
CONTINUING OPERATIONS					
REVENUE	**4,352,882**	4,464,727	4,090,498	4,388,443	4,417,195
Cost of sales	**(2,253,285)**	(2,544,736)	(2,523,207)	(2,684,534)	(2,676,898)
Gross profit	**2,099,597**	1,919,991	1,567,291	1,703,909	1,740,297
Other income and gains	**395,744**	241,982	139,426	211,507	112,618
Selling and distribution costs	**(619,806)**	(612,340)	(552,303)	(524,236)	(537,331)
Administrative expenses	**(1,040,800)**	(1,203,965)	(1,124,211)	(1,057,071)	(866,005)
Changes in fair value of investment properties	**65,287**	180,845	189,806	(70,609)	13,947
Other expenses	**(52,701)**	(229,400)	(80,287)	(22,435)	—
Finance costs	**(13,989)**	(16,353)	(10,346)	(12,013)	(32,713)
Share of profits and losses of:					
Jointly-controlled entities	**110,355**	107,576	60,451	61,009	248,751
Associates	**16,837**	12,075	(1,096)	(42,339)	67,702
PROFIT BEFORE TAX	**960,524**	400,411	188,731	247,722	747,266
Income tax expense	**(179,856)**	(179,407)	(122,042)	(78,723)	(123,387)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**780,668**	221,004	66,689	168,999	623,879
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**—**	—	—	428,139	94,272
PROFIT FOR THE YEAR	**780,668**	221,004	66,689	597,138	718,151
Attributable to:					
Owners of the Company	**695,233**	155,332	29,186	527,648	631,213
Non-controlling interests	**85,435**	65,672	37,503	69,490	86,938
	780,668	221,004	66,689	597,138	718,151

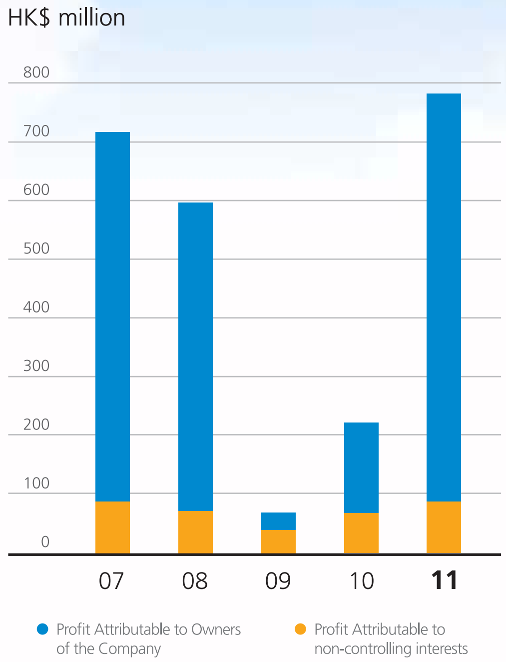
	2011 HK$'000	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)	2007 HK$'000 (Restated)
Assets, liabilities and non-controlling interests					
Total assets	**17,024,372**	15,038,441	14,461,693	14,320,551	14,554,297
Total liabilities	**(3,252,089)**	(2,382,038)	(2,295,296)	(2,152,964)	(2,796,079)
Non-controlling interests	**(786,152)**	(621,016)	(483,659)	(538,713)	(534,344)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**12,986,131**	12,035,387	11,682,738	11,628,874	11,223,874

FINANCIAL REVIEW

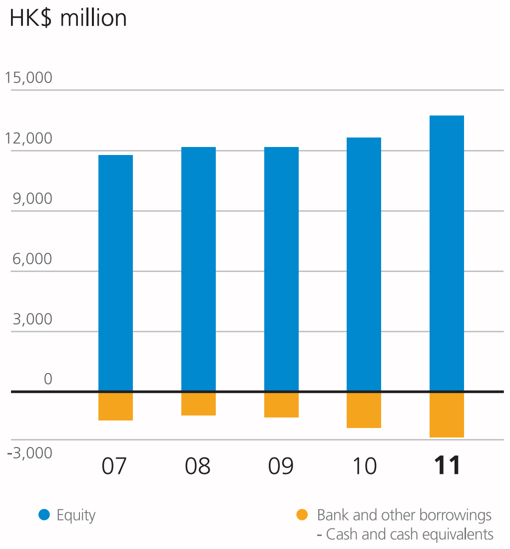
TURNOVER BY PRINCIPAL ACTIVITIES



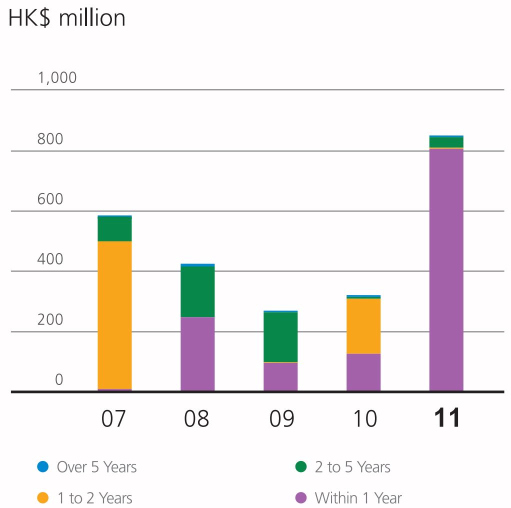
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



DEBT MATURITY PROFILE



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

MR. WANG SHUAI TING *Chairman & Executive Director*

Aged 56, appointed in 2011, is the Vice Chairman, General Manager and Director of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") and China National Travel Service (HK) Group Corporation, the controlling shareholders of the Company. Mr. Wang formerly served as Vice Chairman and Deputy General Manager of China Resources (Holdings) Company Limited and Chairman and Executive Director of China Resources Power Holdings Company Limited. Mr. Wang is highly renowned in the electricity industry in the PRC and possesses extensive management experience in large enterprise group. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2001 and was in charge of the construction and operation of Xuzhou Power Plant. Prior to his engagement in CR Xuzhou, Mr. Wang worked in the general office of the Government of Jiangsu Province from June 1985 to March 1987 and was subsequently the head of the Industrial Office of Xuzhou Municipal Government. He was also the Deputy Secretary-general of Xuzhou Municipal Government. Mr. Wang holds an Executive Master's degree in Business Administration ("EMBA") from China Europe International Business School.

MR. LO SUI ON *Vice Chairman & Executive Director*

Aged 61, appointed in 2000, is a Director of CTS (Holdings) and China National Travel Service (HK) Group Corporation, and is also a director of a number of subsidiaries of CTS (Holdings) and the Company. Mr. Lo has over 30 years of operation and management experience in the tourism industry. Mr. Lo is a Deputy of the Eleventh National People's Congress of the PRC, a member of The Election Committee for the Second, Third & Fourth Government of the HKSAR, the Chairman of Committee on Tourism of The Hong Kong Chinese Enterprises Association and the President of Hong Kong Association of China Travel Organisers Limited. In addition, Mr. Lo was appointed as a member of Hong Kong Tourism Board, a Director of the Travel Industry Council of Hong Kong, a member of the Tourism Strategy Group of the HKSAR Government and a member of Central Policy Unit Panel on Pan-Pearl River Delta.

MS. JIANG YAN *Executive Director*

Aged 54, appointed in 2006, is the Director and Deputy General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation. Prior to joining CTS (Holdings), Ms. Jiang worked in State Oceanic Administration and All-China Women's Federation. She was also the Senior Assistant of the Director General of Personnel Office and Division Chief of The Liaison Office of the Central People's Government in HKSAR. Ms. Jiang obtained a Master's degree in Business Administration from University of South Australia.

MR. FANG XIAORONG *Executive director*

Aged 59, appointed in April 2008, is the Director and Deputy General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation and the Vice President of China Tourism Restaurant Association. Mr. Fang has extensive experience in tourism and hospitality management. He was the General Manager of China Travel Service (Holdings) Corporation of China, the Chairman of LIDO Hotel Co. Ltd., the Chairman of Oriental Arts Building Ltd. and a Deputy General Manager of its subsidiary – Hilton Beijing Hotel, and the General Manager of China Travel Service Hotel Corporation. He graduated from Beijing International Studies University.

MR. ZHANG FENGCHUN *Executive Director*

Aged 47, appointed in 2000, is the Director and Chief Financial Officer of CTS (Holdings) and China National Travel Service (HK) Group Corporation, the Chairman of CTS International Logistics Corporation Limited, a subsidiary of CTS (Holdings) and China National Travel Service (HK) Group Corporation, a director of some of subsidiaries of the Company, and the Vice Chairman of Committee on Financial & Accounting Affairs Steering of The Hong Kong Chinese Enterprises Association. He is a Certified Public Accountant in China and has extensive experience in investment planning, capital operation, financial operation and business management. Mr. Zhang graduated from the Accounting Department of Renmin University of China and obtained a Bachelor's degree in Economics in 1987. In January 2006, he graduated from the School of Economics and Management of Tsinghua University with an Executive Master Degree of Business Administration (EMBA).

MR. XU MUHAN *Executive Director and General Manager*

Aged 51, appointed as an Executive Director and Standing Deputy General Manager in April 2008 and appointed as the General Manager in October 2009, is the Deputy General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation, the Chairman of China Travel Service (Hong Kong) Limited ("CTSHK") and is also a director of a number of subsidiaries of the Company. Mr. Xu has extensive career in tourism and hospitality management. He obtained his master degree in travel and hotel management from The Hong Kong Polytechnic University and the certificate of GMP program from Cornell University.

MR. FU ZHUOYANG *Executive director*

Aged 52, appointed in November 2010, is a Deputy General Manager of CTS (Holdings) and China National Travel Service (HK) Group Corporation, the holding companies of the Company, and the Chairman of Hong Kong China Travel Service Investment (China) Limited, a wholly owned subsidiary of CTS (Holdings). Mr. Fu is also a director of Common Bond Investments Limited, a subsidiary of the Company. Mr. Fu has extensive experience in investment management and capital operation. Mr. Fu was the Deputy General Manager of China Travel Service (Holdings) Corporation of China and the General Manager of China National Tourism Trading & Service Corporation. Mr. Fu graduated from Xiamen University with a Bachelor of Arts degree in 1982, and graduated from Graduate School, Chinese Academy of Social Sciences in 1998.

DR. FONG YUN WAH *S.B.S., J.P.*

Independent Non-Executive Director

Aged 87, appointed as an Independent Non-Executive Director of the Company in 1998, is the Chairman of The Hip Shing Hong Group, Kam Wah Investment Co., Ltd., Fong Shu Fook Tong Foundation and Fong's Family Foundation. Dr. Fong is also the director of the Real Estate Developers Association of Hong Kong and the council member of United College at the Chinese University of Hong Kong. He has been appointed as honorary professor and honorary adviser of a number of Universities in the PRC and has also served as the chairman and council member of many charitable organizations in Hong Kong. He was a member of the Election Committee for the First Government of the HKSAR and was awarded the Silver Bauhinia Star in 2000 by the Government of the HKSAR.

MR. WONG MAN KONG, PETER

B.B.S.,J.P., BSc, F.C.I.T., MRINA

Independent Non-Executive Director

Aged 63, appointed in 1998, is the Chairman of Audit Committee and Remuneration Committee of the Company. Mr. Wong has over 38 years of experience in industrial, commercial and public service. He is the Chairman of M.K. Corporation Ltd. and North West Development Ltd., as well as the director of Hong Kong Ferry (Holdings) Co. Ltd., Glorious Sun Enterprises Limited, Sun Hung Kai & Co., Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Ltd. and New Times Group Holdings Ltd. Mr. Wong serves as a deputy of the Eleventh National People's Congress of the PRC. He graduated from the University of California at Berkeley in U.S.A.

MR. SZE, ROBERT TSAI TO

Independent Non-Executive Director

Aged 71, appointed in 2005, is a member of Audit Committee and Remuneration Committee of the Company. Mr. Sze is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a partner in an international firm of accountants with which he practised for over 20 years. He is also a director of a number of Hong Kong listed companies.

MR. CHAN WING KEE *GBS, OBE, J.P.*

Independent Non-Executive Director

Aged 65, appointed in 2007, is a member of Audit Committee and Remuneration Committee of the Company, Managing Director of Yangtzekiang Garment Limited, Director of YGM Trading Limited, Director of Hong Kong Knitters Limited, as well as the Independent Non-Executive Director of China Construction Bank (Asia) Corporation Limited.

Mr. Chan is a Standing Committee Member of the 11th of The Chinese People's Political Consultative Conference, Member of the Selection Committee of Hong Kong S.A.R. and Member of Commission on Strategic Development of Hong Kong S.A.R. He was also a Deputy to the 8th and 9th National People's Congress of China, Standing Committee Member of the 10th of The Chinese People's Political Consultative Conference, member of Hong Kong Affairs Adviser, Committee member of the Preparatory Committee of Hong Kong S.A.R., a member of Basic Law Consultative Committee both in Hong Kong and Macau, Ex-Member of the Judicial Officers Recommendation Commission of Hong Kong and Ex-Chairman of Small and Medium Enterprises Committee of Hong Kong S.A.R.

Mr. Chan is the Permanent Honorary President of Chinese Manufacturers' Association of Hong Kong, Chairman of Friends of Hong Kong Association, Principal President of Federation of Hong Kong Guangdong Community Organizations, Permanent Honorary President & Chairman of Hong Kong Federation of Overseas Chinese Associations, Honorary Chairman of Textile Council of Hong Kong, Honorary President of Federation of Hong Kong Garment Manufacturers, Honorary Chairman of Hong Kong Shippers' Council, Life Honorary President of Hong Kong Chamber of Commerce in China/Guangdong, Honorary Chairman of The Hong Kong Exporters' Association, Honorary President of The Unified Association of Kowloon West, Council Chairman of Cheng Si-yuan (China-International) Hepatitis Research Foundation, Member of Hong Kong/Japan Business Co-operation Committee, Ex-Council Member of Hong Kong Trade Development Council, Ex-Member of Textile Advisory Board and Member of Economic Council of Macau.

SENIOR MANAGEMENT

MR. BO BAOHUA *Deputy General Manager*

Aged 51, appointed in 2007 and resigned in December 2011. He was the Deputy General Manager and Vice Chairman of China Travel Service (Holdings) Corporation of China for over 10 years, the General Manager of China Travel Service Head Office, the Chairman of CTS Resort Investment & Development Corp., Ltd. and a Director of Lido Hotel Co. Ltd. He was the Deputy Chief, Chief and Deputy Director of Overseas Chinese Affairs Office of the State Council over for 10 years. He graduated from Shaanxi Normal University and obtained a master of business administration degree (EMBA) from HEC Paris.

MR. LIU FENGBO *Deputy General Manager*

Aged 55, appointed in December 2011. Mr. Liu is a qualified Senior Economist and has over 20 years of operation and management experience in the hotel industry. Mr. Liu was the General Manager of Swan Hotel-Harbin, the General Manager of the Metropark Hotel Shenzhen, the General Manager of Beijing CTS (Hong Kong) Grand Metropark Hotel Company Limited, the Deputy General Manager of LIDO Hotel Co. Ltd., and the President of China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. Mr. Liu graduated from Harbin University of Science and Technology.

MR. WANG FEI *Deputy General Manager*

Aged 47, appointed in December 2011, is the General Manager of CTS Tycoon (Shenzhen) Golf Club Company Limited. Mr. Wang has been engaged in business management for many years with substantial experience. Mr. Wang was the Standing Deputy General Manager of the China Travel Air Service Hong Kong Limited, the Director and the General Manager of CTS Tycoon (Shenzhen) Golf Club Company Limited, the Director and the General Manager of China Travel Tours Transportation Services Hong Kong Limited. Mr. Wang holds a master's degree in Business Administration from the University of Science and Technology of China.

MR. YIU SI WING *Deputy General Manager*

Aged 57, appointed in December 2011, is the Director of China Travel Service (Hong Kong) Limited. Mr. Yiu joined CTSHK in 1973, who has been engaged in the tourism business for over 39 years. Mr. Yiu has extensive experience in management of travel agencies. Mr. Yiu was the Deputy General Manager of CTSHK. Mr. Yiu is currently the Deputy Chairman and Director of the Travel Industry Council of Hong Kong, the Vice-President of Hong Kong Association of China Travel Organizers Limited and a member of the Hong Kong Election Committee.

MR. CAO XIAONING *Artistic Director*

Aged 55, appointed in December 2011. Mr. Cao has been engaged in the show business for over 30 years. Mr. Cao was the Director and the Standing Deputy General Manager of Shenzhen Splendid China Development Co., Ltd., the Director and the President of Florida Splendid China Inc. and since the year 1999, he became the General Manager of China Heaven Creation International Performing Arts Co., Ltd. Mr. Cao obtained a Master degree in Business Administration and a Doctor Degree of Science in Business Administration from Liberty University in US.

MR. DU XINJIAN *Financial Controller*

Aged 45, appointed in December 2011. Mr. Du has many years' experience in the financial affairs. Mr. Du was the General Manager of Finance Department of Hongkong China Travel Service Investment (China) Limited, the Financial Controller of CTSHK, the Deputy General Manager of Finance Department of CTS (Holdings) and the General Manager of Finance Department of the Company. Mr. Du graduated from Xiamen University with a Master of Business Administration Degree.

MR. JIANG FENG *General Manager Assistant*

Aged 41, appointed in December 2011. Mr. Jiang has engaged in the travel service business for many years with considerable experience of tourist enterprise investment and management. Mr. Jiang was the General Manager of China Travel Service Chibi Scenic Spot Development Limited, the Vice-President and the Board Secretary of China Travel Service Head Office, the Director and the Deputy General Manger of China Travel Service Head Office Co., Ltd. Mr. Jiang holds a Master of Engineering Degree from Harbin University of Civil Engineering and Architecture.

CHAIRMAN'S STATEMENT

SUMMARY OF RESULTS

In 2011, the consolidated revenue of the Group was HK$4,353 million, an 8% increase compared to last year excluding the travel agency operations in Mainland China which had been disposed of last year, and the profit attributable to shareholders was HK$695 million, a significant 348% increase compared to last year. Excluding the effect of revaluation of investment properties and other significant items (please refer to note 4 to the financial statements for details), the profit attributable to shareholders was HK$577 million, a significant 224% increase compared to last year. Basic earnings per share was HK12.21 cents, a 348% increase compared to last year.

The Board recommended the payment of a final dividend of HK3 cents per share, which is expected to be paid on 1 June 2012 upon approval at the annual general meeting. For the full year, the total dividend is HK5 cents per share and the dividend payout ratio is 41%.

EXTERNAL ENVIRONMENT

In 2011, although the external economic situations were adverse and complicated, the Chinese economy and tourism industry maintained a steady and fairly rapid growth. The 13% increase of domestic travel in China, the record breaking number of visitors to Hong Kong and the increasing number of visitors to Macau, etc. stimulated demand for the Group's various tourism businesses, especially hotels, scenic spots and resorts, and provided favourable external conditions for achieving profit growth.

COMPANY DEVELOPMENT

In 2011, riding the wave of continuous recovery of the tourism industry, the Group made strenuous efforts to enhance the operations of major business segments. The hotel and scenic spots operations achieved double-digit profit growth while the resort operations reduced losses significantly, with Zhuhai Ocean Spring Resort ("Zhuhai OSR") achieving profit turnaround, thereby driving profit growth.

During the year, in order to achieve the objectives of profit growth and enhancement of asset returns, the Group proceeded with the implementation of the strategic plan. In addition, the Group sorted out and revised the development strategies and plans of each business segment and operating in response to market changes, clarifying the development directions, paths and means further.

In accordance with the strategic plan, the Group continued to advance the expansion of its travel destination network and development of its tourism real estate projects. For Zhuhai OSR, the planning of phase two project and tender of soft ground foundation treatment works were completed. For Xianyang Ocean Spring Resort, the hotel construction and submission of the planning proposal of the tourism real estate project for approval were basically completed. In addition, the Group entered into a number of travel resources joint development agreements with parties in big cities in the eastern and southern regions of China. The Group believes that acquisition and development of such quality travel resources will help to enhance its medium and long-term profitability.

The Group made efforts to increase existing assets' returns and revamped each business operation with the Six Sigma refined management method. Through strengthening the formalization and standardization of corporate operation and management, and enhancement of differentiation advantages and capability on cost control, the operating results of most businesses improved. At the same time, the Group made efforts to enhance consolidation of and synergies between internal resources. The Group coordinated internal tourism resources and the sale of tourism products, launched "leisure vacation season" campaign to promote tour packages of the Group's ocean spring resorts and natural scenic spots. The Group gradually adopted the Customer Relationship Management (CRM) system, completed the connection of travel agencies and Mangocity.com and started to share the call centre platform. The Group further strengthened the centralized procurement of its hotels and enhanced the operation centralization and synergy development of the Group.

The Group issued an announcement on 11 July 2011 and confirmed that it was considering the proposal to spin-off its hotel operations and to acquire Qingdao Ocean Spring Resort ("Qingdao OSR") project. Subsequently, based on market conditions and development prospect of tourism industry in Mainland China, the Group reassessed the circumstances, refined its corporate development strategy and decided to terminate the original hotel spin-off proposal and to suspend the potential acquisition projects including the Qingdao OSR. A relevant announcement was made on 4 November 2011.

Amid the downturn of the Hong Kong capital market at the end of 2011, the Company started to repurchase its shares. The Company considered that repurchasing shares at the appropriate time would help to enhance the earnings per share and the net asset value per share of the Group, and to enhance shareholder return over time.

LOOKING FORWARD

As the European sovereign debt crisis continues, the external economic situations are still adverse and complicated with increasing downside risk. The economic growth of China is also expected to slow down slightly. With increasing uncertainties, the risks and challenges faced by enterprises in operation and development also increase. However, the Group is still optimistic about the development prospect of the Chinese economy and is fully aware of the opportunities brought by the Chinese government's policy to include tourism spending as an important area for expanding domestic demand.

Despite achieving satisfactory results in 2011, under the current adverse situations and confronted with challenges, the Group has to take initiatives to prevent the risk of profit decrease and to strengthen future profit growth ability. The group will further strengthen strategic management and make strong efforts to build up market competitiveness; strengthen fundamental management and enhance corporate profitability; and accelerate the adjustment of business mix. The Group will actively enter into areas of strategic importance and acquire scarce tourism resources, focus on development of high-end, premium, high value-added or high gross profit margin businesses and bring the existing businesses up to industry-leading level with action plan. At the same time, the Group will exit from markets and businesses lacking competitive advantages, of low returns and with high risk.

