香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)


PASSPORT
BOARDING PASS
BUSINESS CLASS
NAME OF PASSENGER
FROM
HONG KONG
TO
SHAPOTOU
DATE
23 APR 23
TIME
10:00

CONTENTS

CORPORATION INFORMATION

DIRECTORS

Mr. Wu Qiang *(Chairman) (re-designated from Executive Director as Non-Executive Director on 20 January 2022, redesignated from Non-Executive Director as Executive Director and appointed as the Chairman on 9 November 2022)*
Mr. Jiang Hong *(Chairman) (resigned on 9 November 2022)*
Mr. Lo Sui On *(Vice Chairman) (resigned on 9 November 2022)*
Mr. Feng Gang *(appointed as Executive Director and General Manager on 9 November 2022)*
Mr. Chen Xianjun *(appointed as Executive Director and General Manager on 21 April 2022 and resigned on 9 November 2022)*
Mr. Tang Yong *(resigned on 9 November 2022)*
Mr. Fan Dongsheng *(resigned on 20 January 2022)*
Mr. Li Pengyu *(appointed on 9 November 2022)*
Mr. Tsang Wai Hung#
Mr. Tao Xiaobin# *(appointed on 9 November 2022)*
Mr. Fan Zhishi# *(appointed on 9 November 2022)*
Mr. Tse Cho Che Edward*
Mr. Zhang Xiaoke*
Mr. Huang Hui*
Mr. Chen Johnny*
Mr. Song Dawei*

\# *Non-Executive Director*
* *Independent Non-Executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chen Johnny *(Chairman)*
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Song Dawei
Mr. Jiang Hong *(resigned on 9 November 2022)*

NOMINATION COMMITTEE

Mr. Wu Qiang *(Chairman)(appointed on 9 November 2022)*
Mr. Jiang Hong *(Chairman)(resigned on 9 November 2022)*
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

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

LEGAL ADVISORS

Jeffrey Mak Law Firm

REGISTERED OFFICE

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

SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited, Hong Kong Branch
Bank of China (Hong Kong) Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
Bank of Communications Co., Ltd., Hong Kong Branch
DBS Bank (Hong Kong) Limited

FINANCIAL CALENDAR AND INVESTOR RELATION INFORMATION

Announcement of 2022 Final Results		31 March 2023
Announcement of 2022 Interim Results		31 August 2022
Announcement of 2021 Final Results		30 March 2022
Announcement of 2021 Interim Results		31 August 2021
Dividends	2022 Final	Nil
	2022 Interim	Nil
	2021 Final	Nil
	2021 Interim	Nil
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from 22 May 2023 to 25 May 2023
Annual General Meeting in 2023		25 May 2023
Listing Date		11 November 1992
Issued Shares		5,536,633,709 (as at 31 December 2022)
Website address		irasia.com/listco/hk/ctii
Stock Code		308
Board Lot		2,000 shares
Financial Year End		31 December

MAJOR OPERATIONS

TOURIST ATTRACTION AND RELATED OPERATIONS

1. Theme parks

Shenzhen The World Miniature Co., Ltd.	51%
Shenzhen Splendid China Development Co., Ltd.	51%

2. Natural and Cultural Scenic Spot Destinations

CTS (Ningxia) Shapotou Tourist Spot Co., Ltd.	46%
CTS (Ningxia) Shapotou Cable Car Co., Ltd.	51%
Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd.	80%
CTS (Guangxi Ningming) Rock Painting Tourism Culture Co., Ltd.	51%
CTS Guangxi Detian Waterfall Tourism Development Co., Ltd.	70%
CTS Luzhou Laojiao Culture Tourism Development Co., Ltd.	60%
CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd.	51%
CTS Xinjiang Tourism Operation Management Co., Ltd.	51%
CTS Bairui Xinjiang Tourism Development Co., Ltd.	61.33%

Non-Controlling investments in scenic spots:

Huangshan Yuping Cable Car Company Ltd.	20%
Huangshan Taiping Cable Car Co., Ltd.	30%
Changsha Colorful World Company Limited	26%
Changchun Jingyuetan Youle Co. Ltd.	30%
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	34%

3. Leisure Resort Destinations

China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd.	100%
CTS (Xianyang) Ocean Spring Resort Co., Ltd.	89.14%
Zhuhai Evergrande Ocean Spring Land Co., Ltd.	49%
CTS (Anji) Tourism Development Company Limited	97.09%

4. Supplementary tourist attraction operations

China Heaven Creation International Performing Arts Co., Ltd.	78%
China Travel Zhiye Culture Development (Shenzhen) Co., Ltd.	51%
CTS Scenery (Beijing) Tourism Management Limited	100%
CTS (Shenzhen) City Development Co., Ltd.	100%

TRAVEL DOCUMENT AND RELATED OPERATIONS

China Travel Service Entry Permit Service Hong Kong Limited – Travel document business	100%
China Travel Hi-Tech Computer Hong Kong Ltd.	100%

HOTEL OPERATIONS

Metropark Hotel Mongkok	100%
Kew Green Hotel Wanchai	100%
Metropark Hotel Kowloon	100%
Metropark Hotel Causeway Bay	100%
Metropark Hotel Macau	90.29%
Beijing Guang'anmen Grand Metropark Hotel Co., Ltd.	100%
CTS H.K. Metropark Hotels Management Company Limited	100%

PASSENGER TRANSPORTATION OPERATIONS

Shun Tak-China Travel Shipping Investments Limited	50%

FINANCIAL RATIOS HIGHLIGHTS

FINANCIAL RATIOS HIGHLIGHTS

		2022	2021
Profit & loss account ratios			
Interest coverage ratio		**N/A**	N/A
(Loss)/earnings per share	HK cents	**-6.43**	3.14
(Loss)/earnings per share (Diluted)	HK cents	**-6.43**	3.14
Dividend per share	HK cents	**–**	–
Dividend payout ratio	%	**–**	–
Balance sheet ratios			
Current ratio		**1.93**	1.91
Quick ratio		**0.94**	0.86
Net assets value per share	HK$	**2.93**	3.13
Net bank and other borrowings to equity		**-0.12**	-0.13
Debt to capital ratio	%	**27.17**	29.51
Rate of return ratios			
Return on average equity	%	**-3.59**	-0.49
Return on total capital and borrowings	%	**-2.88**	0.06
Market price ratios			
Dividend yield			
Year low	%	**–**	–
Year high	%	**–**	–
Price to earning ratio			
Year low		**-18.52**	32.77
Year high		**-28.94**	52.82

Formula for financial ratios:

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

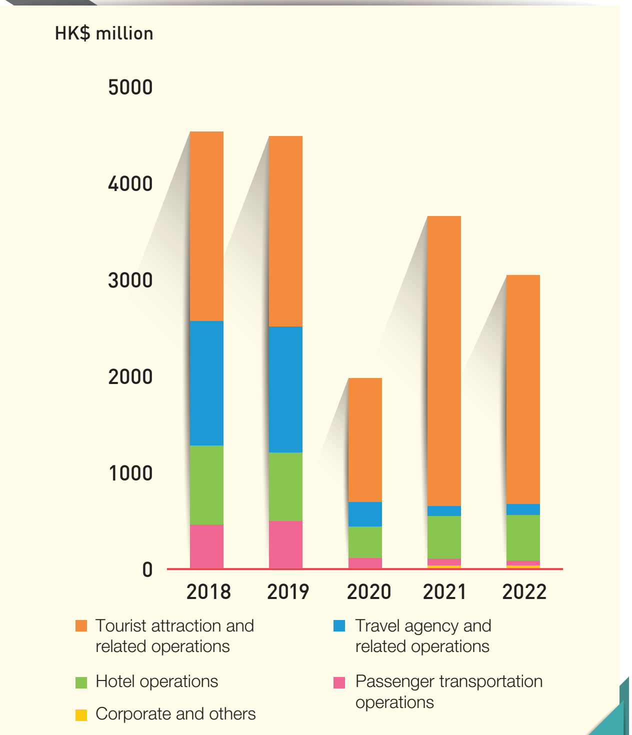
* *Profit before taxation including continuing & discontinued operations*

FIVE YEAR FINANCIAL SUMMARY

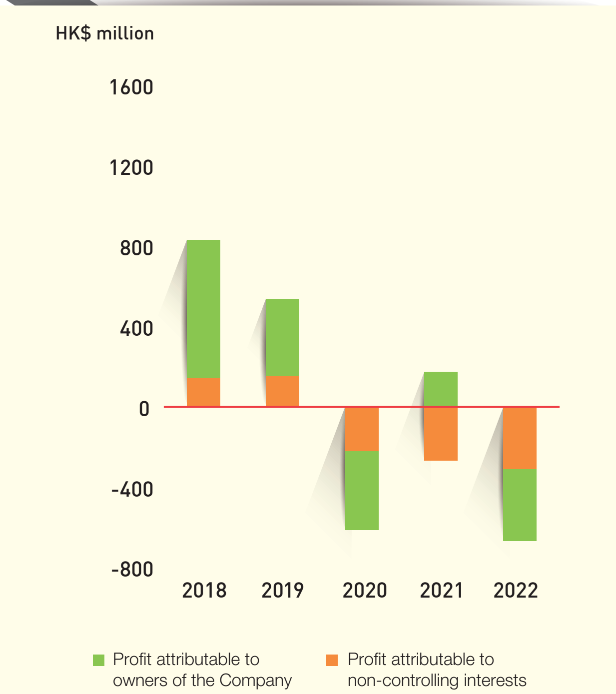
A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
RESULTS					
Continuing operations					
Revenue	**3,031,936**	3,647,829	1,966,709	4,476,996	4,518,180
Cost of sales	**(2,723,527)**	(3,123,661)	(1,891,006)	(2,653,331)	(2,560,183)
Gross profit	**308,409**	524,168	75,703	1,823,665	1,957,997
Other income and gains, net	**238,613**	540,412	603,157	325,924	144,260
Changes in fair value of investment properties	**(90,724)**	36,255	(183,271)	(36,238)	26,542
Selling and distribution costs	**(331,653)**	(350,467)	(403,120)	(533,938)	(519,038)
Administrative expenses	**(798,627)**	(858,304)	(874,070)	(998,836)	(980,308)
Finance income	**53,216**	74,787	68,554	87,550	80,352
Finance costs	**–**	–	–	–	(10,314)
Share of profits less losses of associates and joint ventures	**(64,047)**	48,580	(28,772)	66,185	339,373
(Loss)/profit before taxation	**(684,813)**	15,431	(741,819)	734,312	1,038,864
Taxation	**19,197**	(107,018)	129,735	(196,548)	(208,948)
(Loss)/profit for the year from continuing operations	**(665,616)**	(91,587)	(612,084)	537,764	829,916
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	–	–	–
(Loss)/profit for the year	**(665,616)**	(91,587)	(612,084)	537,764	829,916
Attributable to:					
Equity owners of the Company	**(355,792)**	174,016	(390,792)	386,880	687,076
Non-controlling interests	**(309,824)**	(265,603)	(221,292)	150,884	142,840
	(665,616)	(91,587)	(612,084)	537,764	829,916
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**23,763,327**	25,808,398	25,184,194	21,806,928	21,491,775
Total liabilities	**(5,785,714)**	(6,687,158)	(6,747,931)	(4,442,761)	(4,379,751)
Non-controlling interests	**(1,778,121)**	(1,787,539)	(2,228,804)	(1,277,892)	(1,098,557)
Equity attributable to owners of the Company	**16,199,492**	17,333,701	16,207,459	16,086,275	16,013,467

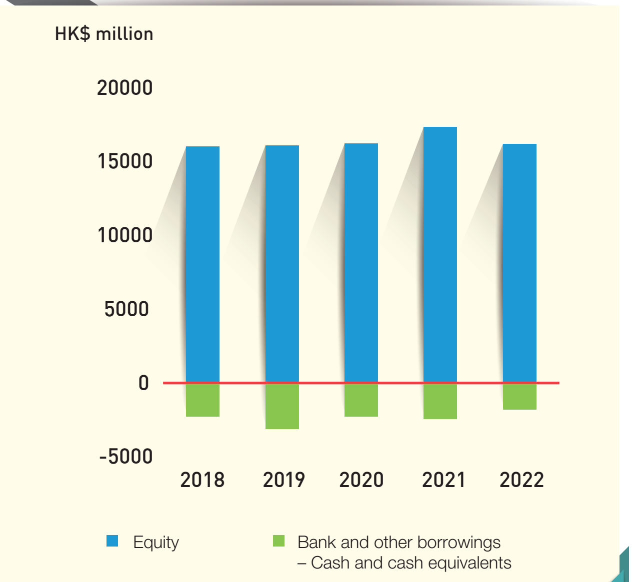
TURNOVER BY PRINCIPAL ACTIVITIES



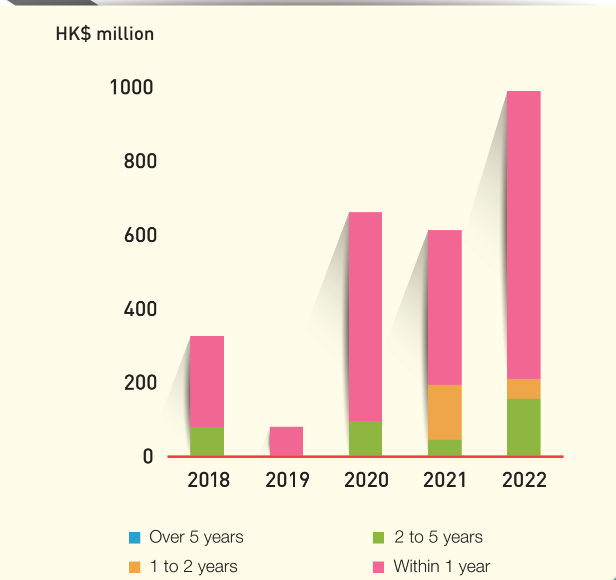
PROFIT FOR THE YEAR



NET BANK & OTHER BORROWINGS TO EQUITY



BANK & OTHER BORROWINGS MATURITY PROFILE



BIOGRAPHIES OF DIRECTORS

MR. WU QIANG *Chairman & Executive Director*
Aged 51, was appointed as an executive Director and executive deputy general manager of the Company in March 2019, and the general manager of the Company in May 2020. He resigned as the general manager of the Company and was and re-designated from an executive Director to a non-executive Director on 20 January 2022. Mr. Wu was re-designated from a non-executive Director to an executive Director, and appointed as the Chairman and the chairman of the Nomination Committee with effect from 9 November 2022. Mr. Wu is the deputy general manager of China Travel Service (Holdings) Hong Kong Limited ("**CTS (Holdings)**"), the general manager of the strategic development of CTS (Holdings) and a director of some of the subsidiaries of China Tourism Group Corporation Limited ("**CTG**"). Mr. Wu was the deputy general manager in the corporate development and management department of CTS (Holdings). He was also a director and the executive deputy general manager of Shenzhen The World Miniature Co., Ltd., a subsidiary of the Company, and a director and the general manager of Shenzhen Splendid China Development Co., Ltd. Mr. Wu has extensive experience in investment planning and corporate and scenic spots management. Mr. Wu graduated from the School of Business, Nanjing University with a master's degree in management.