To play its role as an integrated tourism platform, the Group will strengthen the management and development of its scenic spots operations, so as to realize the consolidation of and creation of synergy between scenic spots and other tourism elements. Next step is to become the flagship in the tourism industry, which enhances synergies of the tourism industry chain and realizes resource sharing and value creation. The Group believes that the gradual implementation of these actions will increase shareholders' value.

The Group will also further improve its transparency, and keep the market updated of its latest operations and development through multi-channels.

In 2012, the Group expects that the fundamentals of most of the Group's businesses remain sound. Given that some new businesses remain in the nurturing stage and development of tourism real estate business is at an early stage, together with the uncertainties in domestic and external macro-economic environment, the Group will strive to maintain the comparative steadiness of its operating results in the near term. In the medium to long term, we take a favourable view of the tremendous earnings growth potential of such new businesses especially the tourism real estate business.

2012 will be the 20th listing anniversary of the Company, and also an important year of rapid tourism development under the Twelfth Five-Year Plan. The Group will be guided by strategy, and achieve the objective of value creation, providing better returns for shareholders.

APPRECIATION

Mr. Zhang Xuewu resigned as Chairman on 9 September 2011 and we wish to express our sincere gratitude to Mr. Zhang for his contributions over the decade. Also, we would like to extend our thanks to all members of the Board, the management and all the staff for their diligent work and to express our sincere gratitude to all shareholders for their unwavering trust and support.

Wang Shuai Ting
Chairman of the Board

Hong Kong, 15 March 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

XU MUHAN
Executive Director and General Manager

BUSINESS REVIEW

After the international financial tsunami, the Group has made efforts to consolidate its asset base and business foundations, and to enhance operations of major business segments. In consequence the Group has achieved recovery growth since 2010 and the growth momentum still persists to date, with a significant increase in profit attributable to shareholders in 2011. During the year, the Group strived to expand markets and enhance corporate operating profit; continued to advance the expansion of its travel destination network and development of tourism real estate projects; and strengthened the provision of management services to hotels and scenic spots in an effort to explore the asset-light development model, so as to achieve objectives of profit growth and enhancing asset returns. The Group has a healthy financial position with sufficient cash reserves, laying down a solid foundation for sustainable development.

RESULTS OVERVIEW

In 2011, the consolidated revenue of the Group was HK$4,353 million, an 8% increase compared to last year excluding the travel agency operations in Mainland China which had been disposed of last year, and the profit attributable to shareholders was HK$695 million, a significant 348% increase compared to last year. Excluding the effect of revaluation of investment properties and other significant items (please refer to note 4 to the financial statements for details), the profit attributable to shareholders was HK$577 million, a significant 224% increase compared to last year, which was mainly attributable to the continuous recovery of the tourism industry and the enhancement of operations of major business segments by the Group. The hotel and scenic spots operations achieved double-digit profit growth while the resort operations reduced losses significantly due to operational improvement and the fact that certain fixed assets of Zhuhai

Ocean Spring Resort ("Zhuhai OSR"), whose useful life estimate had been shortened, were fully depreciated last year, with Zhuhai OSR achieving profit turnaround. Basic earnings per share was HK12.21 cents, a 348% increase compared to last year. The financial position of the Group remained healthy. As at 31 December 2011, the equity attributable to shareholders was HK$12,986 million, an 8% increase compared to the end of last year, and cash and cash equivalents amounted to HK$3,491 million, a 44% increase compared to the end of last year.

TRAVEL AGENCY AND RELATED OPERATIONS

The Group's travel agency and related operations comprise China Travel Service (Hong Kong) Limited ("CTSHK"), overseas travel agencies and Mangocity.com, an on-line travel consolidator. In 2011, the revenue of the travel agency and related operations was HK$1,665 million, a 5% decrease compared to last year after excluding the travel agency operations in Mainland China which had been disposed of last year, and the attributable profit was HK$166 million, a 1% increase compared to last year.

While CTSHK recorded a decrease in outbound tours to Mainland China after the closing of Shanghai World Expo last year, the reservation business reported an increase in revenue which, together with the effective cost-control by the overseas travel agencies, helped to mitigate the impact on the travel document business caused by the end of the peak period for travel permit renewal and reduction of certain visa fees.

The revenue of Mangocity.com increased by 34% compared to last year. Business travel and air ticketing commission revenue recorded double-digit growth whereas hotel commission revenue remained comparable to last year due to reduction in commission rate. Reduction in losses continued during the year. The foundation piling work of the headquarter building of Mangocity.com in Shenzhen was completed and the building is expected to be completed in 2013.

HOTEL OPERATIONS

Major operating data

	2009	2010	**2011**
5 Hotels in Hong Kong and Macau			
Average occupancy rate (%)	85%	91%	**91%**
Average room rate (HK$)	570	682	**856**
3 Hotels in Mainland China			
Average occupancy rate (%)	64%	66%	**68%**
Average room rate (RMB)	489	495	**498**

The Group's hotel operations comprise CTS H.K. Metropark Hotels Management Company Limited ("CTS Metropark"), five hotels in Hong Kong and Macau, and three hotels in Mainland China. In 2011, the revenue of the hotel operations was HK$908 million, a 19% increase compared to last year, and the attributable profit was HK$229 million, a significant 57% increase compared to last year.

Led by the appreciation of Renminbi, the number of Mainland visitor arrivals to Hong Kong and Macau increased. The revenue of the five hotels in Hong Kong and Macau was HK$663 million, a 21% increase compared to last year, and the attributable profit was HK$161 million, a significant 67% increase compared to last year. The average occupancy rate was 91% (2010: 91%) and the average room rate was HK$856, a 26% increase compared to last year.

The revenue of the hotels in Mainland China and CTS Metropark was HK$245 million, a 14% increase compared to last year, and the attributable profit was HK$68 million, a 37% increase compared to last year. The average occupancy rate was 68% (2010: 66%) and the average room rate was RMB498, a 1% increase compared to last year. Grand Metropark Hotel Beijing delivered better results with increases in occupancy rate and room rate which, together with increase in revenue of CTS Metropark's consultancy and management services, helped to drive profit growth.

During the year, the hotel operations strengthened centralized procurement and saved on procurement costs. In addition, the hotel operations strengthened provision of management services with the signing of 9 additional hotel management consultancy contracts during the year.

SCENIC SPOTS OPERATIONS

Number of ticket purchasing visitors at the scenic spots

(Million persons)	2009	2010	**2011**
Window of the World	2.12	2.45	**2.94**
Splendid China	0.98	1.22	**1.27**
Songshan Scenic Spot*	—	1.85	**2.10**
Jigongshan Scenic Spot*	—	—	**0.22**

* Post joint venture figures.

The Group's scenic spots operations comprise Shenzhen The World Miniature Co., Ltd. ("Window of the World"), Shenzhen Splendid China Development Co., Ltd. ("Splendid China"), CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("Songshan Scenic Spot"), CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd. ("Jigongshan Scenic Spot") and other scenic spots investments. In 2011, the revenue of the scenic spots operations was HK$881 million, a 24% increase compared to last year, and the attributable profit was HK$121 million, a 15% increase compared to last year, which was dragged down by the loss incurred by the new joint venture, Jigongshan Scenic Spot, in its initial operation. After eliminating this factor, attributable profit was HK$143 million, a 36% increase compared to last year.

The number of ticket purchasing visitors at Window of the World was 2.94 million, the second highest level in its history and a 20% increase compared to last year. The revenue of Window of the World was HK$435 million, a 24% increase compared to last year, and the attributable profit was HK$73 million, a 39% increase compared to last year, which was mainly attributable to the increased number of visitors following the opening of a motion simulator theatre project "Flying over America" in June 2010 and the growth in spending per capita resulted from adjustment in ticket price. Window of the World enhanced the competitive advantage brought by its famous festival activities and aggressively expanded the night market, with nighttime admission reaching 0.50 million, a 50% increase compared to last year. In August 2011, Window of the World successfully co-hosted the Universiade closing ceremony that enhanced its brand influence.

The number of ticket purchasing visitors at Splendid China was 1.27 million, a 4% increase compared to last year. The revenue of Splendid China was HK$182 million, a 13% increase compared to last year, and the attributable profit was HK$19 million, a 58% increase compared to last year. Splendid China strengthened provision of management services and realized management revenue of RMB10 million, an eight times increase compared to last year. The overall renovation program of the scenic spot is under way in an orderly manner, and the first phase construction of the Tea Horse Trail Project, known as "Hill Tribes", was completed and opened to public in October 2011.

The number of ticket purchasing visitors at Songshan Scenic Spot was 2.10 million, a 14% increase compared to last year. The revenue of Songshan Scenic Spot was HK$219 million, a 19% increase compared to last year, and the attributable profit was HK$15 million, a 10% increase compared to last year. Leveraging on the successful inscription of the historic monuments of Dengfeng in "The Centre of Heaven and Earth" on the World Heritage List, Songshan Scenic Spot organized themed marketing campaigns and strengthened co-operation with travel agencies to drive revenue growth. However, the growth in revenue was partially offset by the increase in labour costs and other costs.

The new joint venture Jigongshan Scenic Spot commenced official operation in May 2011 and attracted 0.22 million ticket-purchasing visitors. The revenue of Jigongshan Scenic Spot was HK$24 million and the attributable loss was HK$22 million. Jigongshan Scenic Spot was still under the renovation and improvement stage. Although the number of ticket purchasing visitors and revenue increased significantly compared to the pre-joint venture period, it was still unable to cover the depreciation expenses arising from fixed asset investment and other operating costs. During the year, renovation and improvement works were carried out on a number of hotels and villas and a reception capacity of 554 guest rooms were established.

Other scenic spots are represented by various scenic spot companies under Mutual Great (Hong Kong) Limited, including its subsidiary, Chengdu Huashuiwan Sakura Hotel, and associated companies which operate Window of the World in Changsha and various cable car assets. Revenue was HK$22 million, a 17% increase compared to last year, and the attributable profit was HK$36 million, a 34% increase compared to last year, which was mainly driven by the result of Chengdu Huashuiwan Sakura Hotel.

During the year, the Group continued to advance the expansion of its travel resources network. Site visits and studies were conducted on various scenic spot projects in Jiangsu, Zhejiang, Shanghai, Fujian, Henan, Ningxia and Shandong, etc. Several projects entered into substantive negotiation stage. However, the counter parties were more concerned about the planning proposals and discussions on the details of the proposals were still in progress.

RESORT OPERATIONS

Number of visitors at the resorts

(Million persons)	2009	2010	**2011**
Zhuhai OSR	2.40	2.62	**2.69**
Xianyang OSR	0.14	0.26	**0.30**

The Group's resort operations comprise Zhuhai OSR in Zhuhai, Guangdong Province, and Xianyang Ocean Spring Resort ("Xianyang OSR") in Xianyang, Shaanxi Province. In 2011, the revenue of the resort operations was HK$455 million, a 14% increase compared to last year, and the attributable loss was HK$20 million (2010: loss of HK$328 million), realizing a significant reduction in losses.

The number of visitors at Zhuhai OSR reached 2.69 million, a 3% increase compared to last year. Revenue was HK$386 million, an 11% increase compared to last year, and the attributable profit was HK$5 million (2010: loss of HK$289 million), achieving a profit turnaround. Zhuhai OSR continued to develop the conference market and the revenue from conferences increased by 13% compared to last year. Product prices were adjusted flexibly in low and peak seasons to increase revenue. Depreciation expenses were substantially reduced as certain fixed assets of Zhuhai OSR, whose useful life estimate had been shortened, were fully depreciated last year. During the year, planning for the phase two project and the tender offer for soft ground foundation treatment works were completed.

The number of visitors at Xianyang OSR was 0.30 million, a 16% increase compared to last year. Revenue was HK$69 million, a 34% increase compared to last year, and the attributable loss reduced to HK$24 million (2010: loss of HK$39 million), realizing a net operating cash inflow. Xianyang OSR attracted repeated visitors and new visitors successfully and increased the proportion of conference tour visitors to spur growth in spending per capita, thereby stimulating revenue growth. The construction of the complementary hotel was basically completed and it was expected to commence operation officially by mid-year in 2012. The submission of the planning proposal of the tourism real estate project for approval was basically completed and an agreement was signed with a construction plan designing unit.

PASSENGER TRANSPORTATION SERVICES

The Group's passenger transportation services include China Travel Tours Transportation Services Hong Kong Limited and its subsidiaries ("CTTT") and the Group's associated company, Shun Tak – China Travel Shipping Investments Limited ("Shun Tak China Travel"). The revenue of passenger transportation services was HK$323 million in 2011, a 6% increase compared to last year, and the attributable loss was HK$2 million (2010: profit of HK$4 million).

CTTT served 6.06 million passengers, a 3% increase compared to last year. The revenue was HK$323 million, a 6% increase compared to last year, and the attributable profit was HK$9 million, a 52% decrease compared to last year. CTTT won the operation rights of small passenger vehicles at the Hong Kong Airport and raised prices in some cross-border long-haul bus routes, thereby driving revenue growth. However, profit decreased due to increase in fuel prices and rising staff costs. Both the passenger volume and revenue of a jointly controlled entity of CTTT in Macau reached new high through expansion of routes.

The attributable loss of Shun Tak China Travel was HK$11 million (2010: loss of HK$15 million), a slight narrowing compared to last year. The market share and revenue of Shun Tak China Travel increased as a result of the completion of its acquisition of First Ferry, together with a competitor tightening the preferential policy for passengers and a competitor exiting the market. With synergies from coordinated sales efforts and operation with First Ferry, Shun Tak China Travel recorded monthly profit at the end of the year despite high fuel prices.

GOLF CLUB OPERATIONS

In 2011, the revenue of CTS Tycoon (Shenzhen) Golf Club ("Golf Club") was HK$83 million, a significant 65% increase compared to last year, and the attributable loss was HK$22 million (2010: loss of HK$20 million). The renovation and expansion project of the Golf Club had been completed. The 45-hole golf course and the new clubhouse commenced full operation in March 2011, driving revenue growth. However, operating result did not improve yet due to increase in depreciation expense, staff cost and other costs. During the year, sales of membership generated revenue of RMB66 million, together with government compensation, producing a net operating cash flow of HK$193 million. A small-scale tourism real estate project was under the preliminary stage of seeking approval.

ARTS PERFORMANCE OPERATIONS

In 2011, the revenue of China Heaven Creation International Performing Arts Co., Ltd. ("Heaven Creation") was HK$38 million, a 12% decrease compared to last year, and profit attributable to shareholders was HK$0.43 million (2010: profit of HK$0.05 million). Heaven Creation continued to enhance the performance of "The Legend of Kung Fu" at the Red Theatre in Beijing（北京紅劇場） and the White House Theatre

in Branson in the United States of America. The conceptual design for the Beijing core district of performing arts and a number of other performing arts planning tasks were completed. A performance tour contract was signed for performing "The Legend of Kung Fu" in Europe for a term of 10 years and a troupe left for Spain at the end of the year for a performance tour of four months.

POWER GENERATION BUSINESS

In 2011, the on-grid electricity volume of Shaanxi Weihe Power Co., Ltd. ("Weihe Power"), a jointly-controlled entity of the Group, was 5.6 billion kwh, a 1% decrease compared to last year, and the attributable profit was HK$104 million, a 1% decrease compared to last year. During the year, the average electricity tariff increased by 5% but coal prices increased by 19%, thereby putting pressure on operating profit. However, with the availability of tax benefits, the attributable profit was comparable to last year.

Based on future expectations and taking a prudent stance, the Group made a provision for impairment of investment in Weihe Power in the amount of HK$53 million during the year.

CANCELLATION OF POTENTIAL TRANSACTIONS AND REPURCHASE OF SHARES

In the announcement of the Company dated 11 July 2011, the Group confirmed that it was considering the proposals to spin off its hotel operations, to acquire the Qingdao Ocean Spring Resort ("Qingdao OSR") project and to invest in the scenic spot project in Jiangsu Province. Subsequently, based on market conditions and development prospect of tourism industry in Mainland China, the Group reassessed the circumstances, refined its corporate development strategy and decided to terminate the original hotel spin-off proposal and to suspend potential acquisitions including the Qingdao OSR. A relevant announcement was made on 4 November 2011.

On 7 December 2011, the Company started to repurchase its shares. During the year, the Company repurchased a total of 6.73 million shares on a cumulative basis for approximately HK$8.01 million, with an average price per share of HK$1.19. The Board of Directors of the Company considered that repurchasing shares at the appropriate time would help to enhance the Group's earnings per share and net asset value per share, and to enhance shareholder return over time.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2011, the Group had approximately 14,219 employees. The employees were remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees were periodically reviewed by the management. Apart from the pension funds and in-house training programs, discretionary bonuses and share options were awarded to certain employees according to the assessment of individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 31 Dec 2011, the cash and cash equivalents of the Group amounted to HK$3,491 million whereas the interest bearing bank and other borrowings amounted to HK$850 million. The debt to capital ratio was 18% and the debt includes bank and other borrowings, trade and other payables, amounts due to the immediate holding company and fellow subsidiaries.

CORPORATE SOCIAL RESPONSIBILITY

The Group is unwaveringly dedicated to performing its responsibility as a good corporate citizen by enthusiastically supporting public welfare, environmental protection and education activities. During the year, CTSHK organized its employees to participate in a series of community activities and "Caring Volunteers" voluntary services. The hotel operations continued to strengthen environmental protection initiatives by raising the awareness of energy saving and consumption reduction among its guests, so as to reduce the change of linen and the wastage of low-cost consumables. Songshan Scenic Spot was concerned about the needs of employees in difficulties, and started the activities to aid such employees on the eve of the Chinese New Year through paying home visits to more than 60 employees and released comfort money to 29 eligible families of the staff. Jigongshan Scenic Spot was highly concerned about ecology preservation work and brought back white Cranes, which had disappeared for a long time, and changed the original mode of transportation of visitors from driving their own cars to solely riding on environmental friendly electric vehicle in order to reduce exhaust gas emissions and pollution. With the completion of the number one energy-saving heat exchange station project by Zhuhai OSR, about 1,000 tonnes of standard coal would be saved and about 22 tonnes of sulphur dioxide emissions would be reduced each year, laying a solid foundation for the creation of an exemplary zone for energy saving, emission reduction and low carbon at national standards. The United States arm of Heaven Creation took root in the community and launched a special performance for an eight-year-old boy with brain cancer and a charitable performance for a town affected by hurricanes.

PROGRESS AHEAD IN CLEAR DIRECTION

With the continuous development of national economy and increasing popularity of holiday travel, trends of individual travel and destination-oriented economic activities have emerged in the tourism industry. The significance of tourism resources has become increasingly important and controlling quality tourism resources has become an important means to gain core competitiveness for tourism enterprises. Capturing the development trends of the tourism industry, the Group will strengthen the management and development of its scenic spots operations, so as to realize the consolidation of and creation of synergy between scenic spots and other tourism elements. Next step is to become the flagship in the tourism industry, which enhances synergies of the tourism industry chain and realizes resource sharing and value creation.

The Group will accelerate the expansion of its travel destination network in Mainland China. The Group will seek quality tourism resources that are famous, mature, sizable and profitable or establish leisure resort with tourism real estates as major component in areas with competitiveness in resources, location, transport and climate, and strong local government support for tourism industry. The Group will leverage on its integrated capabilities in planning and management of scenic spots, organization of tour visitors and industry chain extension to reduce entry cost and enhance subsequent returns. Learning from its experiences, the Group will strictly control the development scale and speed of its projects and focus on economic benefits. The Group will develop projects in phases and match long-term projects with short-term projects, striking a balance between scale, economic benefits and profit stability.

The Group will actively employ capital and market means to accelerate the adjustment of business mix with additions and exits. The Group will actively enter into areas of strategic importance and acquire scarce tourism resources, focus on development of high-end, premium, high value-added or high gross profit margin businesses and bring the existing businesses up to industry-leading level with action plan. At the same time, the Group will exit from markets and businesses lacking competitive advantages, of low returns and with high risk. In addition, the Group will enhance synergies between its businesses and gradually increase its resource sharing ratio.

BUSINESS PROSPECTS

According to the economic outlook of the International Monetary Fund, the global recovery is threatened by intensifying strains in the euro area and fragilities elsewhere. Growth prospects have dimmed and downside risks have escalated. Meanwhile, the economic growth of China is also expected to slow down slightly. According to China National Tourism Administration, the world economy is still facing adverse conditions. However, there is no change in the fundamental trends supporting the healthy development of China's tourism industry. Tourism spending has been included by the Chinese government as one of the key areas for expanding domestic demand and more favourable policies will be introduced to foster development of the tourism industry. Together with the increasing supply of tourism facilities and the rapid expansion of tourism consumer groups, they will provide development opportunities for the tourism industry.

Looking ahead in 2012, CTSHK, being the sole authorized ticket reseller of the London Olympic Games in Hong Kong, will further expand its brand influence. It is expected that the travel document business will still be affected by the reduction of certain visa fees. Mangocity.com will focus on expanding its airline and hotel reservation and business travel businesses, and revenue is expected to grow continuously. Mangocity.com will build up its differentiation advantages in individual travel, international airline reservation, Hong Kong and Macau hotel reservation service, cruise tours and vehicle rental service, etc.

The visitor arrivals and spending in Hong Kong and Macau are expected to increase continuously, providing strong support for development of the hotel operations. The Group will strive to strengthen its provision of management services, broaden its sources of earnings, expand its brand influence, as well as keep a vigilant eye on hotel investment opportunities in Hong Kong. In order to enhance its long-term competitiveness, Metropark Hotel Mongkok has planned for a temporary closure for large-scale renovation works in 2012. If the plan proceeds, the short-term operating results will be affected, but the long-term prospect will be brighter.

Driven by strong domestic tourism consumption, it is expected that the revenue of scenic spots operations and resort operations will increase continuously. The "Miniature Train" project undertaken by Window of the World is expected to be launched in mid-2012 and drive growth. The overall renovation program of Splendid China is under way in an orderly manner, and scheduled to be completed between 2011 and 2015 in four phases. The first phase 210,000m^2

renovation zone is expected to be completed in 2012 and drive steady growth. Songshan Scenic Spot will further enhance its management and service levels to enrich visitors' experience, and proceed with the preparatory work of the "Tourist Town" project in a prudent manner to extend the industry chain. Jigongshan Scenic Spot will continue to renovate the villas and hotels during its nurturing stage, increase its marketing efforts and look for means to enhance asset values. It is expected that the operation has yet to become profitable.

Zhuhai OSR will endeavor to maintain profitability after its profit turnaround in 2011. Zhuhai OSR will continue to explore opportunities in MICE (meetings, incentives, conferences, events) business and grasp the opportunities brought by the China International Aviation & Aerospace Exhibition to be held in Zhuhai in 2012 to drive revenue growth. In addition, Zhuhai OSR will steadily proceed with its phase two tourism project, commence the soft ground foundation treatment work in the first half of the year, and strive to commence the construction of a small portion of the tourism real estate project by the end of the year. Xianyang OSR will reinforce the trend of continuous revenue growth for its hot spring centre, prepare for opening of the complementary hotel and ensure its subsequent smooth management and operation. It is expected that the hotel will incur losses in its initial operation period. The tourism real estate project, with a total gross floor area of approximately 150,000m^2, is expected to commence construction in 2012.

The Group will accelerate the pace of seeking quality tourism resources in regions including Jiangsu, Zhejiang, Guangdong and Hunan, etc. in order to accelerate the expansion of travel destination network. The Group will improve the family of management standards for scenic spots and refine the management standards for different types of scenic spots such as "leisure holidays", "nature and heritage" and "theme park", etc. to further enhance management and service levels. Revenue of passenger transportation services is expected to be stable and rising. However, the results will still be affected by high fuel prices. "Hurdzan" golf course will have a full year operation in 2012 and depreciation expense will increase. It is expected that pressure will remain. The Golf Club will increase membership sales efforts and proceed with the preliminary work on the tourism real estate development project in full force, in order to accelerate recoupment of investment. Heaven Creation will actively build up its business scale and earnings base to improve its development potential.

In summary, the fundamentals of most of the Group's businesses remain sound. Given that some new businesses remain in the nurturing stage and development of tourism real estate business is at an early stage, together with the uncertainties in domestic and external macro-economic environment, the Group will strive to maintain the comparative steadiness of its operating results in the near term. In the medium to long term, we take a favourable view of the tremendous earnings growth potential of such new businesses especially the tourism real estate business.

Against the backdrop of adverse and complicated external economic situations and continuous, steady and fairly rapid growth in Chinese economy, the Group will remain highly vigilant, rise to challenges and capture business opportunities actively with its healthy business and financial foundation and sufficient cash reserves. The Group will adhere to its clear development strategies, strengthen its business and earnings foundation, and achieve the objective of value creation, providing better returns for shareholders.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group's principal subsidiaries are set out in note 38 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

GROUP PROFIT

The Group's profit for the year ended 31 December 2011 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 54 to 172.

DIVIDENDS

An interim dividend of HK2 cents per share was paid on 26 September 2011. The Directors recommend the payment of a final dividend of HK3 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 11 May 2012.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are shown in note 33 to the financial statements.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$2,674,187,000, of which HK$170,427,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$8,357,579,000, may be distributed in the form of fully paid bonus shares.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased a total of 6,726,000 ordinary shares of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), of which 5,460,000 shares were cancelled on 29 December 2011 and 1,266,000 shares were cancelled on 7 February 2012. The number of issued shares as of 31 December 2011 was 5,689,895,525 shares. Particulars of the shares repurchased during the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price paid per share Highest	Lowest	Aggregate consideration paid
		HK$	HK$	HK$
December 2011	6,726,000	1.30	1.15	8,011,960

From 1 January 2012 and up to the date of this report, 7,738,000 shares had been further repurchased and cancelled at an aggregate consideration of HK$10,847,180. The number of issued shares as of 15 March 2012 is 5,680,891,525.

The Directors consider that the repurchases will enhance shareholder value in the long term. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DONATIONS

During the year, no charitable donations were made by the Group. (2010: HK$77,000).

SUMMARY FINANCIAL INFORMATION

A summary of the Group's results and assets and liabilities for the last five financial years, is set out on page 6. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Summaries of the particulars of the Group's principal hotel properties and principal investment properties are set out on pages 173 and 174, respectively. These summaries do not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 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 are as follows:

Executive directors:

Mr. Zhang Xuewu (Resigned on 9 September 2011)
Mr. Wang Shuai Ting (Appointed as Chairman on 9 September 2011)
Mr. Zheng Heshui (Retired on 9 September 2011)
Mr. Lo Sui On (Vice Chairman)
Ms. Jiang Yan
Mr. Fang Xiaorong
Mr. Zhang Fengchun
Mr. Xu Muhan (General Manager)
Mr. Fu Zhuoyang

Independent non-executive directors:

Dr. Fong Yun Wah
Mr. Wong Man Kong, Peter
Mr. Sze, Robert Tsai To
Mr. Chan Wing Kee

The Company received confirmations from the Independent Non-Executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considered all the Independent Non-Executive Directors as independent.

In accordance with Article 101 of the Company's Articles of Association, Mr. Lo Sui On, Ms. Jiang Yan, Dr. Fong Yun Wah and Mr. Wong Man Kong, Peter 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. Wang Shuai Ting who was appointed by the Board on 9 September 2011, will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

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

Biographical details of the Directors and senior management of the Company are set out on pages 9 to 13 of the annual report.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in Directors' information since the date of the 2011 Interim Report are set out below:

- From 9 September 2011, Mr. Zhang Fengchun ceased to be the director of Shaanxi Weihe Power Co., Ltd., a jointly-controlled entity of the Group.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings every year. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

COMPENSATION POLICY

The Group's compensation policy comprises basic salary, annual bonus, benefits and long term incentive award (including grant of share options under the share option scheme). The objective of the Group's compensation policy is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving a balance of short term and long term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation varies with importance of duties, giving bonus in connection with performance directly proportional to the importance of duties, so as to ensure that the Group can recruit, retain and motivate high calibre candidates required for the development of the Group and avoid excess reward. The Group reviews its compensation policy annually and engages professional intermediary if necessary so as to ensure the competitiveness of the compensation policy which, in turn, would support the business growth of the Group. No individual employee shall have the right to determine his/her own compensation.

INTERESTS IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted 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 2.4 to the financial statements.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2011 and up to the date of this annual report, the Group had the following connected transactions and continuing connected transactions, details of which are as follows:

Connected transactions

(1) On 26 January 2011, China Heaven Creation International Performing Arts Co., Ltd. ("China Heaven"), a non wholly-owned subsidiary of the Company, and the Export-Import Bank of China (the "Bank") entered into a loan agreement pursuant to which China Heaven applied for a RMB30 million loan from the Bank for its investment in the newly acquired White House Theatre in Branson, Missouri, the United States. Pursuant to the requirements of the Bank, a guarantee from a company incorporated in the PRC (with asset of not less than RMB1 billion and annual profits of not less than RMB80 million) to secure the repayment obligations of China Heaven is required for the loan application. Therefore, on 26 January 2011, China National Travel Service (HK) Group Corporation ("China CTS (HK)"), the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, provided a credit guarantee in favour of the Bank to secure the repayment obligations of China Heaven under the loan agreement. At the same time, in consideration of China CTS (HK)'s request, the Company provided a counter guarantee of equivalent value in favour of China CTS (HK).

    As China CTS (HK) is the sole shareholder of CTS (Holdings), the controlling shareholder of the Company, China CTS (HK) is a connected person of the Company and the provision of the counter guarantee to China CTS (HK) constitutes the provision of financial assistance and a connected transaction of the Company under Listing Rules. For detailed information, please refer to the announcement of the Company dated 26 January 2011.

(2) On 28 December 2011, China Travel Service (Hong Kong) Limited ("CTSHK"), a wholly-owned subsidiary of the Company, has entered into the Memorandum of Sale and Purchase of the real property located at Nos. 361-367, Portland Street, Kowloon, Hong Kong (the "Mong Kok Property") with CTS (Holdings) pursuant to which CTSHK, as vendor, has agreed to sell and CTS (Holdings), as purchaser, has agreed to purchase the Mong Kok Property, at a consideration of HK$188,000,000 which will be settled entirely in cash.

    As CTS (Holdings) is a substantial shareholder of the Company and thus a connected person of the Company, the Disposal of the Mong Kong Property constitutes a connected transaction for the Company under the Listing Rules, in respect of which an announcement dated 28 December 2011 was published.

(3) Shaanxi Weihe Power Co., Ltd. ("Weihe Power"), Industrial Bank Co., Ltd., Xian Branch ("Industrial Bank") and Shaanxi Qinlong Electric Power Co., Ltd. ("Shaanxi Qinlong") entered into entrustment loan agreements on 13 April 2011 and 29 December 2011, for a term of 6 years commencing from 13 April 2011, and 3 years commencing from 29 December 2011 respectively, pursuant to which Weihe Power, with its own funds, has designated Industrial Bank to act as the trustee to release the relevant entrustment loans (each of an amount of RMB75,000,000 and for an aggregate amount of up to RMB150,000,000) to Shaanxi Qinlong. Shaanxi Qinlong agreed under each loan arrangement to provide a counter-guarantee over each loan amount of up to RMB75,000,000 and for an aggregate amount of up to RMB150,000,000 in respect of the economic benefits it derives from its holding of equity interests in Weihe Power. Shaanxi Qinlong shall use the funds from the entrustment loan arrangements for funding Shaanxi Qinyuan Thermal Power Co., Ltd., a subsidiary of Shaanxi Qinlong, in carrying out the heating network project complementary to the conversion of Weihe Power to a combined heat and power plant.

Shaanxi Qinlong is a substantial shareholder of Weihe Power, a 51% owned subsidiary of the Company for the purposes of the Listing Rules. Shaanxi Qinlong is therefore a connected person of the Company and each transaction under the entrustment loan agreements constitutes a connected transaction for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transaction contemplated under the two entrustment loan agreements will be aggregated and treated as if they were one transaction.

Continuing connected transactions

(i) On 24 October 1995, Shenzhen The World Miniature Co. Ltd. ("Window of the World"), a subsidiary of the Company, entered into a lease agreement (the "Lease Agreement") with a lease term of eighteen years with Huaqiaocheng Group Company ("Huaqiaocheng") which stated that the increase in annual rent for the third renewal period between 28 April 2007 and 5 May 2012 was to be negotiated and agreed between the parties, and subject to a maximum increment of 15% as compared with the annual rent for the period between 28 April 2002 and 27 April 2007 (the "third rental period"). On 10 September 2007, Window of the World entered into a supplemental agreement with Huaqiaocheng to govern the lease transaction with Huaqiaocheng for the period commenced on 28 April 2007 and ending on 27 April 2010 at an annual rent of RMB10.89 million, representing an increment rate of 10% on the rent for the third rental period. On 24 May 2010, Window of the World entered into a new supplemental agreement with Huaqiaocheng to supplement the Lease Agreement and to govern the lease transaction with Huaqiaocheng (the "Huaqiaocheng CCT") for the period commenced on 28 April 2010 and ending on 5 May 2012 at an annual rent of RMB11.385 million, representing an increment rate of 15% on the rent for the third rental period. .

Huaqiaocheng owns approximately a 56.52% interest in Shenzhen Overseas Chinese Town Company Limited ("Overseas Chinese Town"). Overseas Chinese Town in turn owns a 49% interest in Window of the World, and is therefore a substantial shareholder of Window of the World. Accordingly, Huaqiaocheng and Overseas Chinese Town are connected persons of the Company, and the Huaqiaocheng CCT constitutes a continuing connected transaction of the Company. For detailed information in this regard, please refer to the announcement issued by the Company on 24 May 2010.

The Huaqiaocheng CCT's cap for the two years ending 31 December 2012 was RMB11.385 million per year. The actual amount of the transactions for the year ended 31 December 2011 was RMB11.385 million.

(ii) On 20 August 2010, Window of the World, a 51% owned subsidiary of the Company, Industrial and Commercial Bank of China Limited ("ICBC") and Overseas Chinese Town, which owns 49% equity interest in Window of the World, entered into an entrustment loan agreement (the "First Entrustment Loan Agreement") for a term of three years commencing from 20 August 2010 pursuant to which ICBC has, at the request of and acting as an agent to Window of the World, agreed to provide an entrustment loan with a maximum amount of RMB70 million to Overseas Chinese Town. On the same date, Shenzhen Splendid China Development Co. Ltd. ("Splendid China"), a 51% owned subsidiary of the Company, ICBC and Overseas Chinese Town, which owns 49% equity interest in Splendid China, entered into an entrustment loan agreement (the "Second Entrustment Loan Agreement") for a term of three years commencing from 20 August 2010 pursuant to which ICBC as , at the request of and acting as an agent to Splendid China, agreed to provide an entrustment loan with a maximum amount of RMB150 million to Overseas Chinese Town.

Overseas Chinese Town is a substantial shareholder of each of Window of the World and Splendid China, being 51% owned subsidiaries of the Company, and is, therefore, a connected person of the Company. Therefore, the transactions contemplated under the First Entrustment Loan Agreement and the Second Entrustment Loan Agreement (the "Financial Assistance") constitutes continuing connected transactions for the Company under Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the transactions contemplated under the First Entrustment Loan Agreement will be aggregated with the transactions contemplated under the Second Entrustment Loan Agreement and treated as if they were one transaction. The annual cap for the Financial Assistance for each of the two financial years ending 31 December 2012 was RMB220 million. The actual amount of the transactions for the year ended 31 December 2011 was RMB220 million. For detailed information, please refer to the announcement of the Company dated 20 August 2010.

(iii) The Group in the past entered into certain ongoing connected transactions with CTS (Holdings) and its associates (collectively, the "CTS (Holdings) Group") and China CTS (HK)" and its associates (collectively, the "China CTS (HK) Group") in the following categories:

(a) Provision of Travel Permission Administration by CTSHK (note (1));

(b) Provision of insurance brokerage services by the CTS (Holdings) Group (note (2));

(c) Lease arrangements with the CTS (Holdings) Group as lessor (note (2));

(d) Provision of Application Service Provider ("ASP") related services to the CTS (Holdings) Group (note (2));

(e) Provision of hotel management fees to the CTS (Holdings) Group (note (3));

(f) Provision of tour group services to the China CTS (HK) Group (note (4)); and

(g) Provision of tour group services by the China CTS (HK) Group (note (4)).

Notes:

(1) On 15 May 2001, CTSHK, a wholly-owned subsidiary of the Company, entered into an agreement (the "Agency Agreement") with CTS (Holdings), a controlling shareholder of the Company (and is therefore a connected person of the Company), to document the transactions relating to the general administration services provided in Hong Kong for application for tourist visas and travel permits for entry into the PRC for a fixed term up to 30 June 2047 (the "Travel Permit Administration").

CTSHK has continued to provide the Travel Permit Administration during its ordinary and usual course of business and in accordance with the terms of the Agency Agreement. At the extraordinary general meeting held on 18 December 2009, the Company obtained independent shareholders' approval of the maximum aggregate annual value of HK$420 million for the Travel Permit Administration for each of the three financial years ending 31 December 2012.

(2) The Company entered into a master agreement (the "2006 Master Agreement") with CTS (Holdings) on 29 December 2006 to govern the continuing connected transactions referred to in (b), (c) and (d) above for a term commenced from 1 January 2007 and ended on 31 December 2009. On 18 November 2009, the Company entered into a renewal agreement with CTS (Holdings) to renew the terms of the continuing connected transactions referred to in (b), (c) and (d) above for a term commenced from 1 January 2010 and ending on 31 December 2012, and to enlarge the scope of services of certain continuing connected transactions in the 2006 Master Agreement. As the aggregate amount of the ASP related services actually required by the CTS (Holdings) Group for the two financial years ending 31 December 2012 may exceed the original projection, the Company and CTS (Holdings) has, on 14 October 2011, entered into the ASP supplemental agreement to revise the annual caps for the two financial years ending 31 December 2012 under Rule 14A.36 of the Listing Rules.

As CTS (Holdings) is a substantial shareholder of the Company, members of the CTS (Holdings) Group are connected persons of the Company. China CTS (HK) is the sole shareholder of CTS (Holdings), and accordingly members of the China CTS (HK) Group are also connected persons of the Company. For detailed information, please refer to the Company's announcements dated 18 November 2009.

(3) On 9 May 2008, the Company and CTS (Holdings) entered into a hotel management services master agreement (the "HMS Master Agreement") to govern the continuous provision of hotel management services by CTS H.K. Metropark Hotels Management Company Limited ("CTS Hotels Management"), a wholly-owned subsidiary of the Company, to certain subsidiaries of CTS (Holdings) for a term commenced from 9 May 2008, date of signing of the HMS Master Agreement, and ending on 31 December 2015. For detailed information, please refer to the announcement of the Company dated 1 November 2007.

As the aggregate amount of hotel management fees for the three financial years ending 31 December 2013 may exceed the original projection, the Company has, on 8 September 2011, revised the annual caps for the three financial years ending 31 December 2013 under Rule 14A.36 of the Listing Rules. For detailed information, please refer to the announcement of the Company dated 8 September 2011.

(4) On 19 August 2008, the Company and China CTS (HK) entered into a tour group service agreement (the "Tour Group Services Agreement") in relation to the provision of tour group services by the Group and China CTS (HK) Group to each other for the period commenced on 1 January 2008 and ending on 31 December 2010 in order to benefit from the extensive coverage of the travelling network of China CTS (HK) Group and to allocate resources more efficiently. China CTS (HK) is a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions will constitute continuing connected transactions of the Company under the Listing Rules. On 22 June 2009, the Company and China CTS (HK) entered into a tour group service supplementary agreement (the "Tour Group Services Supplemental Agreement") to extend the term of the Tour Group Services Agreement to 31 December 2011. For detailed information, please refer to the Company's announcement dated 19 August 2008 and 22 June 2009.

As the Tour Group Services Supplemental Agreement was expired on 31 December 2011, the Company entered into a tour group services master agreement with China CTS (HK) on 14 October 2011 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2012 to 31 December 2014, where the Group and the China CTS (HK) Group will continue to provide tour group services to each other. For detailed information, please refer to the Company's announcement dated 14 October 2011.

The maximum aggregate annual consideration for the above-said continuing connected transactions for the year ended 31 December 2011 and the years ending 31 December 2012 and 31 December 2013 and the actual amounts of such transactions for the year ended 31 December 2011 are as follows:

		Caps for the three years ended/ ending 31 December		**Actual amounts for the year ended 31 December**
	2011	**2012**	**2013**	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000
I. Continuing connected transactions with the CTS (Holdings) Group				
(a) Provision of Travel Permit Administration by CTSHK	420,000	420,000	—	343,422
(b) Provision of insurance brokerage services by the CTS (Holdings) Group	6,200	7,200	—	6,189
(c) Lease arrangements with CTS (Holdings) Group as lessor	29,500	35,500	—	16,302
(d) Provision of ASP related services to the CTS (Holdings) Group	30,000	36,000	—	22,738
(e) Provision of hotel management services to the CTS (Holdings) Group	20,000	22,000	24,200	17,118
II. Continuing connected transactions with the China CTS (HK) Group				
(f) Provision of tour group services to the China CTS (HK) Group	230,000	16,000	19,200	12,521
(g) Provision of tour group services by the China CTS (HK) Group to the Group	200,000	100,000	120,000	87,783

(iv) On 18 November 2009, the Company entered into an agreement with Dean Glory Development Limited ("Dean Glory"), a wholly-owned subsidiary of CTS (Holdings), pursuant to which Dean Glory conditionally agreed to sell and the Company conditionally agreed to acquire the entire issued share capital of Trump Return Limited ("Trump Return"), a wholly-owned subsidiary of Dean Glory, and the entire shareholder's loan and other indebtedness owed by Trump Return to Dean Glory (the "Acquisition") as at the date of completion of the Acquisition at an aggregate consideration of HK$275,000,000. On 18 November 2009, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort"), an indirect wholly-owned subsidiary of Trump Return, entered into a services agreement (the "Services Agreement") with China CTS Asset Management Corporation ("China CTS Asset Management") for a term of three years commencing from the date of completion of the Acquisition on 31 December 2009, in relation to the provision of management services by China CTS Asset Management to CTS Scenery Resort and its subsidiaries. China CTS Asset Management is a wholly-owned subsidiary of China CTS (HK) and thus a connected person of the Company. CTS Scenery Resort shall become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition. The continuing provision of the management services by China CTS Asset Management to CTS Scenery Resort shall constitute a continuing connected transaction of the Company under the Listing Rules. The maximum annual caps for the management fees payable by CTS Scenery Resort and its subsidiaries to China CTS Asset Management under the Services Agreement for the two years ending 31 December 2012 are HK$5,700,000 and HK$6,410,000, respectively. The actual amount of the transactions for the year ended 31 December 2011 was HK$5,464,000. For detailed information, please refer to the Company's announcement dated 18 November 2009 and the circular dated 3 December 2009.

(v) On 4 January 2010, CTS (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd. ("CTS (Dengfeng)") and Henan Province Songshan Scenic Spot Management Committee ("Songshan Management") entered into a franchise agreement pursuant to which CTS (Dengfeng) 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. The Company owns 51% equity interest in CTS (Dengfeng) and CTS (Dengfeng) is 49% owned by Songshan Management. Songshan Management is therefore a connected person of the Company and the transactions contemplated under the franchise agreement shall constitute continuing connected transactions for the Company under the Listing Rules. As the aggregate amount of franchise fees for the two years ending 31 December 2012 may exceed the original projection, the Company has, on 14 October 2011, revised the annual caps for the two years ending 31 December 2012 under Rule 14A.36 of the Listing Rules. The caps for the two years ending 31 December 2012 in respect of the franchise fee payable by the CTS (Dengfeng) to Songshan Management are RMB105 million and RMB126 million, respectively. The actual amount of the transactions for the year ended 31 December 2011 was RMB89.26 million.