MR. FENG GANG *General Manager & Executive Director*
Aged 49, was the deputy general manager of the Company from January 2019 to 8 November 2022, and appointed as the general manager and an executive director of the Company on 9 November 2022. He is a director of some of the subsidiaries of the Company. Mr. Feng was the president of China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. and a director and the executive deputy general manager of Shenzhen The World Miniature Co., Ltd., which are subsidiaries of the Company. Mr. Feng has extensive experience in investment planning, finance and business management. Mr. Feng obtained a master degree in accounting from Wuhan University in 2008 and a master of business administration degree from the Open University of Hong Kong (now known as Hong Kong Metropolitan University) in 2013.

MR. LI PENGYU *Executive Director*
Aged 45, appointed in November 2022, was the deputy general manager of the human resources department of CTS (Holdings). Mr. Li graduated from China Center for Economic Research in 2005 with a master's degree in economics. Mr. Li has extensive experience in human resources and business management.

MR. TSANG WAI HUNG *Non-Executive Director*
Aged 64, appointed in June 2020, is an external director of CTS (Holdings). He currently serves as the Deputy Director of the National Narcotics Control Commission of the People's Republic of China. Mr. Tsang has been an independent non-executive director of Transport International Holdings Limited (Stock Code: 62), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and a director of its two subsidiary companies, namely, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 1 January 2018. On 23 September 2021, he was elected Vice-President of the Police Association of China.

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

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

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

MR. TAO XIAOBIN *Non-Executive Director*
Aged 46, appointed in November 2022, is the general manager of the overseas business department of CTS (Holdings) and a director of CTG Development Corporation Limited (formerly known as CTG Financial Services Corporation Limited), a subsidiary of CTG. Mr. Tao is also a director of some of the subsidiaries of the Company. Mr. Tao was the deputy general manager of the Company from February 2017 to September 2022. He has extensive experience in investment planning, corporate management and financial management. Mr. Tao graduated from Nanjing Audit Institute (now known as Nanjing Audit University) in 1999 with a bachelor's degree in accounting, and obtained a master's degree in business administration from Fudan University in 2004.

MR. FAN ZHISHI *Non-Executive Director*
Aged 53, appointed in November 2022, is a director CTG Investment and Asset Management Corporation Limited, a subsidiary of CTG. He was a director of CTG Development Corporation Limited and the deputy general manager of CTG Travel Service Co., Ltd., which are subsidiaries of CTG, and the general manager of the information management department of CTS (Holdings). Mr. Fan has extensive experience in tourism industry, information management and corporation management. He obtained a bachelor's degree in economics in 1993 and a master's degree in economics in 2001 from Renmin University of China.

MR. TSE CHO CHE EDWARD *Independent Non-Executive Director*
Aged 66, appointed in October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He holds a bachelor's degree and a master's degree in civil engineering from the Massachusetts Institute of Technology, the United States, and a master of business administration as well as a Ph.D. in civil engineering from the University of California, Berkeley, the United States. Mr. Tse is an independent non-executive director of China Oriental Group Company Limited (Stock Code: 581), a director of Fidelity China Special Situations Plc and an independent director of Ping An Life Insurance Company of China, Ltd.. He was an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (Stock Code: HK.02607, SH.601607). He has been engaged in management consultancy and corporate senior management for nearly 30 years, with extensive experience and expertise in definition and implementation of corporate transformation, establishment of organizations, business strategy and overseas expansion. He holds the position of Chairman in Gao Feng Advisory Company since April 2014. He was the chairman of the board in Greater China region of Booz & Company Inc., an independent director of Baoshan Iron & Steel Co., Ltd. (stock code SH.600019), a director of Shanghai Automotive Industry Corporation (Group), an executive vice president of corporate planning and development division and business president of Greater China region of HKT Limited, a member of the Strategy Development Committee and a part-time member of the Central Policy Unit of the Hong Kong Special Administrative Region, and a president of Greater China region of Boston Consulting Group, etc.

MR. ZHANG XIAOKE *Independent Non-Executive Director*
Aged 68, appointed in October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He is a specially-invited expert of the Chinese Academy of Social Sciences and a deputy of the eighth and ninth National People's Congress of the People's Republic of China. Mr. Zhang obtained a doctor of business administration degree from Warnborough College, UK, and an EMBA degree from Xi'an Jiaotong University. Mr. Zhang was the general manager of China International Travel Service, Xi'an, the under-secretary of Shaanxi Provincial Tourism Bureau, and the general manager and chairman of the Shaanxi Tourism Holdings Company. Due to his outstanding performance, Mr. Zhang received about 20 awards and honors such as the excellent manager of national travel agency industry and the outstanding entrepreneur of national tourism industry.

MR. HUANG HUI *Independent Non-Executive Director*
Aged 46, appointed in October 2018, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. He obtained two bachelor degrees – in mechanical engineering and in law – and a master degree in law, from Tsinghua University, and a PhD in law from the University of New South Wales, Australia. He is a professor of law in the faculty of law, the Chinese University of Hong Kong. Mr. Huang specializes in corporate law, securities regulation, financial law, etc. Mr. Huang is a member of the World Bank Panel for Financial Institution Resolution and Insolvency, a specially-invited expert of the Supreme People's Court of the People's Republic of China, an expert advisor of Shanghai Financial Court. He is also an adjunct professor of Law at the University of New South Wales, a Li Ka Shing visiting professor in McGill Law School, a 'Jingtian Scholar' honorary professor at East China University of Political Science and Law, guest professor at China University of Political Science and Law, as well as visiting scholars at Harvard Law School, Michigan Law School, Oxford Law School and Cambridge Law School. He is a specially-invited expert of China Banking Law Society and an elected member of the Standing Committee of China Commercial Law Society. He serves as a designated arbitrator for the Kuala Lumpur Regional Centre for Arbitration, the South China International Economic and Trade Arbitration Commission and the Shanghai International Economic and Trade Arbitration Commission.

MR. CHEN JOHNNY *Independent Non-Executive Director*
Aged 63, appointed in January 2019, is the Chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Chen joined the management of Zurich Insurance Group ("**Zurich**") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior management roles in the Asia-Pacific region. His last position in Zurich was the chairman of the life and general insurance business in China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the Operating Committee of PricewaterhouseCoopers ("**PwC**"), as well as a managing partner of PwC's Beijing office. Mr. Chen is also an independent non-executive director of Stella International Holdings Limited (stock code: 1836), Uni-President China Holdings Ltd. (stock code: 220) and Alibaba Pictures Group Limited (stock code: 1060), all of which are listed on the Main Board of the Stock Exchange. Mr. Chen was the chairman of Convoy Global Holdings Limited (which was then listed on the Main Board of the Stock Exchange and was delisted in April 2021) from December 2017 to March 2021, during which he was also the executive director of Convoy from December 2017 to December 2020 and had been re-designated as a non-executive director in January 2021. From December 2015 to November 2018, he was an independent non-executive director of China Minsheng Financial Holding Corporation Limited (now known as China Vered Financial Holding Corporation Limited) (stock code: 245) and from July 2017 to March 2019, China Dongxiang (Group) Co., Ltd. (stock code: 3818), all of which are listed on the Main Board of the Stock Exchange. From June 2010 to February 2019, he was an independent non-executive director of Viva China Holdings Limited (stock code: 8032) which is listed on the GEM board of the Stock Exchange. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University and is a U.S. certified public accountant.

MR. SONG DAWEI *Independent Non-Executive Director*
Aged 67, appointed in August 2019, is a member of the Audit Committee, Remuneration Committee, and Nomination Committee of the Company. Mr. Song was a Supervisor and the chairman of the Supervisory Committee of China COSCO Holdings Company Limited (now known as COSCO SHIPPING Holdings Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1919), a director and a member of the CPC committee of China Ocean Shipping (Group) Company and the head of its CPC Discipline Inspection Committee. Mr. Song was the director of Industrial Production Committee of Fuxin City, the deputy director of the Economic and Trade Commission of Liaoning Province, the deputy director of the General Office, the deputy secretary-general and the director of the Research Center of the Restructuring Economic Systems of Liaoning Provincial Government. He was also the director of the Research Department of Social Development, Comprehensive Research Department of the State Council of the PRC. Mr. Song is a qualified Senior Economist and graduated from the Department of National Economy at the School of Economics and Management of Liaoning University with a master's degree in economics.

CHAIRMAN'S STATEMENT

MR. WU QIANG
Chairman and Executive Director

I am pleased to present my report to the shareholders:

BUSINESS REVIEW

In 2022, the domestic tourism industry continued to be hit hard by the pandemic. With the secondary tightening of prevention and control measures across the region, continued disruption to inbound and outbound group travel and cross-border business, and repeated 'meltdowns' of cross-province travelling, travel radius continued to shrink and the travel market was slow to recover. According to a survey conducted by the Ministry of Culture and Tourism of the PRC, in 2022 the number of domestic tourists and domestic tourism revenue in China dropped by 22.1% and 30.0% year-on-year, respectively. The fifth wave of the COVID-19 outbreak in January 2022 has severely impacted Hong Kong's economic activities. The government reacted with most stringent preventive measures since the start of the outbreak, which deeply impacted Hong Kong's wider economic activities as well as the global supply chain. However, during November and December 2022, with the promulgation of the "Notice on Further Optimising the Prevention and Control Measures of COVID-19 for Scientific and Precise Prevention and Control Work" and the "Notice on Further Optimising and Implementing the Prevention and Control Measures for COVID-19", the Chinese government set a course for a strategic turning point in the tourism industry's recovery. Tourism consumption and market confidence were boosted, and the industry's pace of recovery and development significantly accelerated. With normal travel between Hong Kong and Mainland China resuming fully from 6 February 2023, the Group will seize the opportunity to execute various tasks and strive for a greater recovery of growth in 2023.

In 2022, China Travel International Investment Hong Kong Limited (the "**Company**", together with its subsidiaries, the "**Group**") recorded a consolidated revenue of HK$3,032 million, representing a 17% decrease compared with the previous year. Loss before taxation was HK$685 million, compared with a HK$15 million profit before taxation in the previous year. Loss attributable to shareholders was HK$356 million, compared to a HK$174 million profit attributable to shareholders in the previous year. The Group's cash flow remained steady and sufficient, the debt level stable and controllable, and the financial position was healthy. As of 31 December 2022, cash and bank balances were HK$2,798 million, total assets were HK$23,763 million, and debt-to-capital ratio was 27%.

The Board of Directors (the "**Board**") of the Company does not recommend payment of a final dividend for the year ended 31 December 2022.

MR. FENG GANG
Executive Director and General Manager

EXTERNAL ENVIRONMENT

In 2022, COVID-19 continued to spread around the world, while the Russia-Ukraine conflict resulted in sanctions imposed on Russia by many European countries and the USA. The consequent disruption of the global supply chain affected the recovery of economic activity and pushed up inflation significantly, with major central banks aggressively hiking interest rates and tightening market liquidity, triggering a decline in stocks and bonds. In Mainland China, the economy was severely affected by the pandemic as well as the international situation in 2022. Although the gross domestic product ("**GDP**") grew by 3.9% year-on-year in the third quarter, an increase of 3.5 percentage points from 0.4% in the second quarter, the recovery was not sustained in the fourth quarter, which recorded an increase of 2.9% year-on-year, down by 1.0 percentage point from the third quarter. In Hong Kong, the fifth wave of the pandemic in 2022 severely impacted the economy, though local economic activity revived with increasing vaccination rates and reduced community infections enabled most preventive measures to be lifted. Hong Kong's annual GDP contracted by 3.5% year-on-year in 2022. The unemployment rate stood at 3.5% and the underemployment rate dropped to 1.5% for the October to December quarter, showing continued improvement in Hong Kong's labour market as the unemployment rate fell for eight consecutive months.

CORPORATE DEVELOPMENT

The Group regards "integrity management and quality service" as its core business philosophy, which is integrated into our corporate culture and service standards. The Group has continued to strengthen training for a culture of integrity by devising specialised work plans and setting up specialised teams to promote the core value of "keep our word, bear risks, value on services and comply with regulations". This has become a tool to boost morale and unity against the backdrop of the pandemic, driving the Group's service standards and high-quality development.