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 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.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions 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. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has disclosed the connected transactions and continuing connected transactions entered into during the year which are required to be disclosed under Chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2011, 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

Ordinary shares of HK$0.10 each of the Company

Name of Director	Interests in shares		Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital
	Corporate interest	Family interest			
Mr. Lo Sui On	—	—	1,770,000	1,770,000	0.0311%
Ms. Jiang Yan	—	—	1,770,000	1,770,000	0.0311%
Mr. Fang Xiaorong	—	—	1,770,000	1,770,000	0.0311%
Mr. Zhang Fengchun	—	—	1,770,000	1,770,000	0.0311%
Mr. Xu Muhan	—	2,000 *(Note 1)*	1,850,000	1,852,000	0.0325%
Mr. Fu Zhuoyang	—	—	1,770,000	1,770,000	0.0311%
Dr. Fong Yun Wah	50,000 *(Note 2)*	—	—	50,000	0.0009%

Note 1: Mr. Xu Muhan is deemed to be interested in these shares of the Company held by his spouse.

Note 2: These shares are beneficially owned by certain corporations the voting power at general meetings of which Dr. Fong Yun Wah controlled one-third or more. Dr. Fong Yun Wah is taken to be interested in such shares pursuant to Divisions 7 and 8 of Part XV of the SFO.

The interests of the Directors and chief executives of the Company in the share option of the Company are detailed in "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.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 34 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options								
Name or category of participant	Balance as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Reclassified during the year	Balance as at 31 December 2011	Date of grant (Note 3)	Exercise period (Note 4)	Exercise price (HK$)
Directors									
Zhang Xuewu (Note 1)	2,130,000	—	—	—	(2,130,000)	—	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zheng Heshui (Note 2)	1,770,000	—	—	—	(1,770,000)	—	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	1,770,000	—	—	—	—	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Jiang Yan	1,770,000	—	—	—	—	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fang Xiaorong	1,770,000	—	—	—	—	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Zhang Fengchun	1,770,000	—	—	—	—	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Xu Muhan	1,850,000	—	—	—	—	1,850,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Fu Zhuoyang	1,770,000	—	—	—	—	1,770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	14,600,000	—	—	—	(3,900,000)	10,700,000			
Other employees in aggregate	111,060,000	—	—	(2,000,000)	3,900,000	112,960,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	125,660,000	—	—	(2,000,000)	—	123,660,000			

Notes:

(1) Mr. Zhang Xuewu resigned as a Director of the Company on 9 September 2011.

(2) Mr. Zheng Heshui retired as a Director of the Company on 9 September 2011.

(3) Pursuant to the Share Option Scheme, upon an offer accepted by a grantee, the share option will be deemed to have been granted on the date of the offer. The date of acceptance of share option for directors is 18 June 2010. The closing market price per Shares as at the date preceding the date on which the share options were granted was HK$1.73.

(4) 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:

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

(5) The accounting policies on Share Option Scheme are set out in note 2.4 to the 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.

Save as disclosed above, as at 31 December 2011, 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 2011, 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

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital
China CTS (HK)	Interest of controlled corporation (Note1)	3,075,958,728	54.00%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Notes 1 and 4)	3,075,958,728	54.00%
Foden International Limited ("FIL")	Beneficial owner (Note 2)	20,700,000	0.36%
China Travel Finance & Investment (H.K.) Limited ("CTS Finance")	Beneficial owner (Note 3)	82,326,000	1.44%

Notes:

1. The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS (HK). CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS (HK) is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO and the interests of China CTS (HK) in the Company duplicate the interests of CTS (Holdings).

2. These shares are held by FIL which is a wholly-owned subsidiary of CTS (Holdings).

3. These shares are held by CTS Finance which is a wholly-owned subsidiary of CTS (Holdings).

4. Of these 3,075,958,728 shares, 2,972,932,728 shares are held by CTS (Holdings) directly. 20,700,000 shares are held by FIL and 82,326,000 shares are held by CTS Finance, in which CTS (Holdings) is taken to be interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 31 December 2011, 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.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Particulars of interest-bearing bank and other borrowings of the Group as at 31 December 2011 are set out in note 31 to the financial statements.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into a facility agreement with a bank on 4 July 2011 (the "First Facility Agreement") for an uncommitted revolving term loan facility of HK$300,000,000. Pursuant to the First Facility Agreement, the Company undertakes to the bank, inter alia, that it will: (i) ensure 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) ensure CTS (Holdings) shall remain to be under the direct or indirect management and 100% ownership of the State Council of the People's Republic of China.

On 20 July 2011, CTSHK, a wholly-owned subsidiary of the Company, as borrower, the Company, as guarantor, and a bank as lender entered into a facility agreement (the "Second Facility Agreement") for a committed revolving credit facility of HK$300,000,000. The credit facility is for a term of 364 days commencing from 20 July 2011. Pursuant to the terms of the Second Facility Agreement, each of CTSHK and the Company jointly and severally undertakes to the bank, inter alia, that it will: (i) ensure that the Company shall remain, at all times, at least 40% beneficially owned (directly or indirectly) by CTS (Holdings); and (ii) ensure that CTS (Holdings) shall remain under direct supervision of State-owned Assets Supervision and Administration Commission of the People's Republic of China. Breach of these undertakings will constitute an event of default upon which, among other things, CTSHK shall on demand repay all advances made (together with all unpaid accrued interest and fees and any other sums then due under the Second Facility Agreement) to CTSHK by the bank pursuant to the Second Facility Agreement and the bank may terminate its obligation to make further advance to CTSHK without notice.

CTSHK, as borrower, and the Company, as guarantor also entered into a facility agreement (the "Third Facility Agreement") with another bank on 20 July 2011 for an uncommitted facility of HK$300,000,000. The credit facility will expire on 30 June 2012, subject to annual review or early repayment in full. Pursuant to the Third Facility Agreement, the Company covenants to the bank, inter alia, that CTS (Holdings) shall maintain at least 40% of the beneficial ownership over the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, 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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 45 to 51.

AUDITORS

The consolidated financial statements have been audited by Ernst & Young, who will retire at the conclusion of the forthcoming annual general meeting of the Company. The Board has resolved to propose the appointment of PricewaterhouseCoopers as the new auditors of the Company to fill the vacancy arising from the retirement of Ernst & Young and an ordinary resolution will be submitted to the forthcoming annual general meeting to appoint PricewaterhouseCoopers as the auditors of the Company..

ON BEHALF OF THE BOARD

Wang Shuai Ting
Chairman

Hong Kong, 15 March 2012

CORPORATE GOVERNANCE REPORT

The Group considers that good corporate governance is vital to the healthy and sustainable development of the Group. To ensure a high standard of corporate governance, the Group shall strive to enhance the standard of corporate governance continuously, strictly comply with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and actively apply the principles of the Code.

The Company has complied with all the Code Provisions throughout the year ended 31 December 2011 except for the following deviation:

— With respect to Code Provision A.4.1, 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.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate practices to ensure compliance.

The key corporate governance principles and practices of the Company are as follows:

THE BOARD

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/Chief Executive Officer 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 above mentioned officers. The Board has the full support of the General Manager/Chief Executive Officer and the senior management to discharge its responsibilities.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Directors of the Board of Directors of the Company during 2011 and up to the date of this report were as follows:

Executive Directors:

Mr. Zhang Xuewu (Resigned on 9 September 2011)
Mr. Wang Shuai Ting (Chairman, Appointed on 9 September 2011)
Mr. Zheng Heshui (Retired on 9 September 2011)
Mr. Lo Sui On (Vice Chairman)
Ms. Jiang Yan
Mr. Fang Xiaorong
Mr. Zhang Fengchun
Mr. Xu Muhan (General Manager)
Mr. Fu Zhuoyang

Independent Non-Executive Directors:

Dr. Fong Yun Wah
Mr. Wong Man Kong, Peter (Chairman of Audit Committee and Remuneration Committee)
Mr. Sze, Robert Tsai To (a member of Audit Committee and Remuneration Committee)
Mr. Chan Wing Kee (a member of Audit Committee and Remuneration Committee)

The relationships among the members of the Board are disclosed under "Biographies of Directors and Senior Management" on pages 9 to 13.

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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.

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.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

The Board reviews its own structure, size and composition regularly to ensure it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Board has reviewed the independence of the independent non-executive Directors during 2011. The Board also recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

BOARD MEETINGS

During the year ended 31 December 2011, the Board met four times.

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2011 is set out below:

Attendance/Number of Meetings **Directors**	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Zhang Xuewu*	2/3		
Wang Shuai Ting*	1/1		
Zheng Heshui*	0/3		
Lo Sui On	3/4		
Jiang Yan	4/4		
Fang Xiaorong	1/4		
Zhang Fengchun	3/4		
Xu Muhan	4/4		
Fu Zhuoyang	1/4		
Independent Non-executive Directors			
Fong Yun Wah	4/4		
Wong Man Kong, Peter	3/4	2/2	1/1
Sze, Robert Tsai To	4/4	2/2	1/1
Chan Wing Kee	3/4	2/2	1/1

* Mr. Zhang Xuewu has resigned as Chairman and Executive Director of the Company with effect from 9 September 2011.

* Mr. Wang Shuai Ting has been appointed as Chairman and Executive Director of the Company with effect from 9 September 2011.

* Mr. Zheng Heshui has retired as Vice Chairman and Executive Director of the Company with effect from 9 September 2011.

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 to take and keep 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.

CHAIRMAN AND GENERAL MANAGER/CHIEF EXECUTIVE OFFICER

The Company supports the division of responsibility between the Chairman and the General Manager/Chief Executive Officer 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/Chief Executive Officer focuses on managing and controlling the business of the Group. Their respective responsibilities are clearly defined and set out in writing. Currently, Mr. Wang Shuai Ting serves as the Chairman of the Board and Mr. Xu Muhan serves as the General Manager.

BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

All the members of each Board committees are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Remuneration Committee

The Remuneration Committee was established in April 2005 and currently comprises three independent non-executive Directors, namely, Mr. Wong Man Kong, Peter (Chairman), Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

On 25 March 2011, the Remuneration Committee met mainly to review the directors' fees of the Company and the management structure of the Company.

Audit Committee

The Audit Committee was established in March 1999 and currently comprises three independent non-executive Directors, namely, Mr. Wong Man Kong, Peter (Chairman), Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To monitor the integrity of the interim and annual financial reports as well as to review significant financial reporting judgements before submission to the Board and to report the same to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2011 mainly to consider 2010 internal audit report and independent opinions of external auditors on the Company and to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, the financial results and reports, financial reporting and process of compliance, 2011 internal audit plan and the re-appointment of the external auditors.

The Company's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

DIRECTORS' SECURITIES TRANSACTIONS

Since 11 April 2004, the Company has adopted its own code of conduct regarding Directors' securities transactions (the "Code of Conduct") 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.

Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2011.

The Company has also adopted written guidelines on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the written guidelines by employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 52 to 53.

Save as disclosed in note 7 to the financial statements for fees payable to the Company's external auditors for audit services provided for the year ended 31 December 2011, other fees payable for significant non-audit service assignments for the year include:

		Fees (HK$'000)
1.	Taxation services	153
2.	Professional consultation services on special group restructuring project	1,107
Total		1,260

INTERNAL CONTROLS

The Company has maintained a structure with defined lines of responsibility and appropriate delegation of responsibility and authority to senior management. The Board is responsible for the establishment and effective operation of the internal control system. However, such system aims at limiting the risks of the Company to an acceptable level but not eliminating all risks. Hence, such system can only provide reasonable assurance that there will not be any error in financial information and record, and there will not be any financial loss or fraud.

The Board has established effective and operational procedures to identify, assess and manage major risks faced by the Company. Such procedures shall be updated from time to time to reflect the changes in circumstances and rules and regulation, and shall be used as a guideline for updating the internal control system in a timely manner.

The management is responsible for implementing the procedures established by the Board to identify, assess and manage major risks faced by the Company. These procedures include the design, operation and supervision of suitable internal control to mitigate and control risks. Major procedures established for reviewing the suitability and compliance of internal control are as follows:

- The Board is responsible for the supervision of all business activities of the Group and the implementation of strategic plans and policy. The management is responsible for the effective daily operation of the Group and for ensuring the Group operates in accordance with the target, strategy and budget of the Group.

- The Audit Committee periodically reviews reports and recommendations of internal audit department, external auditors and management, and assesses the suitability and effectiveness of risk management and the internal control system. The Audit Committee also reviews the function of internal audit and the independence of the internal audit department, the audit quality and the audit scope.

- The internal audit department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on each department to identify any irregularities and risks, develops action plans and makes recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

In strict compliance with the requirements of Code Provision C.2.1, the Board kept reviewing the system of internal control of the Group including financial, operational and compliance controls and risk management functions. As a result of the annual review, the Board considers that there are no material weaknesses in the Group's internal control system that should be brought to the Shareholders' attention. The Company will continue where possible to improve its internal control system and strengthen its risk management capability.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of Shareholders and the procedures for demanding a poll on resolutions at general meetings are contained in the Articles. Details of such rights to demand a poll and the poll procedures are included in all relevant circulars to Shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the website of the Stock Exchange following the general meeting.

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The Chairman of the Board as well as Chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings.

The Company is committed to maintain its effective communication with investors. The Company has delegated senior management to supervise and manage directly investor relations affairs, which through various channels to keep close connection and communication with investors and to help investors understand the latest development of the Company. The major investor relations related work of the Company during the year was summarised as follows:

The Company held an investor briefing and a press conference after each of its 2010 annual results announcement and 2011 interim results announcement. In addition, the Company engaged in active communication with investors and analysts through various means including one-on-one meetings, investor conferences, telephone conferences and e-mail correspondences, etc. In 2011, the Company received over 100 investors and analysts.

Currently, investors can access the Company's information through the websites of the Stock Exchange and the Company's website at http://www.irasia.com/listco/hk/ctii.

INDEPENDENT AUDITORS' REPORT

To the shareholders of China Travel International Investment Hong Kong Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Travel International Investment Hong Kong Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 172, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

15 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
REVENUE	5	**4,352,882**	4,464,727
Cost of sales		**(2,253,285)**	(2,544,736)
Gross profit		**2,099,597**	1,919,991
Other income and gains	5	**395,744**	241,982
Selling and distribution costs		**(619,806)**	(612,340)
Administrative expenses		**(1,040,800)**	(1,203,965)
Changes in fair value of investment properties		**65,287**	180,845
Other expenses		**(52,701)**	(229,400)
Finance costs	6	**(13,989)**	(16,353)
Share of profits and losses of:			
Jointly-controlled entities		**110,355**	107,576
Associates		**16,837**	12,075
PROFIT BEFORE TAX	7	**960,524**	400,411
Income tax expense	10	**(179,856)**	(179,407)
PROFIT FOR THE YEAR		**780,668**	221,004
Attributable to:			
Owners of the Company	11	**695,233**	155,332
Non-controlling interests		**85,435**	65,672
		780,668	221,004
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY (HK CENTS)	13		
Basic		**12.21**	2.73
Diluted		**12.21**	2.73

Details of the dividends for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
PROFIT FOR THE YEAR		**780,668**	221,004
OTHER COMPREHENSIVE INCOME			
Gains on property revaluation		**248,431**	80,667
Income tax effect		**—**	(4,970)
		248,431	75,697
Share of hedging reserve of an associate		**(9,582)**	8,392
Exchange fluctuation reserve:			
Release of exchange difference upon disposal of subsidiaries	37	**—**	(37,784)
Exchange differences on translation of foreign operations		**200,337**	153,107
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**439,186**	199,412
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,219,854**	420,416
Attributable to:			
Owners of the Company	11	**1,103,214**	335,932
Non-controlling interests		**116,640**	84,484
		1,219,854	420,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	**31 December 2011 HK$'000**	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**7,830,530**	7,502,721	7,686,382
Investment properties	15	**1,503,416**	1,280,092	967,800
Prepaid land lease payments	16	**509,762**	488,031	492,815
Goodwill	17	**1,278,574**	1,278,574	1,278,574
Other intangible assets	18	**191,328**	174,697	45,581
Investments in jointly-controlled entities	20	**516,873**	644,905	755,234
Investments in associates	21	**279,337**	295,100	458,941
Available-for-sale investments	22	**8,796**	12,572	25,849
Prepayments		**50,726**	65,338	26,926
Pledged time deposit	27	**1,026**	—	—
Deferred tax assets	32	**10,223**	3,403	2,660
Total non-current assets		**12,180,591**	11,745,433	11,740,762
CURRENT ASSETS				
Inventories	23	**30,668**	26,214	25,508
Trade receivables	24	**224,175**	203,159	170,893
Tax recoverable		**3,906**	2,203	5,233
Prepayments, deposits and other receivables	25	**673,239**	478,164	141,539
Principal-protected investments	26	**296,041**	—	—
Pledged time deposits	27	**27,330**	67,303	32,661
Cash and cash equivalents	27	**3,490,790**	2,421,606	1,762,786
Amount due from the immediate holding company	28	**43,621**	42,855	32,201
Amounts due from fellow subsidiaries	28	**54,011**	51,504	37,881
		4,843,781	3,293,008	2,208,702
Assets of a disposal group classified as held for sale		**—**	—	512,228
Total current assets		**4,843,781**	3,293,008	2,720,930

	Notes	**31 December 2011 HK$'000**	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
CURRENT LIABILITIES				
Trade payables	29	**357,123**	376,932	285,740
Tax payable		**50,374**	57,865	47,404
Other payables and accruals	30	**1,120,319**	959,260	931,673
Interest-bearing bank and other borrowings	31	**808,462**	124,221	89,990
Amount due to the immediate holding company	28	**44**	90	1,171
Amounts due to fellow subsidiaries	28	**24,058**	16,234	13,066
		2,360,380	1,534,602	1,369,044
Liabilities directly associated with the assets classified as held for sale		**—**	—	248,386
Total current liabilities		**2,360,380**	1,534,602	1,617,430
NET CURRENT ASSETS		**2,483,401**	1,758,406	1,103,500
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,663,992**	13,503,839	12,844,262
NON-CURRENT LIABILITIES				
Deferred income		**399,793**	227,809	159,963
Interest-bearing bank and other borrowings	31	**41,988**	191,987	177,550
Deferred tax liabilities	32	**449,928**	426,700	340,352
Other liabilities		**—**	940	—
Total non-current liabilities		**891,709**	847,436	677,865
Net assets		**13,772,283**	12,656,403	12,166,397

	Notes	**31 December 2011 HK$'000**	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
EQUITY				
Equity attributable to owners of the Company				
Share capital	33	**568,990**	569,536	569,536
Reserves	35(a)	**12,417,141**	11,465,851	11,113,202
		12,986,131	12,035,387	11,682,738
Non-controlling interests		**786,152**	621,016	483,659
Total equity		**13,772,283**	12,656,403	12,166,397

Wang Shuai Ting
Director

Xu Muhan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the Company												Non-controlling interests HK$'000	Total equity HK$'000
	Share capital HK$'000 (note 33)	Share premium account* HK$'000	Treasury shares* HK$'000	Share option reserve* HK$'000 (note 34)	Capital redemption reserve* HK$'000	Building revaluation reserve* HK$'000	Hedging reserve* HK$'000	Capital reserve* HK$'000	Enterprise expansion/ reserve funds* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000		
At 1 January 2010														
As previously reported	569,536	8,357,579	–	–	350	–	948	(1,031,343)	97,441	690,767	2,882,147	11,567,425	483,659	12,051,084
Prior year adjustment	–	–	–	–	–	–	–	–	–	–	115,313	115,313	–	115,313
As restated	569,536	8,357,579	–	–	350	–	948	(1,031,343)	97,441	690,767	2,997,460	11,682,738	483,659	12,166,397
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	–	155,332	155,332	65,672	221,004
Other comprehensive income for the year:														
Gain on property revaluation, net of tax (restated)	–	–	–	–	–	75,697	–	–	–	–	–	75,697	–	75,697
Share of hedging reserve of an associate	–	–	–	–	–	–	8,392	–	–	–	–	8,392	–	8,392
Release of exchange difference upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(37,784)	–	(37,784)	–	(37,784)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	134,295	–	134,295	18,812	153,107
Total comprehensive income for the year (restated)	–	–	–	–	–	75,697	8,392	–	–	96,511	155,332	335,932	84,484	420,416
Transfer from retained profits	–	–	–	–	–	–	–	–	8,546	–	(8,546)	–	–	–
Equity-settled share option arrangement	–	–	–	14,942	–	–	–	–	–	–	–	14,942	–	14,942
Share of reserve of an associate	–	–	–	–	–	–	–	–	1,775	–	–	1,775	–	1,775
Acquisition through business combination (note 36(b))	–	–	–	–	–	–	–	–	–	–	–	–	112,622	112,622
Disposal of subsidiaries (note 37)	–	–	–	–	–	(14,910)	–	(1)	–	–	14,911	–	(13,569)	(13,569)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(46,180)	(46,180)
At 31 December 2010 (restated)	569,536	8,357,579	–	14,942	350	60,787	9,340	(1,031,344)	107,762	787,278	3,159,157	12,035,387	621,016	12,656,403

	Attributable to owners of the Company													
	Share capital HK$'000 (note 33)	Share premium account* HK$'000	Treasury shares* HK$'000	Share option reserve* HK$'000 (note 34)	Capital redemption reserve* HK$'000	Building revaluation reserve* HK$'000	Hedging reserve* HK$'000	Capital reserve* HK$'000	Enterprise expansion/ reserve funds* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011														
As previously reported	569,536	8,357,579	–	14,942	350	50,757	9,340	(1,031,344)	107,762	787,278	3,040,178	11,906,378	621,016	12,527,394
Prior year adjustment	–	–	–	–	–	10,030	–	–	–	–	118,979	129,009	–	129,009
As restated	569,536	8,357,579	–	14,942	350	60,787	9,340	(1,031,344)	107,762	787,278	3,159,157	12,035,387	621,016	12,656,403
Profit for the year	–	–	–	–	–	–	–	–	–	–	695,233	695,233	85,435	780,668
Other comprehensive income for the year:														
Gain on property revaluation, net of tax	–	–	–	–	–	248,431	–	–	–	–	–	248,431	–	248,431
Share of hedging reserve of an associate	–	–	–	–	–	–	(9,582)	–	–	–	–	(9,582)	–	(9,582)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	169,132	–	169,132	31,205	200,337
Total comprehensive income for the year	–	–	–	–	–	248,431	(9,582)	–	–	169,132	695,233	1,103,214	116,640	1,219,854
Transfer from retained profits	–	–	–	–	–	–	–	–	10,780	–	(10,780)	–	–	–
Equity-settled share option arrangement	–	–	–	26,403	–	–	–	–	–	–	–	26,403	–	26,403
Acquisition through business combination (note 36(a))	–	–	–	–	–	–	–	–	–	–	–	–	113,537	113,537
Repurchase of shares	–	–	(8,012)	–	–	–	–	–	–	–	–	(8,012)	–	(8,012)
Cancellation for shares repurchased	(546)	–	6,410	–	546	–	–	–	–	–	(6,410)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(65,041)	(65,041)
2010 final dividend paid	–	–	–	–	–	–	–	–	–	–	(56,954)	(56,954)	–	(56,954)
2011 interim dividend paid	–	–	–	–	–	–	–	–	–	–	(113,907)	(113,907)	–	(113,907)
At 31 December 2011	568,990	8,357,579	(1,602)	41,345	896	309,218	(242)	(1,031,344)	118,542	956,410	3,666,339	12,986,131	786,152	13,772,283

Note: 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.

* These reserve accounts comprise the consolidated reserves of HK$12,417,141,000 (2010: HK$11,465,851,000, as restated) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**960,524**	400,411
Adjustments for:			
Finance costs	6	**13,989**	16,353
Interest income		**(59,770)**	(37,054)
Gain on disposal of subsidiaries		**—**	(22,026)
Gain on disposal of items of plant and equipment, net		**(64,935)**	(15,694)
Gain on disposal of investment properties, net		**(4,361)**	—
Changes in fair value of principal-protected investments		**(9,931)**	—
Loss on write-off of items of property, plant and equipment		**—**	40,451
Depreciation	14	**425,215**	643,903
Amortisation of prepaid land lease payments	16	**24,445**	23,298
Amortisation of ticketing operation rights	18	**3,156**	3,077
Impairment of available-for-sale investments		**—**	13,949
Impairment of an investment in an associate		**—**	175,000
Impairment of an investment in a jointly-controlled entity		**52,701**	—
Changes in fair value of investment properties	15	**(65,287)**	(180,845)
Share of profits and losses of jointly-controlled entities		**(110,355)**	(107,576)
Share of profits and losses of associates		**(16,837)**	(12,075)
Equity-settled share option expense	34	**26,403**	14,942
Gain on bargain purchase	36	**(14,094)**	(39,007)
Foreign exchange differences on translation of intercompany balances		**(60,559)**	(39,706)
Exchange gain on return of capital from a jointly-controlled entity		**(8,551)**	(13,530)
		1,091,753	863,871
Increase in inventories		**(4,454)**	(665)
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		**124,704**	(29,150)
Increase in balance with the immediate holding company		**(812)**	(11,735)
Decrease/(increase) in amounts due from fellow subsidiaries		**(2,507)**	13,653
Increase in trade payables, other payables and accruals		**146,042**	151,020
Increase in amounts due to fellow subsidiaries		**7,824**	3,168
Increase in deferred income, net of sales tax		**159,109**	62,297
Increase in amounts due from jointly-controlled entities		**(1,847)**	(1,546)
Increase in amounts due to jointly-controlled entities		**2,975**	2,000
Decrease in amounts due from associates		**7,102**	1,191
Decrease in amounts due to associates		**—**	(1,860)
Cash generated from operations		**1,529,889**	1,052,244

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash generated from operations		**1,529,889**	1,052,244
Hong Kong, PRC and Macau profits taxes paid		**(180,283)**	(121,550)
Overseas taxes paid		**(753)**	(2,644)
Net cash flows from operating activities		**1,348,853**	928,050
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**59,770**	37,054
Dividends received from an associate		**19,011**	16,126
Dividends received from jointly-controlled entities		**160,893**	161,338
Return of capital from a jointly-controlled entity		**39,467**	76,290
Purchases of items of property, plant and equipment		**(635,407)**	(453,540)
Prepayment of land lease payments		**—**	(1,869)
Proceeds from disposal of subsidiaries, net	37	**—**	107,208
Proceeds from disposal of investment properties, land and buildings and items of plant and equipment		**330,829**	50,388
Proceeds from disposal of available-for-sale investments		**4,191**	—
Additions to passenger service licences and quotas	18	**(13,680)**	(9,135)
Acquisition through business combination	36	**(120,048)**	75,114
Increase in entrustment loan receivables		**(170,631)**	(197,431)
Additions to principal-protected investments		**(978,161)**	—
Proceeds upon maturity of principal-protected investments		**692,058**	—
Decrease/(increase) in pledged time deposits		**40,336**	(33,152)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(58,247)**	500,492
Net cash flows from/(used in) investing activities		**(629,619)**	328,883

	Notes	2011 HK$'000	2010 HK$'000
Net cash flows from/(used in) investing activities		**(629,619)**	328,883
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(13,989)**	(16,353)
Dividends paid		**(170,861)**	—
Dividends paid to non-controlling shareholders		**(65,041)**	(46,180)
New bank loans		**637,005**	100,000
Repayment of bank loans		**(112,056)**	(288,758)
Repurchase of shares	33	**(8,012)**	—
Net cash flows from/(used in) financing activities		**267,046**	(251,291)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**986,280**	1,005,642
Cash and cash equivalents at beginning of year		**2,387,675**	1,345,018
Effect of foreign exchange rate changes, net		**21,656**	37,015
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,395,611**	2,387,675
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**1,459,237**	1,040,031
Non-pledged time deposits with original maturity of less than three months when acquired		**1,936,374**	1,347,644
Non-pledged time deposits with original maturity of more than three months		**95,179**	33,931
Cash and cash equivalents as stated in the statement of financial position	27	**3,490,790**	2,421,606
Non-pledged time deposits with original maturity of more than three months		**(95,179)**	(33,931)
Cash and cash equivalents as stated in the statement of cash flows		**3,395,611**	2,387,675

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,164**	924
Investment property	15	**3,084**	2,550
Investments in subsidiaries	19	**4,747,051**	4,609,381
Total non-current assets		**4,751,299**	4,612,855
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**104,346**	4,135
Cash and cash equivalents	27	**1,903,462**	1,353,605
Amounts due from subsidiaries	19	**6,608,026**	6,720,260
Amount due from the immediate holding company	28	**2,338**	1,806
Amounts due from fellow subsidiaries	28	**60**	12,432
Total current assets		**8,618,232**	8,092,238
CURRENT LIABILITIES			
Tax payable		**584**	1,089
Other payables and accruals	30	**31,172**	37,174
Amounts due to subsidiaries	19	**1,694,048**	1,196,861
Amounts due to fellow subsidiaries	28	**21**	660
Total current liabilities		**1,725,825**	1,235,784
NET CURRENT ASSETS		**6,892,407**	6,856,454
Net assets		**11,643,706**	11,469,309
EQUITY			
Share capital	33	**568,990**	569,536
Reserves	35(b)	**11,074,716**	10,899,773
Total equity		**11,643,706**	11,469,309

Wang Shuai Ting
Director

Xu Muhan
Director

1. CORPORATE INFORMATION

China Travel International Investment Hong Kong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- travel agency and related operations
- hotel operations
- scenic spots operations
- resort operations
- passenger transportation services
- golf club operations
- arts performance operations
- power generation (conducted through a jointly-controlled entity)

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 12 Amendments, HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 42 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) Early adoption of HKAS 12 Amendments

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group has decided to early adopt the amendments in these consolidated financial statements even though the amendments are effective for annual periods on or after 1 January 2012.

As a result of the change in accounting policy arising from HKAS 12 Amendments, the Group now measures any deferred tax liability arising from the fair value change of its properties using the tax rate that would apply on recovery of the assets through sale, rather than through use as applied prior to the adoption of these amendments. The change in accounting policy has been applied retrospectively and the effects are summarised below:

(a) *Consolidated income statement for the year ended 31 December*

	2011 **HK$'000**	2010 HK$'000
Decrease in income tax expense	**(8,399)**	(3,666)
Increase in basic earnings per share (HK cents)	**0.15**	0.07
Increase in diluted earnings per share (HK cents)	**0.15**	0.07

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) Early adoption of HKAS 12 Amendments *(Continued)*

(b) Consolidated statement of the financial position as at 31 December

	2011	2010
	HK$'000	HK$'000
Increase in deferred tax assets	**766**	965
Decrease in deferred tax liabilities	**177,633**	128,044
Increase in retained profits	**(127,378)**	(118,979)
Increase in building revaluation reserve	**(51,021)**	(10,030)
	—	—

(c) Consolidated statement of the financial position as at 1 January

	2010
	HK$'000
Increase in deferred tax assets	1,049
Decrease in deferred tax liabilities	114,264
Increase in retained profits	(115,313)
	—

Due to the retrospective application of the amendments which has resulted in the restatement of items in the statement of financial position, a statement of financial position as at 1 January 2010, and the related notes affected by the amendments have been presented in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(c) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share 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 another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[3]
HKFRS 11	*Joint Arrangements*[3]
HKFRS 12	*Disclosure of Interests in Other Entities*[3]
HKFRS 13	*Fair Value Measurement*[3]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[2]
HKAS 19 (2011)	*Employee Benefits*[3]
HKAS 27 (2011)	*Separate Financial Statements*[3]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g. securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12. The Group is in the process of determining the financial impacts of the application of HKFRS 10.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The Group is in the process of determining the financial impacts of the application of HKFRS 11.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. The Group is in the process of collecting necessary information for relevant disclosures.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and HKAS 27 (2011) and HKAS 28 (2011) from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulate the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is controlled or jointly controlled by a person identified in (a); and
- (vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful lives or principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Hotel properties	Over the shorter of the lease terms and 75 years
Buildings	Over the shorter of the lease terms and 40 years
Scenic spots establishments	3.5% to 19%
Others:	
Leasehold improvements	4.5% to 20%
Furniture, fixtures and equipment	6% to 33.3%
Motor vehicles	12.9% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation.

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, passenger service licences and quotas, and trademarks.

Ticketing operation rights are stated at cost less any impairment losses and are amortised on the straight-line basis over the life of the operation for 40 years. The remaining amortisation period is 38 years. The amortisation period and the amortisation method are reviewed at least at each financial year end.

The useful life of passenger service licences and quotas, and trademarks 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, and are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, and unquoted financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance cots for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset, when it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the immediate holding company and fellow subsidiaries, and interest-bearing loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis; and option pricing models.

Derivative financial instruments and hedge accounting

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or weighted average basis, where appropriate. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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" above. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

(c) from the rendering of tour services, based on the date of tour completion;

(d) income related to scenic spots operations, when the admission tickets are sold;

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

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

(g) rental income, on a time proportion basis over the lease terms;

(h) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(i) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Paid leave carried forward

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

Pension 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. 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 financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The capitalisation rate is based on the actual cost of the related borrowings.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the 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 is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17 to the financial statements.

Depreciation

The net book value of the Group's property, plant and equipment as at 31 December 2011 was HK$7,830,530,000 (2010: HK$7,502,721,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 to 75 years depending on the fixed assets' category. The policy on depreciation is detailed in note 2.4 to the financial statements. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Any change in this estimation may have a material impact on the Group's results.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 32 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair value of investment properties and identifiable assets and liabilities in a business combination

In the absence of current prices in an active market for similar properties and identifiable assets and liabilities, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties and identifiable assets and liabilities of a different nature, condition or location;

(b) recent prices of similar properties and identifiable assets and liabilities on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market prices for similar properties and identifiable assets and liabilities in the same location and condition, appropriate discount rates, expected future economic outflows and inflows and future maintenance costs associated with the properties and identifiable assets and liabilities. Further details are included in notes 15 and 36 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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. Summary details of the operating segments are as follows:

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

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

(c) the scenic spots operations segment engages in the operation of theme parks, scenic spots, resort hotels, cable car systems and skiing facilities located in scenic spots in Mainland China;

(d) the resort operations segment engages in the operation of resorts which comprise of hot spring centers, hotels and leisure and entertainment facilities in Mainland China;

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

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

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

(h) the power generation segment engages in the generation of electricity in Mainland China which is conducted through a jointly-controlled entity.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) attributable to owners of the Company of each reportable operating segment excluding head office and corporate expenses and material non-recurring incomes or expenses, such as changes in fair value of investment properties (net of tax), impairment loss, gain on bargain purchase, gain/(loss) on disposal of items of property, plant and equipment and compensation income. This has changed from prior year which was based on the Group's profit before tax excluding interest income, finance costs as well as head office and corporate expenses. In the opinion of directors, this change better reflects the internal performance assessment and resources allocation.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets include all tangible and intangible assets, with the exception of investments in jointly-controlled entities and associates, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities includes all liabilities, except for head office and corporate liabilities that are managed on a group basis.

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

Year ended 31 December 2011

	Travel agency and related operations HK$'000	Hotel operations HK$'000	Scenic spots operations HK$'000	Resort operations HK$'000	Passenger transportation services HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation business HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:											
Sales to external customers	1,665,135	907,949	881,493	454,586	322,531	82,800	38,388	—	4,352,882	—	4,352,882
Intersegment revenue	8,571	7,229	2,932	3,060	1,430	129	—	—	23,351	23,221	46,572
	1,673,706	915,178	884,425	457,646	323,961	82,929	38,388	—	4,376,233	23,221	4,399,454
Elimination of intersegment revenue									(23,351)	(23,221)	(46,572)
Revenue									4,352,882	—	4,352,882
Segment results	166,177	229,020	121,105	(19,576)	(2,071)	(22,250)	427	104,368	577,200	—	577,200
Changes in fair value of investment properties, net of tax											59,240
Impairment of an investment in a jointly-controlled entity											(52,701)
Gain on bargain purchase											14,094
Gain on disposal of items of property, plant and equipment, net											64,935
Compensation income											31,217
Income tax expense											179,856
Non-controlling interests											85,435
Corporate and other unallocated expenses											1,248
Profit before tax											960,524

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011 *(Continued)*

	Travel agency and related operations HK$'000	Hotel operations HK$'000	Scenic spots operations HK$'000	Resort operations HK$'000	Passenger transportation services HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation business HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment assets	3,589,376	4,771,008	2,011,683	2,735,685	220,540	733,855	102,958	—	14,165,105	2,063,057	16,228,162
Investments in jointly-controlled entities	—	—	—	—	35,002	—	7,646	474,225	516,873	—	516,873
Investments in associates	(592)	—	122,399	—	156,975	—	555	—	279,337	—	279,337
Intersegment receivables	1,468,710	174,781	590	2,339	6,409	—	—	—	1,652,829	5,910,181	7,563,010
	5,057,494	4,945,789	2,134,672	2,738,024	418,926	733,855	111,159	474,225	16,614,144	7,973,238	24,587,382
Elimination of intersegment receivables											(7,563,010)
Total assets											17,024,372
Segment liabilities	1,185,766	632,892	270,337	537,950	51,338	498,029	47,731	—	3,224,043	28,046	3,252,089
Intersegment payables	505,681	3,190,772	161,380	1,289,249	775,585	414,691	54,748	—	6,392,106	1,170,904	7,563,010
	1,691,447	3,823,664	431,717	1,827,199	826,923	912,720	102,479	—	9,616,149	1,198,950	10,815,099
Elimination of intersegment payables											(7,563,010)
Total liabilities											3,252,089
Other segment information:											
Share of profits and losses of:											
– Jointly-controlled entities	—	—	—	—	6,000	—	(13)	104,368	110,355	—	110,355
– Associates	—	—	28,281	—	(11,444)	—	—	—	16,837	—	16,837
Capital expenditure*	79,986	21,052	301,724	165,385	59,930	101,634	566	—	730,277	697	730,974
Depreciation and amortisation	41,942	110,499	97,623	126,408	26,959	46,112	2,816	—	452,359	457	452,816
Impairment losses/(reversal of impairment losses) recognised in the income statement, net	(271)	—	(5)	—	359	—	—	52,701	52,784	(210)	52,574

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payment, investment properties and intangible assets, including assets from business combination.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010

	Travel agency and related operations HK$'000	Hotel operations HK$'000	Scenic spots operations HK$'000	Resort operations HK$'000	Passenger transportation services HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation business HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000 (Restated)
Segment revenue:											
Sales to external customers	2,190,773	765,416	713,651	398,101	303,330	50,043	43,413	—	4,464,727	—	4,464,727
Intersegment revenue	7,408	7,724	5,816	2,890	4,293	32	56	—	28,219	24,990	53,209
	2,198,181	773,140	719,467	400,991	307,623	50,075	43,469	—	4,492,946	24,990	4,517,936
Elimination of intersegment revenue									(28,219)	(24,990)	(53,209)
Revenue									4,464,727	—	4,464,727
Segment results	165,294	146,145	105,335	(327,973)	4,469	(20,095)	49	105,081	178,305	—	178,305
Changes in fair value of investment properties, net of tax											142,621
Gain on bargain purchase											39,007
Gain on disposal of items of property, plant and equipment, net											15,694
Gain on disposal of subsidiaries											22,026
Impairment of an available-for-sale investment											(13,949)
Impairment of an investment in an associate											(175,000)
Loss on write-off of items of property, plant and equipment											(40,451)
Income tax expense											179,407
Non-controlling interests											65,672
Corporate and other unallocated expenses											(12,921)
Profit before tax											400,411

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010 *(Continued)*

	Travel agency and related operations HK$'000	Hotel operations HK$'000	Scenic spots operations HK$'000	Resort operations HK$'000	Passenger transportation services HK$'000	Golf club operations HK$'000	Arts performance operations HK$'000	Power generation business HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Consolidated HK$'000 (Restated)
Segment assets (restated)	2,961,058	4,768,691	1,550,918	2,491,332	208,850	607,664	88,433	—	12,676,946	1,421,490	14,098,436
Investments in jointly-controlled entities	—	—	—	—	26,959	—	7,523	610,423	644,905	—	644,905
Investments in associates	297	—	115,512	—	178,763	—	528	—	295,100	—	295,100
Intersegment receivables	562,935	322,619	4,018	3,062	7,106	—	—	—	899,740	5,958,760	6,858,500
	3,524,290	5,091,310	1,670,448	2,494,394	421,678	607,664	96,484	610,423	14,516,691	7,380,250	21,896,941
Elimination of intersegment receivables											(6,858,500)
Total assets (restated)											15,038,441
Segment liabilities (restated)	600,330	602,057	229,001	533,166	45,007	318,136	4,592	—	2,332,289	49,749	2,382,038
Intersegment payables	507,353	3,559,067	149,862	1,183,353	762,091	481,390	88,059	—	6,731,175	127,325	6,858,500
	1,107,683	4,161,124	378,863	1,716,519	807,098	799,526	92,651	—	9,063,464	177,074	9,240,538
Elimination of intersegment payables											(6,858,500)
Total liabilities (restated)											2,382,038
Other segment information:											
Share of profits and losses of:											
– Jointly-controlled entities	(158)	—	—	—	4,447	—	(1,794)	105,081	107,576	—	107,576
– Associates	—	—	27,059	—	(14,926)	—	(58)	—	12,075	—	12,075
Capital expenditure*	56,307	24,411	267,483	79,960	50,018	192,875	10,767	—	681,821	489	682,310
Depreciation and amortisation	55,126	125,175	78,565	360,697	25,237	22,605	2,376	—	669,781	497	670,278
Impairment losses/ (reversal of impairment losses) recognised in the income statement, net	(282)	938	32	—	174,516	—	5	—	175,209	15,503	190,712
Other non-cash expenses, net	11,276	23,891	—	5,284	—	—	—	—	40,451	—	40,451

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and intangible assets, including assets from business combination.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	HK$'000
Hong Kong	**1,918,589**	1,700,204
Mainland China (including Macau)	**2,055,779**	2,174,752
Overseas	**378,514**	589,771
	4,352,882	4,464,727

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

(b) Non-current assets

	2011	2010
	HK$'000	HK$'000
Hong Kong	**5,512,320**	5,400,682
Mainland China (including Macau)	**6,584,016**	6,249,056
Overseas	**65,236**	79,720
	12,161,572	11,729,458

The information about the Group's non-current assets is based on the physical location of assets which exclude financial instruments and deferred tax assets.

Information about major customers

There was no revenue from any sales to single external customer that contributed over 10% of the total sales of the Group during the years ended 31 December 2011 and 2010.

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	Notes	2011 HK$'000	2010 HK$'000
Revenue			
Travel agency and related operations		**1,665,135**	2,190,773
Hotel operations		**907,949**	765,416
Scenic spots operations		**881,493**	713,651
Resort operations		**454,586**	398,101
Passenger transportation services		**322,531**	303,330
Golf club operations		**82,800**	50,043
Arts performance operations		**38,388**	43,413
		4,352,882	4,464,727
Other income			
Bank interest income		**41,831**	37,054
Other interest income		**17,939**	—
Gross rental income		**27,913**	23,470
Compensation income#		**31,217**	—
Government grants received*		**22,462**	12,272
Others		**32,912**	26,133
		174,274	98,929
Gains			
Foreign exchange differences, net		**128,149**	66,326
Gain on bargain purchase	36	**14,094**	39,007
Gain on disposal of subsidiaries	37	**—**	22,026
Gain on disposal of items of property, plant and equipment, net		**64,935**	15,694
Gain on disposal of investment properties, net		**4,361**	—
Changes in fair value of principal-protected investments		**9,931**	—
		221,470	143,053
		395,744	241,982

Compensation income reviewed relating to assets were recognised as deferred income and released to the other income over the expected useful lives of the relevant assets.

* Various government grants have been received in respect of developing the online internet business, promoting the tourist industry, organising performances that promoted the Chinese traditional culture and relating to fuel subsidy. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2011.

6. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**13,989**	16,353

7. PROFIT BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Depreciation	14	**425,215**	643,903
Amortisation of prepaid land lease payments	16	**24,445**	23,298
Amortisation of intangible assets (note (i))	18	**3,156**	3,077
Auditors' remuneration:			
Current year		**7,460**	6,800
Underprovision/(overprovision) in the prior year		**14**	(47)
		7,474	6,753
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**1,114,515**	990,144
Equity-settled share option expense	34	**26,403**	14,942
Pension scheme contributions		**93,325**	70,794
Less: Forfeited contributions		**—**	—
Net pension scheme contributions (note (ii))		**93,325**	70,794
Total employee benefit expenses		**1,234,243**	1,075,880

7. PROFIT BEFORE TAX *(Continued)*

	2011 **HK$'000**	2010 HK$'000
Minimum lease payments under operating leases:		
Land and buildings	**78,355**	69,211
Plant and machinery and motor vehicles	**53,279**	50,894
Impairment of available-for-sale investments (note (iii))	**—**	13,949
Impairment of an investment in an associate (note (iii))	**—**	175,000
Impairment of an investment in a jointly-controlled entity (note (iii))	**52,701**	—
Impairment/(reversal of impairment) of trade and other receivables, net	**(128)**	1,763
Loss on write-off of items of property, plant and equipment (note (iii))	**—**	40,451
Gain on disposal of investment properties, land and buildings, and items of plant and equipment, net	**(69,296)**	(15,694)
Rental income on investment properties less direct operating expenses HK$537,000 (2010: HK$373,000)	**(27,376)**	(23,097)
Foreign exchange differences, net	**(128,149)**	(66,326)

Notes:

(i) The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated income statement.

(ii) At 31 December 2011, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

(iii) The impairments of available-for-sale investments, investments in an associate and a jointly-controlled entity, and the loss on write-off of items of property, plant and equipment are included in "Other expenses" on the face of the consolidated income statement.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Fees:		
Executive directors	**1,935**	2,010
Independent non-executive directors	**1,400**	1,040
	3,335	3,050
Other emoluments:		
Executive directors:		
Equity-settled share option expense	**2,815**	1,733
	6,150	4,783

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options which has been recognised in the 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.

(a) Independent non-executive directors

	Group	
	2011	2010
	HK$'000	HK$'000
Fees:		
Dr. Fong Yun Wah	**350**	260
Mr. Wong Man Kong, Peter	**350**	260
Mr. Sze, Robert Tsai To	**350**	260
Mr. Chan Wing Kee	**350**	260
	1,400	1,040

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2011			
Mr. Zhang Xuewu	**227**	**309**	**536**
Mr. Wang Shuai Ting	**103**	**—**	**103**
Mr. Zheng Heshui	**165**	**257**	**422**
Mr. Lo Sui On	**240**	**372**	**612**
Ms. Jiang Yan	**240**	**372**	**612**
Mr. Fang Xiaorong	**240**	**372**	**612**
Mr. Zhang Fengchun	**240**	**372**	**612**
Mr. Xu Muhan	**240**	**389**	**629**
Mr. Fu Zhouyang	**240**	**372**	**612**
	1,935	**2,815**	**4,750**
2010			
Mr. Zhang Xuewu	330	253	583
Mr. Zheng Heshui	240	210	450
Mr. Lo Sui On	240	210	450
Ms. Jiang Yan	240	210	450
Mr. Mao Jianjun	219	175	394
Mr. Fang Xiaorong	240	210	450
Mr. Zhang Fengchun	240	210	450
Mr. Xu Muhan	240	220	460
Mr. Fu Zhouyang	21	35	56
	2,010	1,733	3,743

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors of the Company (2010: Nil). Details of the remuneration of the five non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,901**	5,819
Equity-settled share option expense	**715**	428
Pension scheme contributions	**518**	183
	8,134	6,430

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
HK$1,000,001 to HK$1,500,000	**3**	5
HK$1,500,001 to HK$2,000,000	**2**	—
	5	5

In prior years, share options were granted to the five non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
The People's Republic of China:		
Current - Hong Kong		
Charge for the year	**65,967**	59,906
Underprovision/(overprovision) in prior years	**(676)**	2,718
Current - Elsewhere		
Charge for the year	**104,446**	66,020
Underprovision/(overprovision) in prior years	**533**	(820)
Overseas - Current tax charge for the year	**776**	2,168
Deferred tax (note 32)	**8,810**	49,415
Total tax charge for the year	**179,856**	179,407

10. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory 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:

	Hong Kong		Mainland China (including Macau)		Overseas		Total	
Group - 2011	**HK$'000**	**%**	**HK$'000**	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	495,988		462,101		2,435		960,524	
Tax at the applicable tax rate	81,838	16.5	115,525	25.0	974	40.0	198,337	20.6
Lower tax rates for specific provinces or enacted by local authority	—		(5,306)		(1,354)		(6,660)	
Adjustments in respect of current tax of previous periods	(676)		533		—		(143)	
Profits and losses attributable to jointly-controlled entities and associates	898		(32,590)		—		(31,692)	
Income not subject to tax	(34,318)		(7,557)		(772)		(42,647)	
Expenses not deductible for tax	28,557		3,987		1,412		33,956	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries, jointly-controlled entities and associates	12,077		—		—		12,077	
Tax losses utilised from previous periods	(83)		(11,282)		—		(11,365)	
Tax losses not recognised	13		27,980		—		27,993	
Tax charge at the Group's effective rate	88,306	17.8	91,290	19.8	260	10.7	179,856	18.7

10. INCOME TAX EXPENSE *(Continued)*

Group - 2010	Hong Kong HK$'000 (Restated)	%	Mainland China (including Macau) HK$'000	%	Overseas HK$'000	%	Total HK$'000 (Restated)	%
Profit/(loss) before tax	304,025		103,044		(6,658)		400,411	
Tax at the applicable tax rate	50,164	16.5	25,761	25.0	(2,663)	40.0	73,262	18.3
Lower tax rates for specific provinces or enacted by local authority	—		(2,846)		2,453		(393)	
Adjustments in respect of current tax of previous periods	2,718		(820)		—		1,898	
Profits and losses attributable to jointly-controlled entities and associates	1,729		(32,175)		—		(30,446)	
Income not subject to tax	(27,685)		(18,771)		(6,377)		(52,833)	
Expenses not deductible for tax	50,647		77,442		8,755		136,844	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries, jointly-controlled entities and associates	12,456		—		—		12,456	
Tax losses utilised from previous periods	(174)		(3,340)		—		(3,514)	
Tax losses not recognised	9		42,124		—		42,133	
Tax charge at the Group's effective rate	89,864	29.6	87,375	84.8	2,168	(32.6)	179,407	44.8

The share of tax attributable to jointly-controlled entities and associates amounting to HK$18,262,000 (2010: HK$46,690,000) and HK$9,439,000 (2010: HK$10,187,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of HK$59,962,000 which has been dealt with in the financial statements of the Company (note 35(b)).

12. DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Interim - HK2 cents (2010: Nil) per ordinary share	**113,907**	—
Final proposed subsequent to the reporting period - HK3 cents (2010: HK1 cent) per ordinary share	**170,427**	56,954
	284,334	56,954

The final dividend proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period, and was subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per ordinary share amount presented for the year ended 31 December 2011 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year is higher than the average market price of the Company's ordinary shares during the year and, accordingly, they have no dilutive effect on the basic earnings per ordinary share. For the year ended 31 December 2010, the weighted average number of 4,417,657 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY *(Continued)*

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

	2011	2010
	HK$'000	HK$'000
		(Restated)
Earnings		
Profit attributable to ordinary owners of the Company	**695,233**	155,332

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,695,310,648**	5,695,355,525
Effect of dilution - weighted average number of ordinary shares:		
Share options	**—**	4,417,657
	5,695,310,648	5,699,773,182

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establi-shments HK$'000	Construction in progress HK$'000	Other fixed assets HK$'000	Total HK$'000
31 December 2011							
At 31 December 2010 and at 1 January 2011:							
Cost		5,499,704	2,761,111	1,301,583	276,700	2,112,909	11,952,007
Accumulated depreciation and impairment		(1,758,554)	(684,680)	(778,601)	—	(1,227,451)	(4,449,286)
Net carrying amount		3,741,150	2,076,431	522,982	276,700	885,458	7,502,721
At 1 January 2011, net of accumulated depreciation and impairment		3,741,150	2,076,431	522,982	276,700	885,458	7,502,721
Additions		—	8,916	2,253	284,844	299,953	595,966
Acquisition through business combination	36(a)	—	90,135	—	—	—	90,135
Disposals and write-off		(1,168)	(41,282)	(1,208)	—	(14,237)	(57,895)
Surplus on revaluation at date of transfer to investment properties		—	248,431	—	—	—	248,431
Depreciation provided during the year	7	(98,672)	(105,247)	(32,837)	—	(188,459)	(425,215)
Transfer to investment properties, net	15	—	(312,500)	—	—	—	(312,500)
Transfers		13,215	218,709	(1,234)	(257,089)	26,399	—
Exchange realignment		33,466	89,020	25,186	14,373	26,842	188,887
At 31 December 2011, net of accumulated depreciation and impairment		3,687,991	2,272,613	515,142	318,828	1,035,956	7,830,530
At 31 December 2011:							
Cost		5,580,608	2,981,857	1,363,813	318,828	2,418,521	12,663,627
Accumulated depreciation and impairment		(1,892,617)	(709,244)	(848,671)	—	(1,382,565)	(4,833,097)
Net carrying amount		3,687,991	2,272,613	515,142	318,828	1,035,956	7,830,530

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Notes	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establi-shments HK$'000	Construction in progress HK$'000	Other fixed assets HK$'000	Total HK$'000
31 December 2010							
At 1 January 2010:							
Cost		5,492,870	2,757,833	1,233,096	249,875	1,841,792	11,575,466
Accumulated depreciation and impairment		(1,456,552)	(631,761)	(719,261)	—	(1,081,510)	(3,889,084)
Net carrying amount		4,036,318	2,126,072	513,835	249,875	760,282	7,686,382
At 1 January 2010, net of accumulated depreciation and impairment		4,036,318	2,126,072	513,835	249,875	760,282	7,686,382
Additions		8,332	19,891	141	305,615	126,857	460,836
Acquisition through business combination	36(b)	—	75,883	—	—	15,635	91,518
Disposals and write-off		(687)	(63,381)	—	(8,756)	(98,015)	(170,839)
Surplus on revaluation at date of transfer to investment properties		—	60,787	—	—	—	60,787
Depreciation provided during the year	7	(280,964)	(107,783)	(35,196)	—	(219,960)	(643,903)
Transfer to investment properties, net	15	—	(100,650)	—	—	—	(100,650)
Transfers		(47,635)	21,662	26,661	(278,187)	277,499	—
Exchange realignment		25,786	43,950	17,541	8,153	23,160	118,590
At 31 December 2010, net of accumulated depreciation and impairment		3,741,150	2,076,431	522,982	276,700	885,458	7,502,721
At 31 December 2010:							
Cost		5,499,704	2,761,111	1,301,583	276,700	2,112,909	11,952,007
Accumulated depreciation and impairment		(1,758,554)	(684,680)	(778,601)	—	(1,227,451)	(4,449,286)
Net carrying amount		3,741,150	2,076,431	522,982	276,700	885,458	7,502,721

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2010:				
Cost	803	3,933	1,921	6,657
Accumulated depreciation	(803)	(3,108)	(1,835)	(5,746)
Net carrying amount	—	825	86	911
At 1 January 2010, net of accumulated depreciation	—	825	86	911
Additions	120	370	—	490
Depreciation provided during the year	(11)	(380)	(86)	(477)
At 31 December 2010, net of accumulated depreciation	109	815	—	924
At 31 December 2010 and at 1 January 2011:				
Cost	**923**	**3,977**	**1,921**	**6,821**
Accumulated depreciation	**(814)**	**(3,162)**	**(1,921)**	**(5,897)**
Net carrying amount	**109**	**815**	**—**	**924**
At 1 January 2011, net of accumulated depreciation	**109**	**815**	**—**	**924**
Additions	**17**	**680**	**—**	**697**
Disposals	**—**	**(1)**	**—**	**(1)**
Depreciation provided during the year	**(26)**	**(430)**	**—**	**(456)**
At 31 December 2011, net of accumulated depreciation	**100**	**1,064**	**—**	**1,164**
At 31 December 2011:				
Cost	**940**	**4,655**	**1,016**	**6,611**
Accumulated depreciation	**(840)**	**(3,591)**	**(1,016)**	**(5,447)**
Net carrying amount	**100**	**1,064**	**—**	**1,164**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's land included in property, plant and equipment with net carrying amounts as listed below is situated in Hong Kong and is held under the following lease terms:

	2011	2010
	HK$'000	HK$'000
Long term leases	**2,038,801**	2,099,755
Medium term leases	**450,447**	479,124
	2,489,248	2,578,879

At 31 December 2011, included in the Group's land and buildings amounting to HK$143,306,000 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 2010, included in the Group's construction in progress amounting to HK$184,984,000 was the construction of certain buildings and golf courses on a parcel of land of which the Group was in the progress of applying for the land use right certificate.

At 31 December 2011, certain of the Group's buildings with a net carrying value of HK$8,714,000 (2010: HK$9,182,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

Further particulars of the principal hotel properties held by the Group as at 31 December 2011 are included on page 173.

15. INVESTMENT PROPERTIES

	Note	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Carrying amount at 1 January		**1,280,092**	967,800	**2,550**	2,220
Net gain from a fair value adjustment		**65,287**	180,845	**534**	330
Transfer from property, plant and equipment, net	14	**312,500**	100,650	**—**	—
Disposals		**(200,845)**	—	**—**	—
Exchange realignment		**46,382**	30,797	**—**	—
Carrying amount at 31 December		**1,503,416**	1,280,092	**3,084**	2,550

The Group's and the Company's investment properties are held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Group:			
Long term leases	**358,800**	**546,442**	**905,242**
Medium term leases	**136,100**	**462,074**	**598,174**
	494,900	**1,008,516**	**1,503,416**
Company:			
Medium term leases	**—**	**3,084**	**3,084**

The Group's and the Company's investment properties were revalued on 31 December 2011 by RHL Appraisal Ltd., independent professionally qualified valuers, at HK$1,503,416,000 (2010: HK$1,280,092,000) and HK$3,084,000 (2010: HK$2,550,000), respectively, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

Further particulars of the Group's principal investment properties are included on page 174.

16. PREPAID LAND LEASE PAYMENTS

	Notes	Group 2011 HK$'000	2010 HK$'000
Carrying amount at 1 January		**511,354**	515,786
Additions		**—**	1,869
Acquisition through business combination	36(a)	**31,193**	—
Amortised during the year	7	**(24,445)**	(23,298)
Disposals		**(2,793)**	—
Exchange realignment		**18,796**	16,997
Carrying amount at 31 December		**534,105**	511,354
Current portion included in prepayments, deposits and other receivables		**(24,343)**	(23,323)
Non-current portion		**509,762**	488,031

The leasehold land is situated outside Hong Kong and is under the following lease terms as at 31 December 2011:

	Macau HK$'000	Elsewhere HK$'000	Total HK$'000
Medium term leases	**105,478**	**428,627**	**534,105**

17. GOODWILL

	Group 2011 HK$'000	2010 HK$'000
At 1 January and at 31 December:		
Cost	**1,584,707**	1,584,707
Accumulated impairment	**(306,133)**	(306,133)
	1,278,574	1,278,574

Impairment testing of goodwill

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

- Travel agency and related operations
- Scenic spots operations

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Travel agency and related operations cash-generating unit

The recoverable amount of the travel agency and related operations cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 15% (2010: 17%), cash flows beyond the five-year period are extrapolated without growth.

Scenic spots operations cash-generating unit

During the year, the recoverable amount of the scenic spots 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 15% (2010: 17%) and cash flows beyond the five-year period are extrapolated without growth.

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

	Travel agency and related operations		**Scenic spots operations**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**1,244,769**	1,244,769	**33,805**	33,805	**1,278,574**	1,278,574

Key assumptions were used in the value in use calculation of the travel agency and related operations and scenic spots operations cash-generating units for the years ended 31 December 2011 and 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

18. OTHER INTANGIBLE ASSETS

	Notes	Group Ticketing operation rights HK$'000	Trademarks HK$'000	Passenger service licences and quota HK$'000	Total HK$'000
Cost and carrying amount at 1 January 2010		—	34,291	11,290	45,581
Additions		—	—	9,135	9,135
Acquisition through business combination	36(b)	118,952	—	—	118,952
Amortisation provided during the year	7	(3,077)	—	—	(3,077)
Exchange realignment		4,106	—	—	4,106
At 31 December 2010, net of accumulated amortisation		119,981	34,291	20,425	174,697
At 31 December 2010 and at 1 January 2011:					
Cost		123,058	34,291	20,425	177,774
Accumulated amortisation		(3,077)	—	—	(3,077)
Net carrying amount		119,981	34,291	20,425	174,697
At 1 January 2011, net of accumulated amortisation		**119,981**	**34,291**	**20,425**	**174,697**
Additions		**—**	**—**	**13,680**	**13,680**
Amortisation provided during the year	7	**(3,156)**	**—**	**—**	**(3,156)**
Exchange realignment		**6,107**	**—**	**—**	**6,107**
At 31 December 2011, net of accumulated amortisation		**122,932**	**34,291**	**34,105**	**191,328**
At 31 December 2011:					
Cost		**129,165**	**34,291**	**34,105**	**197,561**
Accumulated amortisation		**(6,233)**	**—**	**—**	**(6,233)**
Net carrying amount		**122,932**	**34,291**	**34,105**	**191,328**

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**5,137,380**	5,018,980
Capital contribution in respect of employee share-based compensation	**149,503**	130,233
	5,286,883	5,149,213
Less: Impairment for investment costs #	**(539,832)**	(539,832)
	4,747,051	4,609,381
Amounts due from subsidiaries - current portion	**7,353,061**	7,466,191
Less: Impairment for amounts due from subsidiaries #	**(745,035)**	(745,931)
	6,608,026	6,720,260
Amounts due to subsidiaries - current portion	**(1,694,048)**	(1,196,861)

An impairment was recognised for certain subsidiaries and for the amounts due from subsidiaries in prior years. There was no material change in the impairment account during the current year.

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Notes	Group 2011 HK$'000	2010 HK$'000
Share of net assets	(a)	**617,208**	691,411
Amounts due from jointly-controlled entities	(b)	**15,275**	13,428
Amount due to a jointly-controlled entity	(b)	**(62,909)**	(59,934)
		569,574	644,905
Impairment	(c)	**(52,701)**	—
		516,873	644,905

Notes:

(a) The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2011 HK$'000	2010 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**229,287**	199,363
Current assets	**714,367**	860,192
Current liabilities	**(319,596)**	(359,753)
Non-current liabilities	**(6,850)**	(8,391)
Net assets	**617,208**	691,411
Share of the jointly-controlled entities' results:		
Revenue	**1,263,478**	1,137,356
Other income and gains	**51,198**	15,147
	1,314,676	1,152,503
Total expenses	**(1,186,059)**	(998,237)
Income tax expense	**(18,262)**	(46,690)
Profit after tax	**110,355**	107,576

(b) The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of these balances approximate to their fair values.

(c) During the year, an impairment loss was recognised for a jointly-controlled entity with reference to its estimated future cash inflows prior to the end of joint venture tenure.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Notes: *(Continued)*

(d) Particulars of the principal jointly-controlled entity are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of equity and profit sharing attributable to the Group		Principal activities
			2011	2010	
Shaanxi Weihe Power Co., Ltd. ("Weihe Power")*	Registered capital of RMB1,800,000,000	PRC/Mainland China	**51**	51	Generation and sale of electricity

* Held indirectly through a subsidiary.

The above table lists the jointly-controlled entity 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

21. INVESTMENTS IN ASSOCIATES

	Notes	Group	
		2011	2010
		HK$'000	HK$'000
Share of net assets	(a)	**420,255**	428,916
Amounts due from associates	(b)	**34,292**	41,394
		454,547	470,310
Impairment	(c)	**(175,210)**	(175,210)
		279,337	295,100

Notes:

(a) The following table illustrates the summarised financial information, on a 100% basis, of the Group's associates:

	2011	2010
	HK$'000	HK$'000
Total assets	**2,483,256**	2,154,060
Total liabilities	**(1,008,939)**	(651,579)
Revenue	**2,409,086**	2,044,801
Profit after tax	**90,298**	66,175

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) The balances with associates are unsecured, interest-free and have no fixed terms of repayment. None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of these balances approximate to their fair values.

(c) An impairment was recognised for an associate in prior years. There was no change in the impairment account during the current year based on the present value of estimated cash flows applied with a 15% discount rate and the financial budgets.

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

Name	Particulars of issued shares held	Place of incorporation	Percentage of equity interest attributable to the Group		Principal activities
			2011	2010	
All China Express Limited#	Ordinary shares of HK$1 each	Hong Kong	**30**	30	Passenger transportation
Changsha Colorful World Company Limited#	Registered capital of RMB242,859,428	PRC/Mainland China	**26**	26	Scenic spot operations
Huangshan Taiping Cable Car Co. Ltd.#	Registered capital of US$6,975,000	PRC/Mainland China	**30**	30	Cable car operations
Huangshan Yuping Cable Car Company Ltd.#	Registered capital of RMB19,000,000	PRC/Mainland China	**20**	20	Cable car operations
Shun Tak – China Travel Shipping Investments Limited ("Shun Tak China Travel")#	Ordinary shares of US$1 each	British Virgin Islands ("BVI")/ Hong Kong	**29**	29	Shipping operations

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at cost	**23,144**	26,920	**13,949**	13,949
Impairment	**(14,348)**	(14,348)	**(13,949)**	(13,949)
	8,796	12,572	**—**	—

The above investments consist of investments in equity securities which are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the year ended 31 December 2010, impairment was made on one of the Group's available-for-sale investments as the directors consider that the probability in recovering the investment is remote. There was no change in the impairment account during the current year.

The unlisted equity investments, which fair value cannot be measured reliably, have been stated at cost less impairment.

23. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Food and beverages	**14,593**	13,438
Spare parts and consumable	**2,845**	3,371
General merchandise	**13,230**	9,405
	30,668	26,214

24. TRADE RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Trade receivables	**233,641**	212,504
Impairment	**(9,466)**	(9,345)
	224,175	203,159

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of the provision for impairment of trade receivables, is as follows:

	Group 2011 HK$'000	2010 HK$'000
Within 3 months	**203,914**	188,422
3 to 6 months	**15,262**	9,622
6 to 12 months	**3,974**	4,735
1 to 2 years	**1,025**	380
	224,175	203,159

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

	Group 2011 HK$'000	2010 HK$'000
At 1 January	**9,345**	6,804
Impairment losses recognised	**359**	1,781
Impairment losses reversed/written off	**(487)**	(41)
Exchange realignment	**249**	801
At 31 December	**9,466**	9,345

24. TRADE RECEIVABLES *(Continued)*

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

Trade receivables which are less than three months past due are normally not considered as impaired except for a balance of HK$307,000 (2010: HK$861,000). Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. As at 31 December 2011, trade receivables of HK$20,261,000 (2010: HK$14,737,000) were past due but not impaired. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. An aged analysis of these trade receivables, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
3to 6 months	**15,262**	9,622
6to 12 months	**3,974**	4,735
1 to 2 years	**1,025**	380
	20,261	14,737

As at 31 December 2011, trade receivables of HK$9,466,000 (2010: HK$9,345,000) were impaired and fully provided for. An aged analysis of these receivables, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 3 months	**307**	861
3 to 6 months	**4,106**	3,926
6 to 12 months	**58**	400
Over 1 year	**4,995**	4,158
	9,466	9,345

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
	Notes	**2011**	2010	**2011**	2010
		HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments, deposits and other debtors		**158,959**	179,759	**5,666**	4,135
Entrustment loan receivables					
- a non-controlling shareholder	(a)	**271,371**	197,431	**—**	—
- a related company	(b)	**98,680**	—	**98,680**	—
Amount due from a non-controlling shareholder	(c)	**144,229**	100,974	**—**	—
		673,239	478,164	**104,346**	4,135

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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

Notes:

(a) The Group entered into entrustment loan arrangements with a non-controlling shareholder of Shenzhen The Splendid China Development Co., Ltd. ("Splendid China") and Shenzhen The World Miniature Co., Ltd. ("Window of the World"), which are the Group's 51%-owned subsidiaries, with RMB150 million and RMB70 million withdrawn, respectively, as at 31 December 2011. The entrustment loans are unsecured, repayable by the non-controlling shareholder upon one month notice from the Group, and bear interest at the 1-year PBOC Base Lending Rate less 10%.

(b) The Group also entered into an entrustment loan arrangement with a state-owned enterprise during the year for an amount of RMB80 million. The entrustment loan is unsecured, bears interest at 6.56% and was repaid in January 2012.

(c) The amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("CTS Dengfeng"), a 51%-owned subsidiary of the Group, is unsecured, repayable on demand and bears interest at the 3-month PBOC Base Lending Rate.

26. PRINCIPAL-PROTECTED INVESTMENTS

The Group entered into certain contracts of structured investments with certain financial institutions. The structured investments are principal-protected at the maturity dates. The entire combined contracts have been designated as financial assets at fair value through profit or loss on initial recognition. The principal-protected investments based on respective contracts have maturity dates of within 1 year.

The notional amount and the fair value of the principal-protected investments are as follows:

	Group			
	2011		2010	
	Notional amount HK$'000	**Fair value HK$'000**	Notional amount HK$'000	Fair value HK$'000
Within 1 year	**296,041**	**296,041**	—	—

27. CASH AND CASH EQUIVALENTS

		Group		Company	
	Notes	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash and bank balances		**1,459,237**	1,040,031	**272,497**	129,014
Time deposits		**2,059,909**	1,448,878	**1,630,965**	1,224,591
		3,519,146	2,488,909	**1,903,462**	1,353,605
Less: Pledged time deposits:					
Pledged for a long term bank loan	31	**(1,026)**	—	**—**	—
Pledged for credit facilities and bank guarantees	39	**(27,330)**	(67,303)	**—**	—
Cash and cash equivalents		**3,490,790**	2,421,606	**1,903,462**	1,353,605

The Group has pledged time deposits to banks to secure: (i) a long term bank loan; (ii) certain credit facilities granted by suppliers to the Group's subsidiaries; and (iii) certain bank guarantees given in lieu of utility and rental deposits.

27. CASH AND CASH EQUIVALENTS *(Continued)*

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$1,698,952,000 (2010: HK$1,293,010,000). 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 Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised 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 depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. BALANCES WITH THE IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The balances with the immediate holding company and fellow subsidiaries mainly represent trade receivables and payables.

Except for the balance with the 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 balance with the immediate holding company and the balances with fellow subsidiaries are unsecured, interest-free and repayable on demand.

28. BALANCES WITH THE IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES *(Continued)*

An aged analysis of the balances with the immediate holding company and fellow subsidiaries is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due from the immediate holding company				
Within 1 year	**29,626**	37,103	**2,069**	1,545
1 to 2 years	**13,530**	5,562	**8**	261
Over 2 years	**465**	190	**261**	—
	43,621	42,855	**2,338**	1,806
Amount due to the immediate holding company				
Within 1 year	**44**	90	**—**	—
Amounts due from fellow subsidiaries				
Within 1 year	**45,063**	31,635	**60**	118
1 to 2 years	**3,400**	18,693	**—**	12,314
Over 2 years	**5,548**	1,176	**—**	—
	54,011	51,504	**60**	12,432
Amounts due to fellow subsidiaries				
Within 1 year	**22,007**	13,034	**21**	8
1 to 2 years	**1,896**	2,833	**—**	652
Over 2 years	**155**	367	**—**	—
	24,058	16,234	**21**	660

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

29. TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within 3 months	**302,796**	333,339
3 to 6 months	**31,630**	21,409
6 to 12 months	**6,737**	3,497
1 to 2 years	**6,646**	10,159
Over 2 years	**9,314**	8,528
	357,123	376,932

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

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**618,777**	559,132	**17,547**	19,101
Employee benefits	**308,702**	255,343	**13,625**	18,073
Receipts in advance	**188,026**	140,578	**—**	—
Amounts due to non-controlling shareholders	**4,814**	4,207	**—**	—
	1,120,319	959,260	**31,172**	37,174

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

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group			**2011**			2010	
	Notes	**Contractual interest rate (%)**	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current							
Bank loan - secured	(i)			**—**	EURIBOR+0.12	2011	1,033
Bank loans - unsecured	(ii)	**HIBOR+0.75/COF**	**2012**	**300,000***	HIBOR+0.60	2011	100,000*
Bank loans - unsecured	(ii)	**HIBOR+0.90/COF**	**2012**	**300,000***	4.30	2011	390
Entrustment loans		**4.41**	**2012**	**185,025**			—
Other borrowings - unsecured	(iii)	**1-Year PBOC Lending Rate**	**On demand**	**22,203**	1-Year PBOC Lending Rate	On demand	21,623
Other loans - unsecured		**Interest-free**	**On demand**	**1,234**	Interest-free	On demand	1,175
				808,462			124,221
Non-current							
Bank loan - secured	(iv)	**EURIBOR+0.12**	**2014**	**1,026**			—
Bank loan - unsecured		**1-year PBOC Lending Rate**	**2015**	**37,005****	1-year PBOC Lending Rate	2012	11,752
Entrustment loans				**—**	4.41	2012	176,278
Golf club debentures		**Interest-free**	**2013 - 2024**	**3,957**	Interest-free	2013 - 2024	3,957
				41,988			191,987
Total interest-bearing bank and other borrowings				**850,450**			316,208

Notes:

(i) As at 31 December 2010, the Group's short term bank loan is secured by the Group's bank deposits amounting to HK$1,033,000.

(ii) The loan's interest rates are determined at the higher of the HIBOR plus 0.75%/0.90% or the Cost of Funds ("COF") of the lenders as determined conclusively by the lenders.

(iii) The Group's other borrowings represent borrowings from non-controlling shareholders of Yangzhou Grand Metropole Hotel Co., Ltd., a 60%-owned subsidiary of the Group, and are unsecured, bear interest at the one-year PBOC Base Lending Rate and are repayable on demand.

(iv) As at 31 December 2011, the Group's long term bank loan is secured by the Group's bank deposit amounting to HK$1,026,000.

* The loans are supported by corporate guarantees given by the Company.

** The loan is supported by corporate guarantees given by the ultimate holding company. Further details are contained in note 42(b)(iv).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group	
	2011	2010
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**785,025**	101,423
In the second year	**1,026**	188,030
In the third to fifth years, inclusive	**37,005**	—
	823,056	289,453
Other borrowings repayable:		
Within one year	**23,437**	22,798
In the second year	**—**	—
In the third to fifth years, inclusive	**2,166**	2,166
Beyond five years	**1,791**	1,791
	27,394	26,755
Total interest-bearing bank and other borrowings	**850,450**	316,208

The carrying amounts of the Group's current and floating rate borrowings approximate to their fair values. The carrying amounts and fair values of the Group's non-current fixed rate borrowings are as follows:

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other bank loans - secured	**—**	176,278	**—**	176,374
Golf club debentures	**3,957**	3,957	**3,730**	3,712
	3,957	180,235	**3,730**	180,086

The fair values of these borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group	Depreciation allowances in excess of related depreciation	Surplus on revaluation of properties	Losses available for offsetting against future taxable profits	Fair value adjustments arising from acquisition of subsidiaries	Withholding tax	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010						
As previously reported	57,341	129,606	(33,023)	290,780	10,176	454,880
Prior year adjustment	34,099	(96,408)	983	(52,938)	—	(114,264)
As restated	91,440	33,198	(32,040)	237,842	10,176	340,616
Deferred tax charged/(credited) to the income statement during the year (note 10)	10,354	35,787	10,600	(6,843)	260	50,158
Deferred tax charged to equity during the year	—	4,970	—	—	—	4,970
Acquisition through business combination (note 36(b))	—	—	—	32,852	—	32,852
Disposal of subsidiaries (note 37)	—	(4,970)	—	—	(264)	(5,234)
Exchange realignment	1,001	1,972	—	365	—	3,338
At 31 December 2010 (restated)	102,795	70,957	(21,440)	264,216	10,172	426,700
At 1 January 2011						
As previously reported	**64,269**	**185,339**	**(22,190)**	**317,154**	**10,172**	**554,744**
Prior year adjustment	**38,526**	**(114,382)**	**750**	**(52,938)**	**—**	**(128,044)**
As restated	**102,795**	**70,957**	**(21,440)**	**264,216**	**10,172**	**426,700**
Deferred tax charged/(credited) to the income statement during the year (note 10)	**3,862**	**3,296**	**15,098**	**(6,890)**	**264**	**15,630**
Acquisition through business combination (note 36(a))	**47**	**—**	**—**	**—**	**—**	**47**
Exchange realignment	**2,277**	**3,626**	**—**	**1,648**	**—**	**7,551**
At 31 December 2011	**108,981**	**77,879**	**(6,342)**	**258,974**	**10,436**	**449,928**

32. DEFERRED TAX

Deferred tax assets

Group

	Depreciation in excess of related depreciation allowance HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2010			
As previously reported	(1,611)	—	(1,611)
Prior year adjustment	(66)	(983)	(1,049)
As restated	(1,677)	(983)	(2,660)
Deferred tax credited to the income statement during the year (note 10)	(976)	233	(743)
At 31 December 2010 (restated)	(2,653)	(750)	(3,403)
At 1 January 2011			
As previously reported	**(2,438)**	**—**	**(2,438)**
Prior year adjustment	**(215)**	**(750)**	**(965)**
As restated	**(2,653)**	**(750)**	**(3,403)**
Deferred tax credited to the income statement during the year (note 10)	**(6,985)**	**165**	**(6,820)**
At 31 December 2011	**(9,638)**	**(585)**	**(10,223)**

32. DEFERRED TAX *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balance of the Group for financial reporting purposes:

	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**(10,223)**	(3,403)	(2,660)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**449,928**	426,700	340,352
Net deferred tax liabilities included in the disposal group classified as held for sale	**—**	—	264
	439,705	423,297	337,956

The Group has tax losses arising in Hong Kong of HK$81,019,000 (2010: HK$81,443,000) 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$937,888,000 (2010: HK$871,769,000) 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and a jointly-controlled entity established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

Shares

	2011		2010	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**7,000,000,000**	**700,000**	7,000,000,000	700,000
Issued and fully paid:				
At 1 January	**5,695,355,525**	**569,536**	5,695,355,525	569,536
Shares cancelled upon repurchase of own shares (note)	**(5,460,000)**	**(546)**	—	—
At 31 December	**5,689,895,525**	**568,990**	5,695,355,525	569,536

Note: During the year ended 31 December 2011, the Company repurchased a total of 6,726,000 of its own ordinary shares through the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2011 at an aggregate consideration of HK$8,012,000 (excluding transaction costs), of which 5,460,000 of the repurchased shares were cancelled during the year ended 31 December 2011 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the 5,460,000 repurchased shares of HK$6,410,000 was charged to retained profits of the Company. The highest price and the lowest price paid were HK$1.15 per share and HK$1.30 per share, respectively.

Subsequent to the end of the reporting period, on 15 March 2012, the remaining 1,266,000 shares that were repurchased during the year ended 31 December 2011, together with 7,738,000 shares repurchased by the Company subsequent to the end of the reporting period in February 2012 were subsequently cancelled by the Company on 7 February 2012 and 20 February 2012. Upon the cancellation of the remaining 1,266,000 repurchased shares, the issued capital of the Company was reduced by the nominal value of HK$126,600 and the premium paid of HK$1,602,000 was charged to retained profits of the Company.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2002.

The Company operates the 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 Share Option Scheme include the Company's executive directors and employees of the Group. The Share Option Scheme became effective on 3 June 2002 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 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 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 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 may be accepted within 28 days from date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The subscription price of the share options 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.

34. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Share Option Scheme during the year:

	2011 Weighted average exercise price HK$ per share	**2011** Number of options '000	2010 Weighted average exercise price HK$ per share	2010 Number of options '000
At 1 January	**1.70**	**125,660**	—	—
Granted during the year	**—**	**—**	1.70	129,510
Forfeited during the year	**1.70**	**(2,000)**	1.70	(3,850)
At 31 December	**1.70**	**123,660**	1.70	125,660

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

2011

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
37,070	1.70	18 June 2012 - 17 June 2020
37,070	1.70	18 June 2013 - 17 June 2020
49,520	1.70	18 June 2014 - 17 June 2020
123,660		

2010

Number of options '000	Exercise price* HK$ per share	Exercise period
37,670	1.70	18 June 2012 - 17 June 2020
37,670	1.70	18 June 2013 - 17 June 2020
50,320	1.70	18 June 2014 - 17 June 2020
125,660		

* 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.

34. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted during the year ended 31 December 2010 was HK$0.64 per share option, of which the Group recognised a share option expense of HK$26,403,000 (2010: HK$14,942,000) during the year ended 31 December 2011.

The fair value of equity-settled share options granted during the year ended 31 December 2010 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:

	2010
Dividend yield (%)	3.52%
Expected volatility (%)	47.14%
Risk-free interest rate (%)	2.44%
Expected life of options (year)	10
Weighted average share price (HK$ per share)	1.7

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 123,660,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 123,660,000 additional ordinary shares of the Company and additional share capital of HK$12,366,000 and share premium of HK$197,856,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 123,660,000 share options outstanding under the Scheme, which represented approximately 0.22% of the Company's shares in issue as at that date.

35. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 59 and 60 of the financial statements.

(b) Company

	Share premium account HK$'000	Treasury shares HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	8,357,579	—	350	—	1,090,599	9,448,528
Profit for the year and total comprehensive income for the year	—	—	—	—	1,436,303	1,436,303
Equity-settled share option arrangement	—	—	—	14,942	—	14,942
At 31 December 2010 and at 1 January 2011	8,357,579	—	350	14,942	2,526,902	10,899,773
Profit for the year and total comprehensive income for the year	**—**	**—**	**—**	**—**	**326,867**	**326,867**
Equity-settled share option arrangement	**—**	**—**	**—**	**26,403**	**—**	**26,403**
Repurchase of shares	**—**	**(8,012)**	**—**	**—**	**—**	**(8,012)**
Cancellation of shares repurchased	**—**	**6,410**	**546**	**—**	**(6,410)**	**546**
2010 final dividend paid	**—**	**—**	**—**	**—**	**(56,954)**	**(56,954)**
2011 interim dividend paid	**—**	**—**	**—**	**—**	**(113,907)**	**(113,907)**
At 31 December 2011	**8,357,579**	**(1,602)**	**896**	**41,345**	**2,676,498**	**11,074,716**

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 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

36. BUSINESS COMBINATION

(a) On 29 September 2010, the Company entered into a conditional joint venture agreement to contribute RMB167.14 million (HK$196.80 million) into CTS (Xinyang) Jigongshan Culture Tourism Co., Ltd. ("CTS Xinyang") to subscribe for a 65% equity interest in CTS Xinyang. The transaction was completed on 1 January 2011.

CTS Xinyang is principally engaged in hotel operation (rentals of hotels and villas) within Jigongshan Scenic Spot in Henan Province in the PRC.

In light of the favourable long term outlook of PRC economy and the rapid increase in the disposable income of PRC consumers, together with the accelerating construction of tourism infrastructure facilities and initiatives to spur tourism spending by the PRC Government, the directors are of the view that the development and operation of Jigongshan Scenic Spot, has attractive prospects and growth potential and represents an important part of the Company's long-term development strategy.

The fair values of the identifiable assets and liabilities of CTS Xinyang as at the date of business combination were as follows:

	Notes	**Fair value recognised on business combination** HK$'000
Property, plant and equipment	14	90,135
Prepaid land lease payments	16	31,193
Other receivables		129,193
Cash and bank balances		76,752
Other payables and accruals		(2,795)
Deferred tax liabilities	32	(47)
Non-controlling interests		(113,537)
Total identifiable net assets at fair value		210,894
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(14,094)
		196,800
Satisfied by cash		196,800

36. BUSINESS COMBINATION *(Continued)*

(a) *(Continued)*

The fair values and gross contractual amounts of the other receivables as at the date of business combination amounted to HK$129,193,000.

The Group incurred transaction costs of HK$27,000 for this business combination. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

An analysis of the cash flows in respect of the business combination of CTS Xinyang is as follows:

	2011 **HK$'000**
Cash consideration	**196,800**
Cash and bank balances acquired	**(76,752)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**120,048**
Transaction costs of the acquisition included in cash flows from operating activities	**27**
	120,075

CTS Xinyang has contributed HK$23,696,000 to the Group's revenue and loss of HK$34,393,000 to the Group's consolidated results for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have had no significant difference as compared to the amounts reflected in the consolidated income statement.

(b) On 22 December 2009, the Company entered into a conditional joint venture agreement to contribute RMB68.85 million (HK$78.24 million) in cash into CTS Dengfeng, in which the Company would own a 51% equity interest therein. The transaction was completed on 4 January 2010.

CTS Dengfeng is principally engaged in the development and operation of Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot in Henan Province of the PRC ("Songshan Scenic Spot").

Similar to the reasons described in note 36(a) above, as part of the Company's long term development strategy in tourism in Mainland China, and to increase the Group's presence in this industry, the directors are of the view that the development and operation of Songshan Scenic Spot is in line with the overall strategy of the Company.

36. BUSINESS COMBINATION *(Continued)*

(b) *(Continued)*

The fair values of the identifiable assets and liabilities of CTS Dengfeng as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	14	91,518
Investments in associates		4,319
Intangible assets	18	118,952
Inventories		41
Trade and other receivables		133,071
Cash and bank balances		153,354
Tax payable		(8,585)
Trade payables, other payables and accruals		(1,618)
Other borrowings		(228,331)
Deferred tax liabilities	32	(32,852)
Non-controlling interests		(112,622)
Total identifiable net assets at fair value		117,247
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(39,007)
		78,240
Satisfied by cash		78,240

The fair values and gross contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to HK$133,071,000.