In 2022, the Group firmly committed to its strategic development direction and the strategic goal of becoming a "first-class tourist destination investment and operation service provider" by focusing on quality tourism resources and continuously launching new products. The Desert Star Hotel of Shapotou Scenic Spot was awarded "Best Resort Hotel in Asia", with its occupancy rate remaining stable at 95% during summer. Window of the World, Splendid China, Detian Scenic Spot and Xianyang OSR have continued to innovate and launch new products despite the pandemic and repeated travel "meltdowns", which stabilised their business fundamentals and laid a good foundation for post-pandemic recovery. CTS Luzhou Culture Tourism achieved substantial revenue and contributed to the stability of the Group's results in 2022. As for the business in Hong Kong, the Group built up its strength in preparation for a rapid commencement of tasks after the resumption of full cross-border travel. China Travel Service Property Investment Hong Kong Limited ("**CTSPI**"), a subsidiary of the Company, completed the topping out of the Hung Hom Hotel Project, which is expected to commence operation in January 2024. During the year, CTSPI allotted and issued 1,075 new ordinary shares to its parent company for RMB400 million, resulting in the parent company holding 9.71% of the shares in CTSPI upon completion of the transaction. The transaction, which was approved by the extraordinary general meeting of the Company on 30 September 2022 and completed on 10 October 2022, will facilitate the capital requirements for the development of the Hung Hom Hotel Project and other businesses.

The Group will continue to cultivate its leisure resort business with a 'two-wheel drive' approach of in-depth cooperation with leading leisure resort brands and promoting the incubation of its leisure resort brands. In 2023, the Group will therefore leverage its leading brands' quality resources and market influence to achieve business expansion and joint development, while striving to join with the industry's leading and outstanding brands in other market segments to launch boutique projects. Meanwhile, the Group will improve the vitality of its resorts, including the Zhuhai OSR and the Anji Harmonious Valley in 2023, through a repetitive operational upgrade of existing products, merger and acquisition of popular products, and incubation and landing of new products, to realise gradual transformation and strive for leadership in the domestic leisure resort market.

The Group has been actively promoting the intelligent transformation of its scenic spots. Initial improvements have been made to scenic spot management kiosk functions, and the data of several scenic spots and hotels were integrated during the year to enable visual management of business. Drone delivery at Window of the World, a VR panoramic roaming project in Shapotou Scenic Spot and AI video monitoring at Detian Scenic Spot are additional highlights of the intelligent transformation of the Group's scenic spots. The Group's large membership system has also been initially established. By connecting the membership data of various enterprises, it has enabled the matching of membership levels and identity interoperability and promoted the optimisation and restructuring of the customer service process of various enterprises, facilitating cross-introduction and joint marketing. The Group has also expanded its visitor-centric digital application scenarios, including keeping up with metaverse hotspots and releasing digital collections.

The Group fulfilled its corporate social responsibilities by sending its cadre staff to the frontline of pandemic prevention and control, building a line of defence and providing care for tourists, customers and general staff. Zhuhai OSR and Window of the World worked with local authorities on three occasions during the year, for a total of 170 days, to complete for isolation and reception duties. Passenger transportation operations made an effort to fulfil the "three fast and three secure" mission by satisfactorily completing more than 900 trips for transport protection. This effectively implemented the tasks of transport protection for Mainland China's aid to Hong Kong against the pandemic.

The Group has always emphasised corporate governance and has put into place sound governance systems and mechanisms. By continuously strengthening its comprehensive risk management and developing internal control systems and compliance management, the Company's risk prevention and control capabilities have kept improving. The Company has maintained a high level of corporate governance as a whole, providing a strong guarantee for the realisation of the Company's healthy and sustainable development.

PROSPECTS

Looking ahead to 2023, the external economic environment remains complex and volatile. Despite US inflation initially peaking and the economy showing signs of a slowdown, the Federal Reserve Board of the United States (the "**Fed**") believes that inflation remains high and that continued interest rate hikes may be an appropriate approach. The Fed's aggressive anti-inflation stance is expected to continue to depress local wages, consumer confidence and even consumption growth in the US, which may add to the downward pressure on the economy. After it raised interest rates by 0.25% in February 2023, Chairman Powell made it clear that the Fed would continue to raise rates, and rate cuts should not be expected in 2023. The extended cycle of interest rate hikes in the US may further dampen global investment sentiment. In addition, continued friction between the US and China may trigger a new round of market turmoil.

In China, a shift in pandemic policy and resumption of normal economic activity will allow for a short-term release of pent-up demand, but there are still multiple challenges to the economic recovery process. Driven by years of deepening reforms, the Shanghai Stock Exchange and Shenzhen Stock Exchange ranked first and second in the world respectively in terms of IPO proceeds raised in 2022, encouraging the return of red-chip enterprises to China stock markets for listing and reforming the registration system for new share issues. With the continued deepening of reforms in the capital markets of Mainland China, the issuance and trading volume of new A shares are expected to remain buoyant.

The year 2022 was a challenging one against the backdrop of COVID-19. Nevertheless, with effective control and the rapid development and widespread use of vaccines, the adverse effects of COVID-19 have been mitigated in many developed countries, and economies around the world are showing signs of recovery. The Board and the management will capitalise on the Group's competitive strengths to drive core business performance at a steady pace and will continue to be prudent, well-planned and proactive in seizing investment opportunities to achieve better returns for the Company's shareholders while maintaining a healthy cash position. The Board considers that the overall financial and business position of the Group remains sound.

Looking ahead, in the highly competitive, complex and ever-changing macroeconomic environment, the Group will seize the development opportunities arising from the strategic deployment of the "Guangdong, Hong Kong and Macau Greater Bay Area" by combining domestic and overseas capital markets to further deepen synergy and expand its business both domestically and internationally. This is fully in line with the Group's strategic goal of becoming a "first-class tourist destination investment and operation service provider".

The Group will implement its industry leadership plan to further enhance its competitiveness by identifying market gaps through benchmarking, improving key indicators, building core competency and optimising its business competitive strategy. Off to a good start in 2023, our total revenue from tourist attractions and related operations between January and February 2023 returned to the same level as the corresponding period in 2019, with some scenic areas achieving record-high results. The Group is relatively optimistic about the overall business fundamentals and will do its utmost to implement initiatives to reduce losses, increase profits, maintain steady growth in operations and accelerating breakthroughs in development bottlenecks so as to create greater value for shareholders. I would like to express my sincere gratitude and respect to my fellow directors and staff for their loyalty and perseverance during these uncertain times, and for their efforts and contributions to our business development.

WU QIANG
Chairman of the Board

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In 2022, the third year of the COVID-19 pandemic and with the most severe impact, the scenic industry suffered serious losses. Despite the many external difficulties and challenges, including intensifying industry competition, high operating costs and shrinking market demand, the Group continued to seek progress while implementing measures to maintain its stability. The Group has been able to "survive and seek development" and has moved forward to ensure the continuity of its operations, management and team, creating a solid foundation for sustainable development.

In 2022, the Group's consolidated revenue was HK$3,032 million, representing a 17% decrease compared with the previous year. Loss before taxation was HK$685 million, while profit before taxation amounted to HK$15 million in the previous year. Loss attributable to shareholders was HK$356 million, while profit attributable to shareholders amounted to HK$174 million in the previous year. Loss attributable to operation was HK$257 million, while loss attributable to operation amounted to HK$73 million in the previous year. The turnaround from profit to loss for the year was mainly attributable to (i) profit from sales of real estate from China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("**Zhuhai OSR**") recorded for the year dropped by approximately HK$285 million compared with the previous year; (ii) a non-recurring gain of approximately HK$216 million from the completion of the disposal of travel agency business recorded for the year ended 31 December 2021; and (iii) the outbreak of the fifth wave of COVID-19 in January 2022, which adversely affected the financial performance of the Group's business.

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 31 December 2022, total assets were HK$23,763 million, representing a 8% decrease compared with the previous year. Equity attributable to shareholders was HK$16,199 million, representing a 7% decrease compared with the previous year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,037 million, representing a 9% decrease compared with the previous year, of which cash and bank balances amounted to HK$2,798 million. Deducting HK$990 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK$1,808 million, representing a 27% decrease compared with the previous year.

DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2022.

BUSINESS REVIEW

(I) Tourist attractions and related operations

The tourist attractions and related operations of the Group comprise:

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

2. Natural and cultural scenic spots: CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd. ("**Shapotou Scenic Spot**"), Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd. ("**Xiufeng Cable Car**"), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**", renamed as CTS (Guangxi Ningming) Rock Painting Tourism Culture Co., Ltd. on 3 January 2023), CTS Guangxi Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**"), CTS Luzhou Laojiao Culture Tourism Development Company Limited ("**CTS Luzhou Culture Tourism**"), CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. ("**CTS Lugu Lake**"), CTS Xinjiang Tourism Operation Management Co., Ltd. ("**CTS Xinjiang**"), CTS Bairui Xinjiang Tourism Development Co., Ltd. ("**CTS Bairui**");

   Non-controlling investments in scenic spots: Huangshan Yuping Cable Car Company Ltd., Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company Limited, Changchun Jingyuetan Youle Co., Ltd., Ningbo CTS Cicheng Ancient County Tourism Development Company Limited ("**CTS Cicheng**", which was disposed of in December 2022), and Hangzhou New Century Senbo Tourism Investment Co., Ltd. ("**New Century Senbo**");

3. Leisure resorts: Zhuhai OSR, CTS (Xianyang) Ocean Spring Resort Co., Ltd. ("**Xianyang OSR**"), Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("**Evergrande OSR**") and CTS (Anji) Tourism Development Company Limited ("**Anji Company**"); and

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

The COVID-19 pandemic impacted a wide range of industries and has to some extent presented a challenge to the national economy. As a non-necessity demand, the impact on tourism was even greater during the economic downturn. Major enterprises' business meeting and/or travel budgets were reduced, resulting in a reduction of industry supply prices. In 2022, the Group's total revenue from tourist attractions and related operations was HK$2,368 million, representing a 21% decrease compared with the previous year. Attributable profit was HK$29 million, representing a 94% decrease compared with the previous year.

Theme parks

In 2022, the pandemic situation in China became more severe, leading to the closure or suspension of many scenic spots and festivals. The number of foreign tourists, who comprised the majority of the theme park's original source market, dropped significantly. Due to the complex and volatile pandemic situation in Shenzhen and surrounding markets, public fears remain despite the relaxation of pandemic prevention policies at the end of the year. Theme park revenue for the year amounted to HK$201 million, representing a 50% decrease compared to the previous year. Attributable loss was HK$66 million, while attributable loss for previous year was HK$40 million.

Construction of the "Hanging Garden" project at Window of the World was completed in December 2022 and it will commence operation in 2023. The theme park has also advanced the construction of the new "Ice World Wonderland for Kids", "Ground Railcars" and "Flying Elephant" projects. Splendid China has launched the "Out of City" project, a serenely luxurious urban project that incorporates camping experiences and open-air cinema, and which should welcome a small peak in visitor traffic during Christmas and New Year's Eve. Window of the World and Splendid China will continue to strengthen market development and exploration, product enrichment, quality improvement and capacity expansion.

Natural and cultural scenic spots

One impact of pandemic-related policies has been the closure of many scenic spots. Revenue from natural and cultural scenic spots amounted to HK$348 million for the year, representing a 45% decrease compared with the previous year. Attributable loss amounted to HK$38 million, while attributable profit for the previous year was HK$37 million.

Shapotou Scenic Spot was deeply impacted by the pandemic, with a significant decrease in tourist numbers. Revenue decreased by 51%, and loss increased. Nevertheless, it adhered to normalised pandemic prevention and continuously strengthened its project construction, marketing and service quality improvement. It will continue to advance the implementation of the "Desert Legend phase I" project, which is to commence operation in summer 2023. Affected by pandemic prevention and control measures in border cities, Detian Scenic Spot's revenue decreased by 84% compared with last year and turned from profit to loss. Yet it also launched the "Rice Field Waterfall Café", which has become a popular experience for visitors and on social media. Huashan Scenic Spot was closed for approximately 100 days during the year due to the severe pandemic prevention and control situation in borderland port cities and frequent impacts of local pandemic closures and controls. These resulted in a 92% decrease in revenue compared with the previous year. Huashan Scenic Spot will enhance product innovation by optimising the decoration of the "Lawn Canopy" campsite and adding leisure and entertainment items. It will also create a scenic tearoom with special characteristics to create a winter tea-making atmosphere to attract visitors, thereby increasing secondary sales revenue. Xiufeng Cable Car recorded a slight drop in revenue and profit, and will continue to strengthen cooperation with travel agencies to boost group visitor numbers. CTS Luzhou Culture Tourism upgraded and transformed Laojiaochi Scenic Spot with a focus on developing wine culture tourism. Revenue amounted to HK$175 million for the year, representing a 10% decrease compared with the previous year. This made a significant contribution to the Group's revenue from natural and cultural scenic spots. Established in May

2021, CTS Xinjiang was engaged in the operation and management of tourist destination projects in Xinjiang region as well as the creation and operation of modern resort experience products and services. It recorded a slight profit. In the first half of 2022, the Company, through its wholly-owned subsidiary, completed an injection of RMB92 million into the registered capital of CTS Bairui. Subsequently, the Company indirectly held 61.33% of the equity interest of CTS Bairui. During the year, CTS Bairui recorded a small revenue contribution. The projects and locations that CTS Bairui selected for tourism and holiday projects in Xinjiang are forward-looking, with a focus on 5A and 4A scenic spots and scarce core areas of major tourist destinations. It will also proceed with the construction and transformation of Xinjiang Tianshan corridor boutique accommodation, which is expected to go into operation in 2023. Due to significant changes to the foundation of project development and market conditions, in December 2022, the Company disposed of its entire equity interest in CTS Cicheng for a consideration of RMB163 million, resulting in a one-off disposal gain of HK$2 million. New Century Senbo, an associate of the Company, recorded an attributable profit of HK$20 million.

Leisure resorts

Some scenic areas have been closed repeatedly in accordance with pandemic prevention policy, which has made an impact on revenue. Revenue from leisure resorts was HK$1,769 million, representing a decrease of 8% compared with the previous year. Attributable profit was HK$141 million, representing a 70% decrease compared with the previous year. During the year, Anji Company, Xianyang OSR and Zhuhai OSR recorded property sales income of approximately HK$1,521 million in aggregate, making a significant contribution to the profitability of the leisure resorts.

Zhuhai OSR recorded revenue of HK$335 million, representing a 76% decrease compared with the previous year and resulting in a turnaround from profit to loss. Zhuhai OSR will continue the “Ancient China Town” project which will integrate tourism, culture, commerce, community and nature into a cultural/business/leisure “micro-vacation and downshifting” destination. Xianyang OSR’s revenue increased by 649% compared with the previous year, which was mainly attributable to revenue of approximately HK$686 million from real estate projects. Xianyang OSR will strengthen its marketing and promotion, product innovation, channel and business development with an aim of increasing revenue. Evergrande OSR, an associate, contributed a loss of approximately HK$45 million. Revenue for the Anji Company increased by 64%, which was mainly attributable to revenue of approximately HK$597 million recorded from real estate projects. Anji Company focuses on the individual market, and will increase the average property price to lift overall revenue, and implement staff cost controls and energy conservation.

Supplementary tourist attraction operations

Revenue from supplementary tourist attraction operations was HK$51 million, representing a 2% decrease compared with the previous year. These operations recorded a turnaround from profit to loss and generated an attributable loss of HK$7 million.

Heaven Creation Company was engaged in scenic spot construction, creative planning, performing arts and management businesses. As the main audience of its repertoire comprises tourists from Europe and America, where the pandemic was not consistently controlled, residence performance has come to a complete halt. However, revenue was higher than the previous year due to increased revenue from the creative planning business. China Travel Zhiye was engaged in providing tourism planning services, which recorded a revenue increase of 128%. It will innovate its business models and cooperate with outstanding enterprises to open up new business and reduce costs while increasing efficiency. CTS Scenery’s management and consulting services recorded a decrease of 27% in revenue. It will strengthen collaboration in product research and development, project promotion and implementation.

(II) Travel document and related operations

The Group's travel document and related operations comprise China Travel Service Entry Permit Service Hong Kong Limited and China Travel Hi-Tech Computer Hong Kong Ltd.

During the year, as Hong Kong-mainland border restrictions had not been lifted, the business volume of the travel document business had yet to rebound. With the promulgation and implementation of the "Notice on Further Optimising the Prevention and Control Measures of COVID-19 for Scientific and Precise Prevention and Control Work" and "Notice on Further Optimising and Implementing the Prevention and Control Measures for COVID-19", business volume gradually picked up. The Group completed the disposal of the travel business as of 31 May 2021 and recorded a non-recurring gain of approximately HK$216 million. There was no revenue recorded from the travel agency operation in 2022. In 2022, the Group's revenue from travel document and related operations was HK$117 million, representing an increase of 14% compared with the revenue from travel agency, travel document and related operations from the previous year. Attributable loss was HK$0.40 million, while attributable loss for the previous year was HK$107 million.

China Travel Hi-Tech Computer Hong Kong Ltd. provides system maintenance and data security services for the travel document business of the Group. It has been optimising the travel documents business system and supporting the digital transformation of the Group.

(III) Hotel operations

The Group's hotel operations comprise:

1. Five hotels in Hong Kong and Macau;
2. Beijing Guang'anmen Grand Metropark Hotel Co., Ltd. ("**Beijing Metropark Hotel**"); and
3. CTS H.K. Metropark Hotels Management Company Limited.

In 2022, revenue from the Group's hotel operations was HK$469 million, representing a 7% increase compared with the previous year. Hotel operations recorded an attributable profit of HK$17 million, making a turnaround from loss to profit. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Metropark Hotel Kowloon recorded revenue growth and generated a profit after being designated by the government in 2020 as a quarantine hotel to host overseas returnees in Hong Kong. Both hotels added impetus to the revenue growth of the hotel operations. Impacted by the pandemic, revenue for Beijing Metropark Hotel recorded a decrease of 28%. Some of the hotels offered discounts and promotions and strengthened their cost controls to mitigate the negative impact of the pandemic.

(IV) Passenger transportation operations

The Group's passenger transportation operations comprise bus and passenger vessel businesses owned by Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**").

The Group's cross-border bus and passenger ferry services were suspended due to COVID-19, causing a serious setback to passenger transportation operations. In 2022, revenue from passenger transportation operations was HK$52 million, a 33% decrease compared with the previous year. Attributable loss was HK$169 million, while attributable loss for previous year was HK$248 million.

During the year, to alleviate the negative impact of suspension of its principal operation, Shun Tak-China Travel expanded diverse businesses such as cultural media and cross-border shopping malls whilst increasing its efforts in the local charter vehicle and local green tourism businesses. In 2023, it will seize the opportunities arising from the resumption of cross-border travel, develop the market and quickly recover to seek business growth and the in-depth participation of local businesses to integrate resources and create a significant tourism transportation platform in the Greater Bay Area.

DEVELOPMENT STRATEGY

Tourist attractions and related operations

Pursuant to its strategy of building a "first-class tourist destination investment and operation service provider", the Group focuses on natural and humanistic scenic and leisure resort destination product lines via the two major business pathways of mainland scenic business and Hong Kong business. These bring its focuses to enhancing four major capabilities, namely investment, products, digitalisation and operation, to achieve the objectives of building nationwide world-class tourism destination projects with branding and influence, realising leisure resort projects, achieving double growth in scale and efficiency, and establishing a leading position in the industry. The Group regards "integrity management and quality service" as its core business philosophy, integrated it into its corporate culture and service standards, and will continue to boost its existing businesses' revenue and efficiency by optimising their operations, expanding its business in the tourism consumption market, creating quality tourism and model projects, and extensively applying technology.

During the year, Window of the World strictly controlled costs, reduced performance times outside the park, and relied on existing resources to coordinate festival events to assure the attraction's market activity. In future, it will retain its market position as a spot for local families and plan to add new products and items with strong sense of experience and interactivity. Splendid China has strengthened its market expansion and plans to use digital online and offline creative empowerment to create the first immersive national cultural digital classroom in China. Integrating national customary stories and digital cultural tourism, it will enable the visitors to immerse themselves in a national cultural experience. Window of the World and Splendid China will focus on reformation development and create new products which fulfill market trending.

Shapotou Scenic Spot implemented differentiated development of the Desert Star Hotel as a high-end hotel. As a result, comprehensive high-, mid- and low-range products will be offered for the creation of holiday resorts catering to cultural tourism. It will continue the development of a new "scenic spot + characteristic hotel" tourism model to facilitate the transformation and upgrading of scenic spots. Desert Star Hotel won "Best Resort Hotel" and "Best Theme Hotel" awards at the 13th Annual GBE Luxury Hotels & Resort Forum in Shanghai. On the basis of upgrading and advancing Desert Star Hotel, Shapotou Scenic Spot has completed professional designs for Diamond Hotel that will set a benchmark for luxury desert accommodation products. It will strive to realise the online operation of all offline businesses and the refinement of online platforms as soon as possible. Detian Scenic Spot will launch a new "Sino-Vietnamese Street" product for KOLs, which increase the attraction's secondary consumption while adding a new cross-country border experience for visitors. Xiufeng Cable Car will seize on the market situation of Lushan Scenic Spot and other surrounding large destinations, forge extensive marketing connections, and study future development from a strategic perspective. CTS Luzhou Hotel is focusing on improving the service level of wine sales, accelerating the preparation and operation of hotels, creating boutique products, accelerating the planning of the integrated development mode of wine tourism, and expanding the business model. Since the launch of "Kurdenin Bairui Camp" in July 2022, CTS Bairui has received a lot of attention from the market, and the campsite has been regarded as among the "top Xinjiang campsites". It has launched a number of fine tourism routes in the Tianshan Corridor. CTS Lugu Lake Scenic Spot has started construction of the Lugu Lake Boutique Resort Hotel with opening scheduled for January 2024. It is providing the project with comprehensive support in terms of resource acquisition and integration, product creation, service improvement and marketing support, to help improve its overall operational capacity within the "spot investment + flow integration + overall operation" business model.

Zhuhai OSR continues to transform and upgrade its existing products and develop a new real estate business with a view to enriching the "Ocean Spring" brand portfolio with differentiated products. To this end, it will utilise the complementary effect between the travel and real estate industries to increase the number of products and explore the cultural characteristics of OSR. It will continue to push the transformation of the Neptune Hotel, aiming for an opening in 2023. It will also strengthen channel expansion, gradually conduct Tiktok live broadcasts on a regular basis, expand opportunities for cooperation with travel agencies, and expand the customer resource pool. Xianyang OSR's "Ocean Spring Baby Amusement Park" has started operation. Anji Company plans to rely on high-quality natural resources such as bamboo forests and tea mountains to create the first capybara-themed resort park and high-end parent-child leisure travel destination in the Yangtze River Delta. This is planned to open in 2023. CTS City's "CTS Investment Building" project is at the main construction stage, and development work is proceeding as planned.

The Group, through a number of subsidiaries such as CTS Scenery and Splendid China, provides scenic spot management services including custom solutions and full operational services for tourist destinations. The Group now has 25 scenic spots under management, of which 11 are of 4A grade and five of 5A grade. Among them, CTS Scenery is a leading destination operator in China with a focus on tourism resource development and operation management. CTS Scenery relies on the parent company's tourism industry full-chain service model, three-dimensional service platform and one-stop service system. It provides high-value unique solutions and full operation services for tourism destinations. Focusing on the professional sub-discipline of the tourism industry, CTS Scenery has established a pool of professional talent across the whole chain of tourism resource development and management, including tourism investment, development, planning, operation and management. In the course of operation, CTS Scenery fosters team values to build a team of professional managers aligned with the Group's strategies and values and adept at working together to accomplish organisational goals and realize organisational benefits (economic, environmental and social).

In January 2023, CTS Scenery Resort Investment Company Limited ("**CTS Scenery Resort**"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Changde City Development Group Co., Ltd. ("**Changde City Development Group**") to establish a joint venture, namely CTS Taohuayuan (Changde) Cultural Tourism Development Company Limited (the "**Joint Venture**"). The Joint Venture will develop the Taoxi Exploration Camp project in Changde Taohuayuan Scenic Area, and integrate and develop other high quality tourism resources in Changde. The Joint Venture was incorporated in January 2023 with a registered capital of RMB50 million, into which CTS Scenery Resort injected RMB17 million, representing 34% equity in the Joint Venture. Changde City Development Group injected RMB33 million, representing 66% equity in the Joint Venture. Changde Taohuayuan Scenic Area has Tao Yuanming's "Taohuayuan Utopia" historical and cultural resources, and is an important cultural IP in China with many historical relics. The Taoxi Exploration Camp project is backed by the Changzhu-Tan city cluster, offering convenient transportation and focusing on parent-child clientele to create a quality entertainment and holiday destination with diverse products.

Passenger transportation operations

The passenger bus business will seek opportunities for the acquisition of a cross-border passenger transportation company to solve the development bottleneck of cross-border traffic and shortage of quota in Shenzhen Bay, and to build a Guangdong-Hong Kong-Macao Greater Bay Area cross-border passenger transportation platform. For the passenger vessel business, the Company will continue to implement effective cost management and control, dispose of inefficient assets and low yielding routes, improve operating efficiency and the return of individual vessels, for the purpose of increasing its share of the cross-border marine transportation market.

In the long term, the Guangdong, Hong Kong and Macau cross-border land passenger transport industry is an important pillar in the construction of a modern economic circulation between Guangdong, Hong Kong and Macao. With the economic and population integration of the three areas continuing, cross-border land transport has a certain industry access threshold and future development prospects of still greater potential. At the present initial stage, the number of people going through customs clearance may need to be gradually restored. The passenger bus business will focus its capacity on the major markets of Guangzhou, Panyu, western Guangdong and Shenzhen, under the principle of controlling operating costs and increasing per vehicle ridership and revenue. Due to relatively large operating costs, the passenger vessel business will control the scale of frequency as much as possible, using the "ship + car" mode to supplement the business in Hong Kong and Macau, expand new routes and develop innovative business.

Hong Kong and overseas business development

The Group continues to develop new business and growth engines by strategically acquiring quality scenic spots and exploring new breakthroughs to expand into overseas markets. In October 2021, the Company entered into a sales and purchase agreement with Ceylon Hotels Maldives (Pvt) Ltd., pursuant to which the Company has agreed to acquire from the latter its 50% shareholding interest in Handhuvaru Ocean Holidays Private Company ("**Handhuvaru Company**") (the remaining 50% equity interest in Handhuvaru Company is held by Zhen Hua Engineering Company Limited), which holds a leasehold interest in Ambara Island in the Maldives, at a consideration of US$4,493,663. Upon completion of the acquisition, the Company and Zhen Hua Engineering Company Limited will agree to cooperate on developing a mid- to high-end resort of approximately 100 rooms on Ambara Island. Maldives is a renowned tourist destination that, prior to the COVID-19 pandemic, benefitted from growing demand and rising spending among Asian tourists, and especially those from China. Ambara Island is located in Vaavu Atoll with relatively convenient transportation, rich tourism resources and high development potential. The Company considers that the acquisition will strongly complement its business development at a strategic level. For details, please refer to the Company's announcement dated 15 October 2021. The acquisition was completed on 31 August 2022. Currently, construction and development work for Ambara Island is proceeding smoothly.

The Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. The conversion of the Group-owned Hip Kee Godown (No. 3) land parcel in Hung Hom to hotel use has been approved by the government and has significantly increased the land's value and development potential. Demolition of Hip Kee Godown (No. 3) was completed in 2020. In December 2021, China Travel Service Property Investment Hong Kong Limited ("**CTSPI**"), a wholly-owned subsidiary of the Company, entered into a contract with a contractor for the construction of a 28-storey business boutique hotel and complementary facilities on the land parcel ("**Hung Hom Hotel Project**"). Taking into account the location, rail transit system and sea view resources of the proposed development, the new hotel will be positioned at the medium- to high-end market, and will be capable of commanding a higher revenue and reaching a wider business and leisure customer base, all of which is in line with the Group's business development strategies. For details, please refer to the Company's announcement dated 24 December 2021.

On 29 June 2022, CTSPI and China Travel Service (Holdings) Hong Kong Limited ("**CTS (Holdings)**") entered into a subscription agreement, pursuant to which CTSPI conditionally agreed to allot and issue 1,075 new ordinary shares to CTS (Holdings) at RMB400 million. Now that the transaction has been completed, CTSPI has become a non-wholly owned subsidiary of the Company, of which 90.29% of shares are indirectly held by the Company and 9.71% directly held by CTS (Holdings). The Hung Hom Hotel Project requires considerable capital expenditure, and the subscription agreement can strengthen the capital base of CTSPI such that it will be in a better position to meet capital requirements for future business development. For details, please refer to the Company's announcement dated 29 June 2022 and the circular dated 13 September 2022. The transaction was completed on 10 October 2022.

Digital transformation

The State Council of the PRC has announced a development plan for the travel industry during the 14th Five-Year Plan period. It emphasises the importance of promoting smart tourism with digital and intelligent scenarios, as well as expanding the application of new technologies in tourism. The Company has accordingly formulated a digital transformation development plan. Through digital transformation, the Company will improve its online business and customer service, strengthen internal-external business coordination, promote cross-industry cooperation, create a convenient service platform with a rich product palette and excellent consumer experience, and pursue the deep integration of digital technology into business and management models. The Group has established digital platforms in various scenic spots and launched WeChat Mini Programs. It has also kickstarted platform operations and helped these spots to attract visitors and drive development through internal-external cooperation. During the year, digital collectible sales for Shapotou Scenic Spot, Splendid China, Window of the World, Detian Scenic Spot and other scenic spots were completed, realising a new attempt to develop a CTS metaverse. In 2023, the Company will "focus on operation" to build up its digital platform, digital marketing, flow integration empowerment, destination operation, technology innovation and application and big data to further the digitalisation and deep integration of businesses from member operation, short-form video platform operation and community operation. These efforts will bring substantial value to digitalisation for enterprise operation and gradually evolve digitalisation from a "tool" to a "business model".

INTERNAL MANAGEMENT

While striving to achieve performance targets through routine operation and management, the Company will simultaneously pursue a new level of development by strengthening its core competitiveness in investment, product, digital and operating capabilities. The Company will maintain its corporate operations' development lifeline and ensure overall stability by continuing its safety and pandemic prevention efforts through supervision, inspection, training, improvement and normalised pandemic prevention.

The Company places a high priority on comprehensive risk management and continues to strengthen its internal control and legal compliance system to enhance its ability to prevent and mitigate risks. The Company also continues to optimise its governance mechanism and governance ability in order to maintain corporate governance at a high level and ensure a solid foundation for high quality development.

EMPLOYEE NUMBERS AND REMUNERATION

As of 31 December 2022, the Group employed 6,246 staff. Employees are remunerated on the basis of work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

On 20 January 2023, the Company passed a resolution for the adoption of a new share option scheme (the "**2023 Share Option Scheme**") at an extraordinary general meeting. It provides a flexible means of encouraging directors and employees of the Group, through incentives, rewards and benefits, to work toward enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders. As of 27 January 2023, the Company granted share options to certain directors and employees of the Group to subscribe for, in aggregate, up to 61,404,000 ordinary shares of the Company, under the 2023 Share Option Scheme. For details, please refer to the Company's announcement dated 27 January 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position continues to be strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 31 December 2022, the Group's cash and bank balances amounted to HK$2,798 million, while bank and other borrowings and loans from the holding company amounted to HK$990 million. The debt-to-capital ratio was 27%. The debt includes bank and other borrowings, trade payables, other payables and accruals loans from holding companies, and amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As of 31 December 2022, the Group's bank deposits of approximately HK$4 million (31 December 2021: HK$10 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As of 31 December 2022, certain of the Group's buildings with net carrying amounts of HK$81 million (31 December 2021: HK$745 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the "MANAGEMENT DISCUSSION AND ANALYSIS" section above, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group had no future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As of 31 December 2022, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2021: HK$0.3 million).

PROSPECTS

In 2022, the continuing COVID-19 pandemic in multiple locations, the crisis in Ukraine, rising inflation and the US Federal Reserve's interest rate hikes collectively made a greater than expected impact, significantly increasing the complexity and uncertainty of the economic development environment. Meanwhile, in the PRC, the government's coordination of efforts to prevent and control the pandemic while continuing economic development stabilised the macro-economic situation and allowed a continued expansion of economic volume and steady enhancement of development quality. With the cancellation of most travel restrictions and quarantine policies of the PRC in December 2022 and the continuing strong recovery of the international travel market, the global tourism industry reached a turning point in 2022. As we enter 2023, the economy of mainland China will begin to gradually rebound with the introduction of routine management and control of pandemic prevention, stabilisation of the real estate market and expansion of domestic demand. All of these factors are expected to bring new development opportunities.

With its solid foundation and quality assets, the Group remained resilient to the pressures created by the pandemic. With determination and quick adaptation to the rapidly changing business environment, the Group secured an adequate cashflow and achieved steady development of its business during the year.

The Group will seize the opportunities arising from the full resumption of normal travel, and is confident that it would show strong resilience in 2023 in view of the improving market condition and general environment in the Group's business area. The Group's overall business remains fundamentally stable and sound, with abundant funds and a great capability and capacity for investment and development. The Company will continue to strive toward sustainable growth and better returns for shareholders by pursuing potential long-term development opportunities and making astute strategic investments.

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 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group's principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of financial year 2022, an indication of likely future development in the Group's business, and a discussion on the Company's environmental policies and performance, can be found in the "Chairman's Statement" section on pages 12 to 16, the "Management Discussion and Analysis" section on pages 17 to 26, the "Financial Review" section on page 7, the "Corporate Governance Report" section on pages 42 to 57, the "Environment, Social and Governance Report" section on pages 58 to 93 and note 43 to the consolidated financial statements on pages 198 to 203 of the Annual Report.

GROUP'S RESULTS

The Group's loss for the year ended 31 December 2022 and the state of the Company's and the Group's financial affairs as at that date are set out in the consolidated financial statements on pages 103 to 208.

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2021: Nil) for the year ended 31 December 2022.

As at the date of this annual report, the Board was not aware that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are shown in note 36 to the consolidated financial statements.

Details of movements in reserves of the Company and the Group during the year are set out in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements existed during the year. For the year ended 31 December 2022, the Company has not entered into any equity-linked agreements.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 297 and 299 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$4,621,416,000.

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

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

DONATIONS

During the year, the Group made charitable donations amounting to HK$7,267,632.

SUMMARY FINANCIAL INFORMATION

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive directors:

Mr. Jiang Hong *(Chairman)*
(resigned on 9 November 2022)
Mr. Lo Sui On *(Vice Chairman)*
(resigned on 9 November 2022)
Mr. Chen Xianjun *(General Manager) (appointed on 21 April 2022 and resigned on 9 November 2022)*
Mr. Tang Yong *(resigned on 9 November 2022)*
Mr. Fan Dongsheng *(resigned on 20 January 2022)*
Mr. Wu Qiang *(Chairman) (re-designated from Executive Director to Non-Executive Director on 20 January 2022, re-designated from Non-Executive Director to Executive Director and appointed as the Chairman on 9 November 2022)*
Mr. Feng Gang *(General Manager) (appointed on 9 November 2022)*
Mr. Li Pengyu *(appointed on 9 November 2022)*

Non-executive directors:

Mr. Tsang Wai Hung
Mr. Tao Xiaobin *(appointed on 9 November 2022)*
Mr. Fan Zhishi *(appointed on 9 November 2022)*

Independent non-executive directors:

Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

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

In accordance with Article 101 of the Company's Articles of Association (the "**Articles**"), Mr. Wu Qiang, Mr. Tsang Wai Hung, Mr. Chen Johnny and Mr. Song Dawei shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Biographical details of the Directors of the Company are set out on pages 8 to 11 of this report.

DIRECTORS OF SUBSIDIARIES

A list of names of all the directors who have served on the board of the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at http://www.irasia.com/listco/hk/ctii/.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2022 Interim Report are set out below:

Name of Director	Changes
Wu Qiang	– Re-designated from a non-executive director to an executive director and appointed as the chairman of the Company and the nomination committee with effect from 9 November 2022.
	– Director's fee for year 2022 increased from HK$300,000 to HK$330,000 with effect from 9 November 2022.
	– Resigned as a director of CTS H.K. Metropark Hotels Management Company Limited, a subsidiary of the Company, with effect from 9 November 2022.
	– Director's fee for year 2022 was waived by consent with effect from 31 December 2022.
	– Appointed as the deputy general manager of CTS (Holdings) with effect from 24 February 2023.
Feng Gang	– Director's fee for year 2022 in the sum of HK$240,000 per annum was waived by consent with effect from 31 December 2022.
Li Pengyu	– Director's fee for year 2022 in the sum of HK$240,000 per annum was waived by consent with effect from 31 December 2022.
Tao Xiaobin	– Director's fee for year 2022 in the sum of HK$300,000 per annum was waived by consent with effect from 31 December 2022.
Fan Zhishi	– Director's fee for year 2022 in the sum of HK$300,000 per annum was waived by consent with effect from 31 December 2022.
Tse Cho Che Edward	– Appointed as a director of Fidelity China Special Situations Plc with effect from 3 December 2022.
	– Appointed as an independent director of Ping An Life Insurance Company of China, Ltd. with effect from 30 January 2023.

DIRECTORS' REMUNERATION

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

COMPENSATION POLICY

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the Directors' interests in the connected transactions and continuing connected transactions disclosed in the Company's announcement during the year and in this report, no transactions, arrangements or contracts (that are significant in relation to the Company's business), to which the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or any entity connected with a Director had, directly or indirectly, a material interest, subsisted as at the end of the year or at any time during the year.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 2.24 to the consolidated financial statements

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022 and up to the date of this report, the Group had the following connected transaction and continuing connected transactions, details of which are as follows:

Connected Transaction

(i) On 29 June 2022, China Travel Service Property Investment Hong Kong Limited ("**CTSPI**"), a subsidiary of the Company, entered into a subscription agreement with CTS (Holdings), pursuant to which, CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, 1,075 new ordinary shares at a subscription amount of RMB400,000,000. Upon completion of the transaction, the equity interest in CTSPI indirectly held by the Company will be diluted from 100% to 90.29%, the transaction constituted a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 5% but all are less than 25%, the transaction constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder, the transaction also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 5% and the subscription amount exceeds HK$10,000,000, the transaction is subject to reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

    At the extraordinary general meeting of the Company held on 30 September 2022, the Company obtained independent shareholders' approval of the subscription agreement and the transaction contemplated thereunder. The transaction was completed on 10 October 2022. For detailed information, please refer to the announcements of the Company dated 29 June 2022 and 30 September 2022, and the circular of the Company dated 13 September 2022.

(ii) On 2 August 2022, CTS (Shenzhen) Travel Management Company Limited ("**CTS (Shenzhen)**"), a wholly-owned subsidiary of the Company, as lender, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited ("**CTS (China) Investment**"), as borrower, for a term of one year commencing from 2 August 2022 and ending on 1 August 2023, pursuant to which CTS (Shenzhen) has agreed to provide a loan of RMB210,000,000 to CTS (China) Investment.

    CTS (Holdings) is a controlling shareholder of the Company. CTS (China) Investment is an indirect wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the loan agreement constitutes connected transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements thereunder. For detailed information, please refer to the announcement of the Company dated 2 August 2022.

Continuing Connected Transactions

(i) On 16 November 2021, the Company and CTG Finance Company Limited ("**CTS Finance**") entered into a financial services framework agreement (the "**2021 Financial Services Framework Agreement**") in respect of the provision of deposit services, comprehensive credit line services, entrustment loan services and cross-border RMB cash pooling services by CTS Finance to the Group for a term commenced from 1 January 2022 and ending on 31 December 2024. Under the 2021 Financial Services Framework Agreement, the deposit caps for each of the three years ending 31 December 2024 was RMB1,500 million. The actual amount of the transactions for the year ended 31 December 2022 was RMB727 million.

CTS (Holdings) is a connected person of the Company by virtue of being a substantial shareholder. As China Tourism Group Corporation Limited ("**CTG**") holds the entire issued share capital of CTS (Holdings), CTG and the CTG Group are connected persons of the Company under the Listing Rules. CTS Finance is a non-wholly owned subsidiary of CTG and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2021 Financial Services Framework Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

Since the Loan Services are on normal commercial terms (or better to the Group) and no security over the assets of the Group is granted in respect of the financial assistance given by CTS Finance, the loan services are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated transaction amounts in connection with the comprehensive credit line services (other than the loan services), the entrustment loan services and the cross-border RMB cash pooling services are on an annual basis less than 0.1%, the comprehensive credit line services (other than the loan services), the entrustment loan services and the cross-border RMB cash pooling services are fully exempt from the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest of the deposit caps under the 2021 Financial Services Framework Agreement exceed 25% but all are less than 75% and the highest of the deposit caps is more than HK$10,000,000, the deposit service (including the deposit caps) constitutes major transaction and continuing connected transactions for the Company and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14 and Chapter 14A of the Listing Rules.

At the extraordinary general meeting of the Company held on 23 December 2021, the Company obtained independent shareholders' approval of the 2021 Financial Services Framework Agreement and the deposit caps in relation to the continuing connected transactions contemplated thereunder.