The Group incurred transaction costs of HK$184,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of CTS Dengfeng is as follows:

	2010 HK$'000
Cash consideration	78,240
Cash and bank balances acquired	(153,354)
Net inflow of cash and cash equivalents included in cash flows from investing activities	(75,114)
Transaction costs of the acquisition included in cash flows from operating activities	184
	(74,930)

37. DISPOSAL OF SUBSIDIARIES

Disposal of China Travel International Limited ("CTIL") and a 25% equity interest in China Travel International (Hangzhou) Ltd. (together with subsidiaries of CTIL collectively, the "CTIL Group")

	2010 HK$'000
Net assets disposal of:	
Property, plant and equipment	24,491
Prepaid land lease payments	568
Investment properties	40,206
Investments in jointly-controlled entities	57,544
Inventories	659
Trade receivables	48,484
Prepayments, deposits and other receivables	199,075
Cash and bank balances	98,135
Amount due from an intermediate holding company	53
Amounts due from fellow subsidiaries	44,238
Trade payables	(37,030)
Tax payable	(1,099)
Other payables and accruals	(194,139)
Interest-bearing bank and other borrowings	(1,718)
Amount due to the immediate holding company	(34,820)
Amounts due to fellow subsidiaries	(4,743)
Deferred tax liabilities	(5,234)
Non-controlling interests	(13,569)
	221,101
Exchange fluctuation reserve realised	(37,784)
Gain on disposal of the CTIL Group (note 5)	22,026
	205,343
Satisfied by cash	205,343

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the CTIL Group is as follows:

	2010 HK$'000
Cash consideration	205,343
Cash and bank balances disposed of	(98,135)
Net inflow of cash and cash equivalents in respect of disposal of the CTIL Group	107,208

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
Agencia De Viagens E Turismo Grand, Limitada	Macau	MOP1,300,000	**100**	100	Travel and air ticketing agency
Aldington International Ltd.#	Western Samoa	1,000,000 ordinary shares of US$1 each	**100**	100	Investment holding
Beijing CTS (Hong Kong) Grand Metropark Hotel Co., Ltd.#****	PRC/Mainland China	US$12,000,000	**100**	100	Property investment holding and hotel operations
Chadwick Developments Limited ("Chadwick") (Note)	Hong Kong	1,000 ordinary shares of HK$1 each 10,000 non-voting deferred shares of HK$1 each	**100**	100	Investment holding
China Heaven Creation International Performing Arts Co., Ltd.#****	PRC/Mainland China	RMB10,000,000	**85.3**	85.3	Production of art performances
China Travel (HK & Macau Tour) Management Hong Kong Limited	Hong Kong	500,000 ordinary shares of HK$1 each	**100**	100	Tour operations

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
China Travel Advertising Hong Kong Limited	Hong Kong	10 ordinary shares of HK$100 each 5,000 non-voting deferred shares of HK$100 each	**100**	100	Provision of printing and advertising agency services
China Travel Air Service Hong Kong Limited	Hong Kong	10 ordinary shares of HK$100 each 10,000 non-voting deferred shares of HK$100 each	**100**	100	Air ticketing agency
China Travel and Trading (Deutschland) GmbH#	Germany	EUR380,000	**100**	100	Travel and air ticketing agency
China Travel Express Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100**	100	Passenger transportation
China Travel Hi-Tech Computer Hong Kong Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	**100**	100	Trading of computer equipment, provision of computer services and investment holding
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd.** (Note)	PRC/Mainland China	US$141,000,000	**100**	100	Hot spring resort operations
China Travel Service (Australia) Pty Ltd.	Australia	AUD3,319,932	**100**	100	Travel and air ticketing agency
China Travel Service (Canada) Inc.#	Canada	CAD3,162,750	**100**	100	Travel and air ticketing agency

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
China Travel Service (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK$100 each 1,000,000 non-voting deferred shares of HK$100 each	**100**	100	Tour operations, PRC entry permit handling agency, investment holding and travel agency
China Travel Service (Korea) Co., Ltd.#	Korea	WON500,000,000	**100**	100	Travel and air ticketing agency
China Travel Service (N.Z.) Limited	New Zealand	NZD30,000	**100**	100	Travel and air ticketing agency
China Travel Service (U.K.) Ltd.#	United Kingdom	486,000 ordinary shares of GBP1 each 1,072,000 preference shares of GBP1 each	**100**	100	Travel and air ticketing agency
China Travel Tours Transportation Services Hong Kong Limited	Hong Kong	2 ordinary shares of HK$100 each 5,000 non-voting deferred shares of HK$100 each	**100**	100	Passenger transportation
Chengdu Huashuiwan Sakura Hotel Company Limited#***	PRC/Mainland China	RMB21,547,000	**100**	100	Resort operations
CTS H.K. Metropark Hotels Management Company Limited	Hong Kong	HK$100,001	**100**	100	Hotel management
CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd.* (Note)	PRC/Mainland China	RMB100,000,000	**51**	51	Tourist attraction operations

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
CTS (Xinyang) Jigongshan Culture Tourism Co.,Ltd * (Note)	PRC/Mainland China	RMB257,140,000	**65**	65	Tourist attraction operation
CTS Hotel Management Co., Ltd.***	PRC/Mainland China	HK$5,000,000	**100**	100	Hotel management
CTS Scandinavia AB	Sweden	SEK100,000	**100**	100	Travel and air ticketing agency
CTS Scenery Resort Investment Company Limited# **	PRC/Mainland China	RMB132,250,000	**100**	100	Investment in and management of resort hotels and scenic spots
CTS Tycoon (Shenzhen) Golf Club Company Limited **	PRC/Mainland China	RMB326,000,000	**100**	100	Golf club operations
Glading Development Limited	Hong Kong	2 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	**100**	100	Property investment holding and hotel operations
Guangdong CTS(HK) & Jinhuang Transportation Ltd. #***	PRC/Mainland China	HK$30,000,000	**100**	100	Passenger transportation
Hotel Metropole Holdings Limited	BVI/ Hong Kong	1 share of US$1 100 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.#***	PRC/Mainland China	RMB3,800,000	**80**	80	Cable car operations

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
Kinetic Profit Real Estate (Shanghai) Co., Ltd.***	PRC/Mainland China	US$5,000,000	**100**	100	Property investment holding and hotel operations
Mart Harvest Limited	Hong Kong	2 ordinary shares of HK$1 each 100 non-voting deferred shares of HK$1 each	**100**	100	Property investment holding
Metrocity Hotel Limited	BVI/ Hong Kong	1 ordinary share of US$1 100 non-voting deferred shares of US$1 each	**100**	100	Property investment holding and hotel operations
Mutual Great (Hong Kong) Limited (Note)	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
New Bus Holdings Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**80**	80	Passenger transportation
Shanghai Weilv Hotel Management Co., Ltd.***	PRC/Mainland China	RMB1,000,000	**100**	100	Hotel management
Splendid China* (Note)	PRC/Mainland China	RMB184,000,000	**51**	51	Tourist attraction operations
Window of the World* (Note)	PRC/Mainland China	US$29,500,000	**51**	51	Tourist attraction operations
Singa China Travel Service Pte. Limited#	Singapore	SG$6,740,000	**100**	100	Travel and air ticketing agency

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
Sociedade De Fomento Predial Fu Wa (Macau) Limitada	Macau	MOP200,000	**100**	100	Property investment holding and hotel operations
Triumph King Limited	Hong Kong	2 ordinary shares of HK$1 each 100 non-voting deferred shares of HK$1 each	**100**	100	Property investment holding
Trump Return Limited# (Note)	BVI/ Hong Kong	US$50,000	**100**	100	Investment holding
U.S. China Travel Service Inc.#	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. ("Xianyang OSR")*	PRC/Mainland China	RMB301,000,000	**83.72**	83.72	Hot spring resort operations
Yangzhou Grand Metropole Hotel Co., Ltd.***	PRC/Mainland China	RMB44,000,000	**60**	60	Property investment holding and hotel operations
北京港中旅數碼科技有限公司#***	PRC/Mainland China	HK$3,900,000	**100**	100	Travel agency management and Software system development

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
深圳港中旅快線運輸有限公司#***	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation and investment holding
芒果網有限公司 ("Mangocity")#**	PRC/Mainland China	RMB519,595,000	**100**	100	Sale of travel-related products through an electronic platform
珠海市港中旅快線有限公司#**	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation

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.

Note: Directly owned by the Company

* Sino-foreign equity joint ventures

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

*** Registered as limited liability companies under PRC law

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

39. CONTINGENT LIABILITIES

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given to banks granted to subsidiaries in lieu of utility and rental deposits	**—**	—	**1,758**	1,758
Corporate guarantees given to banks in connection with credit facilities granted to subsidiaries	**—**	—	**1,280,983**	450,675
Counter guarantees given to the ultimate holding company for corporate guarantees in favour of banks in connection with credit facilities granted to a subsidiary	**—**	—	**37,005**	—
Performance bond given to a customer for due performance of a sales contract	**300**	300	**—**	—
	300	300	**1,319,746**	452,433

As at 31 December 2011, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company and ultimate holding company were utilised to the extent of approximately HK$673,045,000 (2010: HK$134,915,000).

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its equipment and investment properties (notes 14 and 15) under operating lease arrangements. Leases for investment properties are negotiated for terms ranging from one to ten years, and those for 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Investment properties:		
Within one year	**71,502**	53,666
In the second to fifth years, inclusive	**107,602**	105,263
After five years	**4,343**	30,241
	183,447	189,170
Equipment and motor vehicles:		
Within one year	**2,114**	191
In the second to fifth years, inclusive	**3,526**	—
	5,640	191

40. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings:		
Within one year	**26,944**	55,583
In the second to fifth years, inclusive	**25,106**	35,256
After five year	**36,006**	37,765
	88,056	128,604
Plant and machinery and motor vehicles:		
Within one year	**5,057**	4,854
In the second to fifth years, inclusive	**819**	—
	5,876	4,854

41. COMMITMENTS

In addition to the operating lease commitments as detailed in note 40(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings:		
Contracted, but not provided for	**168,496**	88,865
Authorised, but not contracted for	**301,819**	247,349
	470,315	336,214
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**1,928**	27,797
Leasehold improvements:		
Contracted, but not provided for	**16,186**	85
Authorised, but not contracted for	**—**	2,306
	16,186	2,391
Scenic spots:		
Contracted, but not provided for	**59,449**	63,328
Authorised, but not contracted for	**32,742**	—
	92,191	63,328

In addition, the Group's share of the jointly-controlled entities own capital commitments, which are not included in the above, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for	**89,437**	101,899

At the end of the reporting period, the Company had no significant commitments.

42. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2011	2010
Name of company	**Nature of transaction**	**HK$'000**	HK$'000
Paid or payable to:			
Immediate holding company			
(1) CTS (Holdings)	Office rental	**16,302**	16,124
Fellow subsidiaries			
(2) China Travel Insurance Advisers Hong Kong Limited	Insurance premium	**6,189**	3,952
(3) 上海天澤房地產有限公司	Office rental	**—**	2,571
(4) Metropark Hotel Shenzhen Co., Ltd.	Hotel room rental	**715**	912
(5) China Merchants International Travel Co., Ltd. Shenzhen	Travel-related service fees	**12,255**	8,178
(6) China Travel Head Office	Travel-related service fees	**14,987**	6,831
(7) 中國港旅資產經營公司	Management fees	**5,464**	4,790
(8) 港中旅（中國）投資有限公司	Construction service charge	**3,376**	3,213
(9) China Travel Service Head Office (Beijing) Co., Ltd (formerly known as CTIL)	Travel-related service fees	**12,653**	249
(10) China Travel International (Chengdu) Ltd.*	Travel-related service fees	**8,250**	3,062
(11) China Travel International (Shandong) Ltd.*	Travel-related service fees	**3,468**	1,884

42. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

		Group	
		2011	2010
Name of company	**Nature of transaction**	**HK$'000**	HK$'000
Paid or payable to: *(Continued)*			
Fellow subsidiaries (Continued)			
(12) 港中旅（廣東）國際旅行社有限公司*	Travel-related service fees	**14,581**	10,162
(13) 中國旅行社西北有限公司*	Travel-related service fees	**2,983**	1,449
(14) 港中旅（廈門）國貿旅行社有限公司*	Travel-related service fees	**2,380**	891
(15) China Travel (Cargo) Logistics Centre Ltd.	Car parking	**1,400**	1,403
(16) Shanghai China Travel International Limited*	Travel-related service fees	**—**	14,858
Jointly-controlled entity			
(17) Weihe Power	Finance costs	**9,357**	7,696
Associate			
(18) All China Express Limited	Coach rental	**5,286**	4,156
Other related party:			
(19) China Travel International (Hangzhou) Ltd.*	Travel-related service fees	**6,797**	19,359
Received or receivable from:			
Immediate holding company			
(20) CTS (Holdings)	Package tour income	**1,349**	2,563
(21) CTS (Holdings)	Travel permit administration income (note)	**343,422**	368,982
(22) CTS (Holdings)	Sale of visa materials	**2,597**	2,063
(23) CTS (Holdings)	Food and Beverage	**2,729**	1,059

42. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Name of company	Nature of transaction	Group 2011 HK$'000	Group 2010 HK$'000
Received or receivable from: *(Continued)*			
Fellow subsidiaries			
(24) China Travel Service Head Office (Beijing) Co., Ltd*	Travel-related service fees	**3,995**	1,988
(25) China Travel Computer Service H.K. Limited	Service income as application service provider	**11,905**	14,145
(26) China Travel Head Office	Package tour income	**6,145**	6,706
(27) China Travel Hong Kong (Qingdao) Ocean Spring Co. Ltd.	Theatre design fee	**—**	3,787
(28) Metropark Hotel Nanjing	Hotel management fees	**5,143**	3,046
(29) 深圳維景京華酒店有限公司	Hotel management fees	**1,442**	1,211
(30) Metropark Hotel Hangzhou Co., Ltd.	Hotel management fees	**3,364**	3,347
(31) Shanghai China Travel International Limited	Travel-related service fees	**867**	1,537
Associates			
(32) All China Express Limited	Coach rental	**39,451**	39,661
(33) All China Express Limited	Management fees	**13,005**	16,627
(34) All China Express Limited	Quota income	**1,373**	1,374
(35) Shun Tak China Travel	Ticketing commission	**33,327**	27,525
(36) Shun Tak China Travel	Management fees	**1,798**	1,749
Other related party			
(37) 廣東拱北口岸中國旅行社有限公司	Package tour income	**8,045**	5,450

42. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

The above transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

Note: The travel permit administration income was determined in accordance with the terms of an agency agreement entered into between the parties and was calculated at 45% of the gross fee revenue from travel permit applications.

* Upon the completion of disposal of CTIL on 30 June 2010 (further details are included in note 37 to the financial statements), the continuing provision of travel-related services between the Group and CTIL (together with its subsidiaries) constitutes related party transactions from July 2010 onwards. The transactions included above were travel-related services performed between the Group and CTIL and its subsidiaries from July 2010 onwards.

In addition, prior to the disposal of CTIL, CTIL provided travel-related services to CTS (Holdings) and its subsidiaries (collectively the "CTS (Holdings) Group") which constituted related party transactions. The list above includes travel-related services provided to the CTS (Holdings) Group prior to 30 June 2010.

(b) Other transactions with related parties

(i) On 21 August 2007, an entrustment loan arrangement was entered into between Weihe Power, a jointly-controlled entity of the Group, Xianyang OSR, a 83.72%-owned subsidiary of the Group, and a bank. As at the end of the current reporting period, the arrangement remained effective.

(ii) On 30 June 2010, the Group completed its disposal of the CTIL Group to CTS (Holdings) for a consideration of HK$205 million. Details of the disposal are included in note 37.

(iii) On 20 August 2010, an entrustment loan arrangement was entered into between Window of the World and Splendid China, 51%-owned subsidiaries of the Company, Shenzhen Overseas Chinese Town Company ("Overseas Chinese Town"), a state-owned enterprise, and a bank. As at the end of the current reporting period, the arrangement remained effective.

(iv) On 26 January 2011, China Heaven, a 85.3%-owned subsidiary of the Group, applied for a RMB30 million loan from Export-Import Bank of China. Under the loan agreement, China CTS (HK) provided a credit guarantee in favour of the bank to secure the repayment obligations of China Heaven.

On the same date, the Company provided a counter guarantee to China CTS (HK) for the amount of the loan drawn down from the loan agreement together with any interest, penalty, compensation and other related fees and expenses which may be payable by China CTS (HK) contemplated under the credit guarantee provided by China CTS (HK) to the bank.

(v) On 13 April 2011 and 29 December 2011, entrustment loan arrangements were entered into between Weihe Power, a jointly-controlled entity of the Group, Shaanxi Qinlong Electric Power Co., Ltd. ("Shaanxi Qinlong"), a substantial shareholder of Weihe Power, and a bank. As at the end of the current reporting period, the arrangements remained effective.

42. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties *(Continued)*

(vi) On 5 August 2011 and 11 November 2011, entrustment loan arrangements were entered into between the Company, a state-owned enterprise, and a bank. As at 31 December 2011, the arrangement entered into on 5 August 2011 had been settled while the arrangement entered into on 11 November 2011 remained effective.

(vii) On 28 December 2011, the Group entered into a memorandum of sales and purchases in relation to the disposal of an investment property to CTS (Holdings) for a consideration of HK$188,000,000. The transaction was completed on the same date.

(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 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Short term employee benefits	**10,107**	4,368
Equity-settled share option expense	**4,123**	1,831
Total compensation paid to key management personnel	**14,230**	6,199

(d) Transactions with the PRC government-related entities

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC Government. Save as disclosed in (b), the Group had the following individually significant or collectively significant transactions with the PRC government-related entities during the year:

(i) The Group has entered into travel agency and related services transactions with certain state-controlled entities, which are controlled by the State Council of the PRC Government through its government authorities, in the normal course of business on commercial terms.

(ii) The Group has entered into an operating land lease transaction as a lessee with a state-controlled entity, which is controlled by the State Council of the PRC Government through its government authorities, in the normal course of business on commercial terms.

42. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with the PRC government-related entities *(Continued)*

(iii) On 4 January 2010, CTS Dengfeng and Henan Province Songshan Scenic Spot Management Committee ("Songshan Management") entered into a franchise agreement pursuant to which CTS Dengfeng is authorised to exclusively manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot from 25 December 2009 for a term of 40 years.

(iv) On 29 September 2010, the Group has entered a franchise agreement with Xinyang Jigongshan Scenic Spot Management Committee（信陽市雞公山風景區管理局）and Henan Province Jigongshan National Nature Reserve Management Committee（河南雞公山國家級自然保護區管理局）pursuant which CTS Xinyang is authorised to exclusively manage and operate ticket sales of the Jigongshan Scenic Spot from 1 January 2011 for a term of 40 years.

(e) Commitments with related parties

(i) On 24 October 1995, a subsidiary of the Group entered into an operating land lease arrangement as a lessee with its non-controlling shareholder, which will remain effective until the end of the joint-venture period in 2037.

(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.

Except for items (a)(18), (a)(19), (a)(32) to (a)(37), (b)(vi), (c), (d) and (e)(ii), the above transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

43. FINANCIAL INSTRUMENTS BY CATEGORY

Other than available-for-sale investments and principal-protected investments (being financial assets at fair value through profit or loss) disclosed in notes 22 and 26 of the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2011 and 2010 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

44. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

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)

44. FAIR VALUE HIERARCHY *(Continued)*

Assets measured at fair value:

Group

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss:				
Principal-protected investments	**—**	**296,041**	**—**	**296,041**

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss:				
Principal-protected investments	—	—	—	—

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurements (2010: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities mainly comprise available-for-sale investments, trade receivables, other receivables, principal-protected investments, pledged time deposits, cash and cash equivalents, trade payables, other payables and accruals, and interest-bearing bank and other borrowings. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

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

Group

	2011			
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**831,060**	**43,662**	**1,791**	**876,513**
Trade payables	**357,123**	**—**	**—**	**357,123**
Other payables and accruals	**932,293**	**—**	**—**	**932,293**
Amount due to the immediate holding company	**44**	**—**	**—**	**44**
Amounts due to fellow subsidiaries	**24,058**	**—**	**—**	**24,058**
	2,144,578	**43,662**	**1,791**	**2,190,031**

	2010			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	126,371	198,758	1,791	326,920
Trade payables	376,932	—	—	376,932
Other payables and accruals	818,682	—	—	818,682
Amount due to the immediate holding company	90	—	—	90
Amounts due to fellow subsidiaries	16,234	—	—	16,234
	1,338,309	198,758	1,791	1,538,858

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company

	2011			
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Other payables and accruals	**31,172**	**—**	**—**	**31,172**
Amounts due to subsidiaries	**1,694,048**	**—**	**—**	**1,694,048**
Amounts due to fellow subsidiaries	**21**	**—**	**—**	**21**
	1,725,241	**—**	**—**	**1,725,241**
The maximum utilised amount of the guarantees given to banks in connection with banking facilities granted to subsidiaries	**636,040**	**—**	**—**	**636,040**
The maximum utilised amount of the counter guarantee given to the ultimate holding company for corporate guarantees in favour of bank in connection with credit facilities granted to a subsidiary	**37,005**	**—**	**—**	**37,005**
	673,045	**—**	**—**	**673,045**

	2010			
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Other payables and accruals	37,174	—	—	37,174
Amounts due to subsidiaries	1,196,861	—	—	1,196,861
Amounts due to fellow subsidiaries	660	—	—	660
	1,234,695	—	—	1,234,695
The maximum utilised amount of the guarantees given to banks in connection with banking facilities granted to subsidiaries	134,915	—	—	134,915

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation thereby incurring financial loss to the Group. The Group manages the credit risk by setting up a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, it is the Group's policy to review regularly the recoverable amount of trade receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from associates, jointly-controlled entities, immediate holding company and fellow subsidiaries, other receivables, available-for-sale investments and principal-protected investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Foreign currency risk

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

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

	Increase in RMB rate %	Increase in profit before tax HK$'000
2011		
If Hong Kong dollar weakens against RMB	**3**	**53,802**
If Hong Kong dollar weakens against RMB	**5**	**89,670**
2010		
If Hong Kong dollar weakens against RMB	3	49,663
If Hong Kong dollar weakens against RMB	5	82,772

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents and bank loans. The Group does not use financial derivatives to hedge against the interest rate risk.

At 31 December 2011, it is estimated that a general increase/decrease in 1% of the borrowing rate, with all other variables held constant, would decrease/increase the Group's profit before tax by approximately HK$6,602,000 (2010: HK$1,344,000). Similarly, it is estimated that a general increase/decrease in 0.5% of the savings rate, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$17,596,000 (2010: HK$12,445,000).

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

Capital management

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

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. The debt includes interest-bearing bank and other borrowings, trade and other payables and accruals, amounts due to the immediate holding company and fellow subsidiaries, and excludes the liabilities associated with the disposal group classified as held for sale. Capital represents equity attributable to owners of the Company.

During 2011, the Group's strategy, which remained unchanged from that of 2010, was to maintain the debt-to-capital ratio at the lower end of the range from 10% to 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

Group

	2011 HK$'000	2010 HK$'000 (Restated)
Interest-bearing bank and other borrowings	**850,450**	316,208
Trade payables	**357,123**	376,932
Other payables and accruals	**1,120,319**	959,260
Amount due to the immediate holding company	**44**	90
Amounts due to fellow subsidiaries	**24,058**	16,234
Debt	**2,351,994**	1,668,724
Capital	**12,986,131**	12,035,387
Debt-to-capital ratio	**18.11%**	13.87%

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

46. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2010 has been presented.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2012.

PARTICULARS OF PRINCIPAL HOTEL PROPERTIES

31 December 2011

Location	Attributable interest of the Group	Lease term
CTS (HK) Grand Metropark Hotel Beijing No. 338 Guanganmen Nei Street, Xuanwu 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
Metropark Hotel Wanchai Hong Kong 41-49 Hennessy Road, Wanchai, Hong Kong	100%	Long
Ocean Spring Hotel Pingsha Town, Jinwan District, Zhuhai City, Guangdong Province, PRC	100%	Medium
Yangzhou Grand Metropole Hotel No. 1 Wenchang West Road, (also known as No. 559 Wenchang Middle Road) Yangzhou City, Jiangsu Province, PRC	60%	Medium

PARTICULARS OF PRINCIPAL INVESTMENT PROPERTIES

31 December 2011

Location	Use	Lease term
3rd to 9th, 11th, 12th Floor and Basement levels 2 and 3 CTS (HK) Grand Metropark Hotel Beijing No. 338 Guanganmen Nei Street Xuan Wu District, Beijing, PRC	Carpark/ Shop/Office	Medium
Metropark Service Apartment Shanghai No. 48 Lane 610, Yanan West Road Changning District, Shanghai, PRC	Service apartments	Long
The Whole of Ground Floor with its Flat Roof, China Travel Building, No. 77 Queen's Road Central, Hong Kong	Shop	Long

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