For detailed information, please refer to the Company's announcements dated 16 November 2021 and the circular of the Company dated 7 December 2021.

(ii) On 10 February 2019, China Travel Tours Transportation Services Hong Kong Limited ("**CTTTS**"), an indirect non-wholly-owned subsidiary of the Company, entered into the cross-border operation small vehicles rental agreement (the "**Cross-border Operation Small Vehicles Rental Agreement**") with CTS Financial Services Corporation Limited ("**CTS Financial Investment**"), a wholly-owned subsidiary of CTS (Holdings), where CTTTS agreed to rent a cross-border small vehicle to CTS Financial Investment for a term of three years commenced from 1 April 2019 and ended on 31 March 2022. On 29 September 2021, CTTTS entered into a vehicle rental and transportation services agreement (the "**2021 HK Fixed Vehicles Rental Agreement**") with CTS (Holdings), where CTTTS will continue to provide staff transportation services to CTS (Holdings) in Hong Kong amidst the outbreak of the pandemic for a term of one year commenced from 1 July 2021 and ending on 30 June 2022. On 30 June 2022, CTTTS entered into a renewal of vehicle rental agreement (the "**2022 HK Fixed Vehicles Rental Agreement**") with CTS (Holdings), where CTTTS will continue to provide staff transportation services to CTS (Holdings) in Hong Kong amidst the outbreak of the pandemic for a term of one year commenced from 1 July 2022 and ending on 30 June 2023. The annual caps for the period from 1 July 2022 to 31 December 2022 and the period from 1 January 2023 to 30 June 2023 are HK$3,000,000 and HK$3,365,000, respectively.

As all the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the above annual caps for the transactions under the 2022 HK Fixed Vehicles Rental Agreement are below 0.1%, the transactions under the 2022 HK Fixed Vehicles Rental Agreement are fully exempt from the requirements under Chapter 14A of the Listing Rules.

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder of the Company. CTS Financial Investment is a wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, as the transactions contemplated under the Cross-border Operation Small Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement were subsisting, entered into or completed within a 12-month period and all the transactions involve the provision of vehicle rental or transportation services to members of the CTS (Holding) Group, they will be aggregated and treated as if they were one transaction. In this regard, all such transactions were subject to restriction of the annual caps.

The annual caps for the transaction contemplated under the Cross-border Operation Small Vehicles Rental Agreement, the 2021 HK Fixed Vehicles Rental Agreement and the 2022 HK Fixed Vehicles Rental Agreement for each of two years ending 31 December 2023 was HK$9.3 million and HK$7.0 million. Such annual cap was expressed on the basis of a full financial year. The annual cap for the transactions under the Cross-border Operation Small Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement expressed on the basis of the period from 1 January 2022 to 30 June 2022 and determined with reference to the factors set out in announcement of the Company dated 29 September 2021 would be HK$6,300,000 (the "**Transaction Cap**").The actual amount of the transactions for the period from 1 January 2022 to 30 June 2022 was HK$5,856,000, which did not exceed the annual cap nor the Transaction Cap.

(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 Tourism Group Corporation Limited ("**CTG**") and its associates (collectively, the "**CTG Group**") in the following categories:

(a) Provision of Travel Permit Administration Services by China Travel Service Property Investment Hong Kong Limited ("**CTSPI**") and China Travel Service Entry Permit Service Hong Kong Limited ("**CTSEP**") (note (1));

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

(c) Lease arrangements with the CTG Group as lessee (note (3)); and

(d) Lease of computer system to the CTG Group as lessee (note (3)).

Notes:

(1) On 15 May 2001, CTSPI, an indirect non-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 Services**").

On 1 June 2020, CTSPI entered into a deed of novation in relation to the Agency Agreement with CTSEP, an indirect wholly-owned subsidiary of the Company, pursuant to which the parties agreed CTSEP to undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term commenced from 1 June 2020 and ending on 30 June 2047.

CTSEP has continued to provide the Travel Permit Administration Services during its ordinary and usual course of business and in accordance with the terms of the Agency Agreement. At the extraordinary general meeting of the Company held on 23 December 2021, the Company obtained independent shareholders' approval of the maximum aggregate annual value of HK$310 million for each of the three years ending 31 December 2024. For detailed information, please refer to the Company's announcement dated 16 November 2021 and the circular dated 7 December 2021.

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder under Chapter 14A of the Listing Rules.

(2) On 30 December 2021, the Company entered into a master lease agreement (the "**2021 Master Lease Agreement**") with CTG to obtain lease of office premises from the CTG for a term commenced from 1 January 2022 and ending on 31 December 2024.

As CTS (Holdings) is a controlling shareholder of the Company and CTG holds the entire issued share capital of CTS (Holdings), CTG and the CTG Group are connected persons of the Company under the Listing Rules. For detailed information, please refer to the Company's announcement dated 30 December 2021.

(3) On 31 December 2019, the Company entered into a master lease agreement (the "**2019 Master Lease Agreement**") with CTG to (i) govern the lease arrangements with the CTG Group as lessee for a term commenced from 1 January 2020 and ended on 31 December 2022; and (ii) to govern the lease of the Group's computer system and provision of maintenance services to the CTG Group for a term commenced from 1 January 2020 and ended on 31 December 2022.

As the 2019 Master Lease Agreement has expired on 31 December 2022, the Company entered in a master lease agreement (the "**2022 Master Lease Agreement**") with CTG on 30 December 2022 to renew the terms of the continuing connected transactions for a term of three years commencing from 1 January 2023 and ending on 31 December 2025, where the Group will continue to lease its office premises and/or other properties to the CTG Group. The annual caps for the lease transactions under the 2022 Master Lease Agreement for each of the three years ending 31 December 2025 are HK$14.6 million, HK$16.0 million and HK$17.6 million, respectively.

As CTG holds the entire issued share capital of CTS (Holdings) which is a substantial shareholder of the Company, CTG is therefore a connected person of the Company. For detailed information, please refer to the Company's announcement dated 31 December 2019 and 30 December 2022.

The maximum aggregate annual consideration for the above-said continuing connected transactions for the year ended 31 December 2022 and the actual amounts of such transactions for the year ended 31 December 2022 are as follows:

	Caps for the years ended/ending 31 December				Actual amounts for the year ended 31 December
	2021	2022	2023	2024	2022
	'000	'000	'000	'000	'000
I. Continuing connected transactions with the CTS (Holdings) Group					
(a) Provision of Travel Permit Administration Services by CTSEP	HK$310,000	HK$310,000	HK$310,000	HK$310,000	HK$82,888
II. Continuing connected transactions with the CTG Group					
(a) Lease arrangements with the CTG Group as lessor	HK$26,000	HK$25,279	HK$19,289	HK$13,230	N/A
(b) Lease arrangements with the CTG Group as lessee	HK$25,010	HK$25,210	N/A	N/A	HK$14,164
(c) Lease of computer system to the CTG Group as lessee	HK$7,921	HK$7,921	N/A	N/A	HK$4,007

(iv) On 18 March 2022, the Company and CTG entered into a management services master agreement (the "**2022 Management Services Master Agreement**") pursuant to which the Company agreed to provide management services to a group of subsidiaries of CTG, the principal business of which include investment, development and management of tourism real estate projects, for a term commenced on 18 March 2022 and ending on 31 December 2024. The 2022 Management Services Master Agreement will enable the Company to benefit from the quality tourism resources of CTG with synergies and maximized asset yields and expand the Company's revenue stream and increase its cash flow. The annual cap for each of the three years ending 31 December 2024 is RMB60,500,000. The actual amount of the transactions for the year ended 31 December 2022 was RMB50,416,667.

CTS (Holdings) is a connected person of the Company by virtue of being a substantial shareholder. As CTG holds the entire issued share capital of CTS (Holdings), CTG is a connected person of the Company under the Listing Rules. The entering into of the 2022 Management Services Master Agreement between the Company and CTG constitutes continuing connected transactions of the Company and are subject to the reporting, announcement and annual review requirements under the Listing Rules. For detailed information, please refer to the Company's announcement dated 18 March 2022.

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

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

The above continuing connected transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Directors (including the Independent Non-Executive Directors) confirm that the continuing connected transactions for the year ended 31 December 2022 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole; and (iii) either on normal commercial terms or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

KPMG, the Company's auditors, were engaged to report on the Group's continuing connected transactions for the year ended 31 December 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG have issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DETAILS OF PERFORMANCE GUARANTEE UNDER RULE 14.36B

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

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

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

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

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

CTS Scenery Resort completed the acquisition of the 34% equity interest in the Target Company from New Century Tourism in February 2021. The Target Company recorded a profit of RMB69.98 million for year 2021 based on its audited account, and an unaudited profit of RMB63.14 million for year 2022 based on its management account which is subject to the final audit to be performed by auditors. The Company will closely monitor the above-mentioned Committed Performance and disclose the status of satisfaction of the Committed Performance in its future annual reports in compliance with Rule 14.36B of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2022, none of the Directors and the Company's Chief Executive had or were deemed to have any interests and short positions 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.

On 27 January 2023, the Company granted 4,966,000 share options at an exercise price of HK$1.72 per share to the Directors as follows:

Name of Director	Position	Number of share options granted	% of the issued share capital of the Company as at the date of this report
Wu Qiang	Chairman and Executive Director	2,088,000	0.04%
Feng Gang	General Manager and Executive Director	1,640,000	0.03%
Li Pengyu	Executive Director	1,268,000	0.02%
Total		4,996,000	0.09%

Save as disclosed above, as at 31 December 2022, 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the extent permitted by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which he may sustain or incur or about the execution of the duties of his office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for legal actions brought against the Directors of the Company. The level of coverage is reviewed annually.

SHARE OPTION SCHEME

The 2012 Share Option Scheme

On 4 May 2012, the Company has passed the resolution in a shareholders' meeting for the termination of the share option scheme adopted on 3 June 2002 (the "**2002 Share Option Scheme**") and the adoption of a new share option scheme (the "**2012 Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants (i.e. any director or employee (whether full time or part time), executives or officers, any advisers, consultants, suppliers, customers, any of the subsidiaries and agents of the Group) who contribute to the success of the Group's operations. The 2012 Share Option Scheme became effective on 4 May 2012 and shall remain in force for 10 years from that date. The maximum number of shares issuable under the share options to each eligible participant in the 2012 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. An option may be exercised in accordance with the terms of the 2012 Share Option Scheme at any time during a period to be notified by the Board 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 share option. The offer of a grant of share options of the 2012 Share Option Scheme may be accepted within 28 days from date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The subscription price of the share options of the 2012 Share Option Scheme is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Shares of the Company 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. The vesting of share options may be subject to any conditions (including vesting period) imposed by the Board at the time of grant.

The Company granted 169,840,000 share options in 2016 under the 2012 Share Option Scheme, and all the share options granted and yet to be exercised were lapsed during the year ended 31 December 2020. The 2012 Share Option Scheme has expired on the tenth anniversary of its adoption and no further share options can be offered or granted upon its expiration. No share options were granted during the year ended 31 December 2022 and no share options were outstanding as at 1 January 2022 and 31 December 2022.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of the 2012 Share Option Scheme (the "**2012 Scheme Mandate**"), i.e. 567,779,152 shares, representing 10.25% of the issued shares of the Company as at the date of this report. The number of share options available for grant under the 2012 Scheme Mandate as at 1 January 2022 were 567,779,152. As at 31 December 2022 and the date of this report, no share options may be granted under the 2012 Scheme Mandate as the 2012 Share Option Scheme has expired on 3 May 2022.

The 2023 Share Option Scheme

On 20 January 2023, the Company passed the resolution in a shareholders' meeting for the adoption of a new share option scheme (the "**2023 Share Option Scheme**") for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the directors and employees of the Group and for such other purposes as the Board may approve from time to time. For detailed information, please refer to the circular of the Company dated 3 January 2023 and the announcement of the Company dated 20 January 2023.

The rules of the 2023 Share Option Scheme enable the Company to grant option(s) to any directors and employees of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries (the "**Participant(s)**").

The total number of shares of the Company which may be issued in respect of all share options to be granted under the 2023 Share Option Scheme of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adoption. As at the date of this report, the total number of shares of the Company which may be issued under the 2023 Share Option Scheme is 553,663,370 shares, representing 10% of the total number of shares of the Company.

The Board shall not grant any share options to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all share option or share awards granted to him (excluding any share option and awards lapsed in accordance with the terms of 2023 Share Option Scheme or other schemes) in the 12 month period up to and including the date of grant of the share option, exceed 1% of the shares in issue at such date (including cancelled, exercised and outstanding options) unless such grant has been duly approved by the shareholders in general meeting.

The share options granted under the 2023 Share Option Scheme may be exercised during a period to be determined and notified by the Board to the grantee, which period shall commence on the date of acceptance of the share options and expire in any event not later than the last day of the 10-year period thereafter (subject to the provisions for early termination).

The date or dates on which a share option vests will be set by the Board at the time of grant, which shall be not less than 12 months from the date on which the share option is accepted. The share options granted to the Participants will not be subject to a shorter vesting period.

Grantees are required to pay an amount of HK$1.00 for each acceptance of an offer of the grant of share options payable on acceptance of such offer.

The exercise price will be determined by the Board and notified to a Participant and shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, provided that in the event of fractional prices, the exercise price per Share shall be rounded upwards to the nearest whole cent.

Subject to the Board exercising its right under the rules of the 2023 Share Option Scheme to terminate the 2023 Share Option Scheme, the 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after which period no further share options may be granted.

On 27 January 2023, the Company granted share options to certain directors and employees of the Group to subscribe for, in aggregate, up to 61,404,000 ordinary shares of the Company, subject to acceptance of the grantees under the 2023 Share Option Scheme at an exercise price of HK$1.72. For detailed information, please refer to the announcement of the Company dated 27 January 2023.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the following shareholders (other than Directors or Chief Executive of the Company) had interests, directly or indirectly, and short positions in the shares and underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO:

(i) Long positions in the ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at 31 December 2022
CTG	Interest of controlled corporation (Note 1)	3,385,492,610	61.15%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (Note 1 and 2)	3,385,492,610	61.15%
Hongkong New Travel Investments Ltd.	Beneficial owner (Note 2)	1,136,254,901	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,136,254,901	20.52%

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

Note 2: Of these 3,385,492,610 shares, 2,249,237,709 shares are held directly by CTS (Holdings). 1,136,254,901 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 100% by CTS Asset Management (I) Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 31 December 2022, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares or debentures of the Company recorded in the register required to be kept by the Company under Section 336 of the SFO.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2022 are set out in note 33 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

On 11 September 2019, the Company, as borrower, entered into a facility agreement with a bank for an uncommitted revolving loan up to an aggregate amount of HK$1,000,000,000. The bank may at any time without prior notice modify, cancel or suspend the facility(ies) at its sole discretion including, without limitation, cancelling any unutilized facilities, and declaring any outstanding amount to be immediately due and payable. On 21 September 2021, the bank adjusted the aggregate amount of the uncommitted revolving loan under the facility agreement from HK$1,000,000,000 to HK$500,000,000. Pursuant to the terms of the facility agreement, the Company undertook with the bank, inter alia, that (i) CTS (Holdings) shall hold, directly or indirectly, more than 40% of the issued share capital of the Company and maintain as a single largest beneficial shareholder of the Company; and (ii) CTS (Holdings) shall be wholly-owned, indirectly or directly, by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("**SASAC**") and is under the direct or indirect management control by SASAC.

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 42 to 57.

AUDITORS

The financial statements of the Company for the year ended 31 December 2022 were audited by KPMG. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2023 annual general meeting to re-appoint them and to authorize the Directors to fix their remuneration.

ON BEHALF OF THE BOARD

Wu Qiang
Chairman
Hong Kong, 31 March 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholder value. The principle of the Company's corporate governance is to promote effective internal control and risk management measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects, and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance.

The Company has adopted and complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022, except for the following deviations:

– Code Provision C.2.7 specifies that the Chairman should at least annually hold meetings with the Independent Non-Executive Directors without the presence of other directors. During the year, the Chairman did not hold any meeting with the Independent Non-Executive Directors without the presence of other directors because the Independent Non-Executive Directors of the Company may express their views directly to the Chairman from time to time via other means including correspondences and emails and the Chairman is also generally available to meet with the Independent Non-Executive Director(s) in private at reasonable notice. The Company is of the view that there is efficient communication between the Chairman and Independent Non-Executive Directors.

– Code Provision C.3.3 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lo Sui On (resigned with effect from 9 November 2022), Mr. Fan Dongsheng (resigned with effect from 20 January 2022), Mr. Wu Qiang (in the period between 20 January 2022 and 8 November 2022 during which he was a non-executive Director), Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association (the "**Articles**"). In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

THE BOARD

Composition

The Board currently comprises 11 Directors, being 3 Executive Directors, 3 Non-Executive Directors and 5 Independent Non-Executive Directors. Further details of the composition of the Board are disclosed in the "**Corporate Information**" section on page 2 and the "**Report of the Directors**" section on page 27 to 41. The Non-executive Directors (including the Independent Non-Executive Directors) have not been appointed for a specific term but are subject to retirement by rotation at least once every three years in accordance with the Articles.

The relationships among members of the Board are disclosed in the "**Biographies of Directors**" section on pages 8 to 11.

The Independent Non-Executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees, all Independent Non-Executive Directors make positive contributions to the orderly management and effective operation of the Company.

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

Chairman and General Manager

The Company supports the division of responsibility between the Chairman and the General Manager to ensure a balance of power and authority. The role of the Board's Chairman is to provide leadership in order to enable the Board to discharge its function effectively, while the General Manager of the Company focuses on managing and controlling the business of the Group. Their respective responsibilities are clearly defined and set out in writing. Mr. Jiang Hong served as the Chairman of the Company since 20 May 2020 until he resigned on 9 November 2022. Mr. Chen Xianjun served as the General Manager of the Company since 21 April 2022 until he resigned on 9 November 2022. Mr. Feng Gang is appointed as an Executive Director and the General Manager of the Company on 9 November 2022. Mr. Wu Qiang served as the General Manager of the Company since 20 May 2020 until he re-designated as Non-Executive Director and resigned as the General Manager of the Company on 20 January 2022. Mr. Wu Qiang re-designated as an Executive Director and appointed as the Chairman of the Company on 9 November 2022.

Responsibilities

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

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

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

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

Board Independence

The Company recognizes the Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanism to ensure independent views and input from any Director.

The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination Committee, to ensure their effectiveness:

1. Five out of the eleven Directors are Independent Non-Executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three Independent Non-Executive Directors and must appoint Independent Non-Executive Directors representing at least one-third of the Board.

2. The Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-Executive Director before appointment and also the continued independence of existing Independent Non-Executive Directors and their time commitments annually. On an annual basis, all Independent Non-Executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number of nature of offices held by them in public companies or organizations and other significant commitments.

3. External independent professional advice is available as and when required by individual Directors and/or committee of the Board as prescribed in the terms of reference of such committees.

4. All Directors are encouraged to express freely and their independent views and constructive challenges during the Board/Board Committee meetings.

5. No equity-based remuneration with performance-related elements will be granted to Independent Non-Executive Directors.

6. A Director (including Independent Non-Executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

The Board has reviewed the implementation of the above mechanism(s) to ensure independent views and input are available to the Board for the year ended 31 December 2022 and is satisfied that such mechanisms remain to be effective.

Directors' Training

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors participated in the following professional developments:

	Type of Trainings		
Name of Directors	Attending seminars and/or conferences and/or forums	Giving talks at seminars and/or conferences and/or forums	Reading newspapers, journals and updates relating to the economy, general business, tourism or Director's duties and responsibilities etc.
Executive Directors:			
Mr. Jiang Hong Note 1	√	–	√
Mr. Lo Sui On Note 2	√	√	√
Mr. Tang Yong Note 3	√	–	√
Mr. Chen Xianjun Note 4	√	–	√
Mr. Fan Dongsheng Note 5	√	–	√
Mr. Wu Qiang Note 6	√	–	√
Mr. Feng Gang Note 7	√	–	√
Mr. Li Pengyu Note 8	√	–	√
Non-executive Directors:			
Mr. Tsang Wai Hung	√	–	√
Mr. Tao Xiaobin Note 9	√	–	√
Mr. Fan Zhishi Note 10	√	–	√
Independent Non-executive Directors:			
Mr. Tse Cho Che Edward	√	√	√
Mr. Zhang Xiaoke	√	–	√
Mr. Huang Hui	√	√	√
Mr. Chen Johnny	√	√	√
Mr. Song Dawei	√	–	√

Note 1 Mr. Jiang Hong resigned as an Executive Director and the Chairman of the Company with effect from 9 November 2022.

Note 2 Mr. Lo Sui Ong resigned as an Executive Director and the Vice Chairman of the Company with effect from 9 November 2022.

Note 3 Mr. Tang Yong resigned as an Executive Director of the Company with effect from 9 November 2022.

Note 4 Mr. Chen Xianjun was appointed as an Executive Director and the General Manager of the Company on 21 April 2022 and resigned from the positions with effect from 9 November 2022.

Note 5 Mr. Fan Dongsheng resigned as an Executive Director of the Company with effect from 20 January 2022.

Note 6 Mr. Wu Qiang was re-designated from an Executive Director to a Non-executive Director of the Company with effect from 20 January 2022 and resigned as the General Manager of the Company with effect from the same date. On 9 November 2022, Mr. Wu Qiang was re-designated from a Non-executive Director to an Executive Director of the Company and appointed as the Chairman of the Company.

Note 7 Mr. Feng Gang was appointed as an Executive Director and the General Manager of the Company with effect from 9 November 2022.

Note 8 Mr. Li Pengyu was appointed as an Executive Director of the Company with effect from 9 November 2022.

Note 9 Mr. Tao Xiaobin was appointed as a Non-executive Director of the Company with effect from 9 November 2022.

Note 10 Mr. Fan Zhishi was appointed as a Non-executive Director of the Company with effect from 9 November 2022.

Board Meetings

During the year ended 31 December 2022, the Board held four regular meetings. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board meetings and committee meetings, notice is generally given within a reasonable time.

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

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

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

BOARD COMMITTEES

The Board established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All the Board committees are empowered by the Board under their own terms of reference which are available to the Shareholders on the Company's website and the Stock Exchange's website.

Audit Committee

Members:

Independent Non-Executive Directors:	Mr. Chen Johnny *(Chairman)*
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Song Dawei

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

The Audit Committee held two meetings during the year ended 31 December 2022 and reviewed the audited financial statements for the year ended 31 December 2021 and the unaudited interim financial statements for the six months ended 30 June 2022. The Audit Committee also reviewed internal audit reports (prepared by the internal audit department of the Group), corporate governance reports (including the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, etc.), the re-appointment of external auditors, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and discussed with the management and external auditors the risk management and internal control system and accounting policies and practices.

The Company's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

Remuneration Committee

Members:

Independent Non-Executive Directors:	Mr. Chen Johnny *(Chairman)*
	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Song Dawei
Executive Director:	Mr. Jiang Hong *(resigned on 9 November 2022)*

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. It shall also assess performance of Executive Directors and make recommendations to the Board on the remuneration packages of individual Executive Director and senior management. Details of the remuneration paid to Directors and senior management for the financial year ended 31 December 2022 are disclosed in the notes to the consolidated financial statements. The Remuneration Committee held two meetings in 2022 and reviewed the Directors' fees for 2022, the appointment, resignation and re-designation of Directors, the remuneration packages of senior management of the Company and the proposed adoption of a new share option scheme.

Nomination Committee
Members:

Executive Director:	Mr. Jiang Hong *(Chairman, resigned on 9 November 2022)*
	Mr. Wu Qiang *(Chairman, appointed on 9 November 2022)*
Independent Non-Executive Directors:	Mr. Tse Cho Che Edward
	Mr. Zhang Xiaoke
	Mr. Huang Hui
	Mr. Chen Johnny
	Mr. Song Dawei

The Nomination Committee was established in June 2012 with specific terms of reference in accordance with the Code Provisions. The Company has adopted a directors nomination policy (the "**Nomination Policy**") which sets out the approach and procedures that the Board adopts in respect of the nomination and selection of Directors. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board and succession planning for directors to complement the Company's corporate strategy and refreshment of the composition of the Board to maintain independence and integrity in respect of the Board in accordance with the Nomination Policy. It shall identify suitable individuals qualified to become Board members through a number of established channels including internal referral, open sourcing and recruitment agencies and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of Independent Non-Executive Directors.

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

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

As at the date of this report, the Board consists of eleven male Directors. The Board values gender diversity, and targets to appoint at least a director of a different gender no later than 31 December 2024 in compliance with Rule 13.92 of the Listing Rules, and will also attempt to take opportunities to increase the proportion of female members over time as and when suitable candidate(s) are identified. The Board is mindful of the objectives for the factors as set out in the Board Diversity Policy for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the Board Diversity Policy and that gender diversity will be achieved in respect of the Board. Similar considerations will also be in place to assess the candidacy of the senior management team from time to time.

The Nomination Committee held one meeting in 2022 and reviewed the re-election of retiring Directors at the 2022 annual general meeting, the structure, size and composition of the Board, and the resignation, appointment and re-designation of Board members during the year.

The Nomination Committee believed that the retiring Directors will continue to contribute to the Board with their skills, experience and knowledge. It also noted that none of the independent non-executive Director of the Company is a long serving independent non-executive Director.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. The male to female ratio in the workforce of the Group including senior management as at 31 December 2022 is approximately 3:2 which is in line with the gender ratio in the tourism industry and the population spread of Hong Kong and the PRC. The Group considers a number of factor when hiring employees including gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service. The Board considers that the gender diversity in workforce (including senior management) is currently achieved.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and Annual General Meeting and Extraordinary General Meeting of the Company during the year ended 31 December 2022 are set out as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2022					
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors:						
Mr. Jiang Hong Note 1	3/3	N/A	0/1	0/1	1/1	0/1
Mr. Lo Sui On Note 2	3/3	N/A	N/A	N/A	1/1	1/1
Mr. Tang Yong Note 3	3/3	N/A	N/A	N/A	1/1	0/1
Mr. Chen Xianjun Note 4	2/2	N/A	N/A	N/A	1/1	1/1
Mr. Fan Dongsheng Note 5	0/0	N/A	N/A	N/A	0/0	0/0
Mr. Wu Qiang Note 6	3/4	N/A	N/A	N/A	0/1	1/1
Mr. Feng Gang Note 7	1/1	N/A	N/A	N/A	0/0	0/0
Mr. Li Pengyu Note 8	1/1	N/A	N/A	N/A	0/0	0/0
Non-executive Directors:						
Mr. Tsang Wai Hung	3/4	N/A	N/A	N/A	1/1	1/1
Mr. Tao Xiaobin Note 9	1/1	N/A	N/A	N/A	0/0	0/0
Mr. Fan Zhishi Note 10	1/1	N/A	N/A	N/A	0/0	0/0
Independent Non-executive Directors:						
Mr. Tse Cho Che Edward	4/4	2/2	2/2	1/1	1/1	1/1
Mr. Zhang Xiaoke	2/4	1/2	1/2	1/1	1/1	0/1
Mr. Huang Hui	4/4	2/2	2/2	1/1	1/1	1/1
Mr. Chen Johnny	3/4	2/2	2/2	1/1	1/1	1/1
Mr. Song Dawei	4/4	2/2	2/2	1/1	1/1	1/1

Note 1 Mr. Jiang Hong resigned as an Executive Director and the Chairman of the Board, a member of the Remuneration Committee and the chairman of the Nomination Committee of the Company with effect from 9 November 2022.

Note 2 Mr. Lo Sui On resigned as an Executive Director and the Vice Chairman of the Company with effect from 9 November 2022.

Note 3 Mr. Tang Yong resigned as an Executive Director of the Company with effect from 9 November 2022.

Note 4 Mr. Chen Xianjun was appointed as an Executive Director and the General Manager of the Company on 21 April 2022 and resigned from the positions on 9 November 2022.

Note 5 Mr. Fan Dongsheng resigned as an Executive Director of the Company with effect from 20 January 2022.

Note 6 Mr. Wu Qiang was re-designated from an Executive Director to a Non-executive Director of the Company with effect from 20 January 2022 and resigned as the General Manager of the Company with effect from the same date. On 9 November 2022, Mr. Wu Qiang was re-designed from a Non-executive Director to an Executive Director of the Company and appointed as the Chairman of the Board and the chairman of the Nomination Committee of the Company.

Note 7 Mr. Feng Gang was appointed as an Executive Director and the General Manager of the Company with effect from 9 November 2022.

Note 8 Mr. Li Pengyu was appointed as an Executive Director of the Company with effect from 9 November 2022.

Note 9 Mr. Tao Xiaobin was appointed as a Non-executive Director of the Company with effect from 9 November 2022.

Note 10 Mr. Fan Zhishi was appointed as a Non-executive Director of the Company with effect from 9 November 2022.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules.

In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

AUDITORS' REMUNERATION

During the year ended 31 December 2022, the remuneration to the Company's auditors, KPMG is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	6,417
Non-audit services (Note)	1,252
Total	7,669

Note:

The non-audit services include other review and reporting services and tax compliance and advisory services.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's accounts for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the consolidated financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on page 94 to 102.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

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

Risk Governance Structure

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

Board

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

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

The management of the Group

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

- Consider major findings on risk management and internal control matters, and report and propose the recommendations to the Board.

Legal and Compliance Department

- Facilitate the performance of risk assessment;

- Monitor the operation of risk management and review risk profile on a regular basis;

- Periodically report the risk management matters to the management of the Group.

The operating unit of the Group

- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;

- Monitor risks and take measures to mitigate risks in day-to-day operations

Process Used to Identify, Evaluate and Manage Significant Risks

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

Step 1: **Risk identification** – Identify the risks faced by the Company and its subsidiaries, including, amongst others, material risks relating to ESG.

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

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

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

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

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

INTERNAL CONTROL

Main Features of the Internal Control System

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

Internal Audit Department

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

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to provides employees and those who deal with the issuer (e.g. customers and suppliers) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential.

The Board will regularly review the whistleblowing policy and mechanism to improve its effectiveness.

Anti-Corruption and Anti-Bribery Policy

The Board adopted an Anti-Corruption and Anti-Bribery Policy which outlined guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board will review the Anti-Corruption and Anti-Bribery Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

Inside Information

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

Reviews on Risk Management and Internal Control Systems

The Board has conducted an annual review over the effectiveness of the risk management and internal control systems by reviewing the work performed by management and internal audit department. Through the review of management's key risk and control assessment, the scope and quality of ongoing monitoring of risks and the internal control systems have been assessed. Findings and areas for improvement have been reported to the management of the Group and the Board. The Board therefore considered the risk management and internal control systems of the Group are effective. Management has also provided a confirmation to the Board on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

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

DIVIDEND POLICY

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

(1) Factors for consideration

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

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

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

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

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

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

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

(2) Form of Dividend

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

(3) Approval

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

COMPANY SECRETARY

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

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition of Shareholders

Pursuant to Section 566-568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings of the Company, may require the Directors of the Company to convene an extraordinary general meeting ("**EGM**"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the Shareholder(s) concerned and deposited at the registered office of the Company in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the Shareholders concerned.

If the Directors do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the Shareholder(s) concerned, or any of them representing more than one- half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by Shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Directors.

Procedures for directing Shareholders' enquiries to the Board

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that may have with respect to the Company. They can also send their enquiries to the Board through these means. Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	12/F., CTG House, 78-83 Connaught Road Central, Hong Kong
Telephone:	(852) 2853 3111
Fax:	(852) 2543 7270
E-mail:	ir@ctg.cn

Procedures for putting forward proposals at Shareholders' meetings

Shareholders representing at least 2.5% of the total voting rights of all the members having a right to vote, or, at least 50 shareholders who have a relevant right to vote, may:

– put forward proposal at general meeting;

– circulate to other shareholders written statement with respect to matter to be dealt with or other business to be dealt with at general meeting.

For further details on the shareholder qualifications, and the procedures and timeline, in connection with the above, Shareholders are kindly requested to refer to Sections 580 and 615 of the Companies Ordinance (Cap 622 of the Laws of Hong Kong).

INVESTOR RELATIONS

The Board recognizes the importance of good communications with Shareholders and investors and maintains a continuing dialogue with them through various channels in accordance with the Company's shareholders' communication policy. In 2022, the Company held press and analyst conferences following the release of its 2021 annual results and 2022 interim results announcement, attended various investor conferences, and arranged teleconference meetings for analysts and investors.

The Company's website offers timely access to the Company's financial information, announcements, circulars to Shareholders and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental protection, Shareholders are encouraged to elect to receive the Company's corporate communications by electronic means through the Company's website. In accordance with the Company's shareholders' communication policy, information about the Company is disseminated to Shareholders through various means including (i) delivery of interim and annual results and reports to Shareholders; (ii) arrange investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums; (iii) publication of announcements on interim and annual results on the websites of the Company (www.irasia.com/listco/hk/ctii) and the Stock Exchange, and issuance of other announcements and shareholders' circulars in accordance with the the continuing disclosure obligations under the Listing Rules; and (iv) holding annual general meeting and EGM, which provide a valuable forum for the Board to communicate directly with Shareholders and to answer questions that Shareholders may raise. As such, the Board members attended the 2022 annual general meeting and other EGM during the year to provide Shareholders with opportunities to understand the latest development of the Group and raise questions. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election of individual directors. The detailed procedures of conducting a poll are explained to Shareholders at the commencement of the general meetings, to ensure that Shareholders are familiar with such procedures.

The 2022 annual general meeting was held on 30 May 2022 and there was one EGM held on 30 September 2022. Details of the attendance of each director is listed under the section "ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS" in this Corporate Governance Report.

The Board has reviewed the implementation and effectiveness of the Company's shareholders' communication policy including steps taken at the general meetings the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered the Company's shareholders' communication policy has been properly implemented during the year and under review and is effective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. INTRODUCTION

1.1 About this Report

China Travel International Investment Hong Kong Limited (hereafter referred to as the "**Company**" or "**we**") are pleased to publish our seventh Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**"). This ESG Report should be read in conjunction with the "Corporate Governance Report" in this Annual Report to enable stakeholders to have a more comprehensive understanding of the Company's ESG strategies, management practices and related performance in 2022.

1.2 Reporting Scope

This ESG Report covers the period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"), which is consistent with the 2022 Annual Report. By considering the Company's sustainable development background, the scope of this ESG Report covers the Company's principal business activities, which are travel destinations ("travel destinations" including hotels, theme parks, natural and cultural scenic spots and leisure resorts) and passenger transportation operations. The quantitative environmental performance of our operation is based on the data collected from the 14 operating units with significant impact. The 14 operating units are listed in the table below:

Tourist attraction and related operations
Shenzhen The World Miniature Co., Ltd. ("**Window of the World**")
Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**")
CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. ("**Shapotou Scenic Spot**")
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("**Zhuhai OSR**")
CTS (Xianyang) Ocean Spring Resort Co., Ltd. ("**Xianyang OSR**")
CTS (Anji) Tourism Development Company Limited ("**Anji Company**")
CTS Luzhou Laojiao Culture Tourism Development Co., Ltd. ("**CTS Luzhou Culture Tourism**")
Hotel operations
Metropark Hotel Mongkok
Kew Green Hotel Wanchai
Metropark Hotel Kowloon
Metropark Hotel Causeway Bay
Metropark Hotel Macau
Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**")
Passenger transportation operations
China Travel Tours Transportation Services Hong Kong Limited ("**China Travel Tours Transportation Services**")

1.3 Reporting Principles

We have prepared this ESG Report in accordance with the *Environmental, Social and Governance Reporting Guide* (the "**Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX**"). This ESG Report has complied with the mandatory disclosure requirements and the "comply or explain" provisions set out in the Guide, and has been prepared in accordance with the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency". The appendix at the end of this ESG Report corresponds our disclosure to the requirements set out in the Guide.

Reporting Principles	Company's Response
Materiality	By analysing the opinions of the Company's stakeholders, the Company identified the environmental and social issues with higher materiality, and made key disclosures according to their rankings.
Quantitative	Collect data on environmental and social KPIs to monitor and evaluate our progress in fulfilling our environmental and social responsibility practices with relevant standards. These include, but are not limited to: • ISO 14064-1 *Greenhouse gases – Part 1: Specification with Guidance at Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals* • GB/T 32150-2015 *General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises* • *Guidelines for Accounting and Reporting Greenhouse Gas Emission from Other Industrial Enterprises (Trial)* • *Guidelines for Accounting and Reporting Approach of Greenhouse Gas Emission from Enterprises in Land Transportation (Trial)* • *Greenhouse Gas Protocol: Greenhouse Gas Emissions from Transport or Mobile Sources* • *How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs* • *Notice on the Administration of Power Generation Enterprises to Report the Greenhouse Gas Emissions in 2023-2025* • *Manual of the Second National Pollution Source Census of Domestic Pollution Sources and Emission Factors (Trial)* • *Manual of Accounting Methods and Coefficients of Statistical Surveys on Pollution Sources* • *Technical Guidelines for the Compilation of Emission Inventory for Road Vehicles (Trial)* • *Technical Guidelines for the Compilation of Air Pollutant Emission Inventory for Non-road Mobile Sources (Trial)*
Balance	In addition to highlighting our ESG achievements, this report also addresses the challenges and solutions we faced.
Consistency	This report uses consistent statistical methodologies to allow for meaningful comparisons of ESG data over time. If there are changes in the methods used and reporting scope, we will explain through notes as reference for stakeholders.

1.4 Board Participation

The Company has established ESG management mechanism to improve the standardised and strategic management of the Company's sustainable development. The Board of the Company has overall responsibility for the Company's ESG strategy and reporting, and is responsible to review, put decisions into practice and supervise our measures on ESG issues. The Board is responsible for overseeing the Company's risk management and internal control review systems on an ongoing basis and ensuring that a review of its effectiveness is conducted annually, which also covers ESG-related risks.

The Legal and Compliance Department of the Company leads the management of each business unit to assist the Board in identifying, evaluating and managing potential risks and taking internal control measures to mitigate the risks. In order to ensure the effectiveness of the measures, the Board will closely monitor the implementation of risk response measures, and continue to listen to the opinions of various stakeholders to further improve the governance work. At the same time, we formulate corresponding policies according to the business of the operating units, and carry out corresponding work according to the business characteristics of the operating units.

In the future, the Company will further improve the ESG supervision responsibilities of the Board, including identifying the importance of ESG risks and opportunities to the Company's development strategy, and reviewing ESG related targets to ensure that relevant measures have been taken to achieve the target progress.

2. OUR APPROACH TO SUSTAINABILITY

Our core development principles are built on sustainability and are closely linked to each of our operational decisions. By properly establishing corresponding management policies in each of our business operations, we believe that it can create long-term value for our shareholders. While raising employees' awareness of sustainability, we also encourage our employees to develop and implement environmental protection plans.

2.1 Our Communication with Stakeholders

The Company attaches great importance to the daily communication with stakeholders. By establishing a sound and effective communication mechanism, we are committed to establishing a good relationship with a wide range of stakeholders, including the government, investors, employees, customers, contractors and suppliers, and the community.

The Company maintains regular communication with stakeholders through diversified channels to understand their expectations and concerns. Meanwhile, we continue to communicate with representatives from different business units and conduct internal discussions, assess and manage ESG issues related to our business to respond to the expectations of stakeholders continuously.

The table below shows the communication methods and corresponding main concerns of each stakeholder we have identified.

Stakeholders	Key Concerns	Communication methods
Government	❖ Alignment with national development plans and policies ❖ Legal compliance ❖ Anti-corruption ❖ Appreciation of state-owned assets ❖ Economic development	❖ Respond to national policies and plans ❖ Evaluate current operations according to updates in policies ❖ Respond to inquiries from government departments ❖ Fulfil social responsibility
Shareholders and Investors	❖ Performance growth and return on investment ❖ Information disclosure ❖ Business operation risks	❖ Convene annual general meeting and extraordinary general meeting ❖ Publish interim and annual results and reports ❖ Issue announcements and circulars ❖ Investor conferences, press conferences and roadshow
Employees	❖ Career development and promotion opportunities ❖ Remuneration and benefits protection ❖ Health and safety	❖ Internal and external employee training ❖ Employee caring activities ❖ Company Intranet ❖ Opinion surveys and feedback
Customers	❖ Product quality and customer safety ❖ Complaint handling ❖ Customer privacy protection	❖ Customer hotline ❖ Grievance mechanisms ❖ Social media and communication
Contractors and Suppliers	❖ Open, fair and just procurement ❖ Responsible procurement ❖ Integrity	❖ Open tendering ❖ Examination and evaluation ❖ Regular communication
Community	❖ Support community development ❖ Ecological conservation ❖ Urban greenhouse gas emissions ❖ Resource utilisation	❖ Supervise the construction process ❖ Examine Environmental Impact Assessment Report ❖ Set energy-saving and emission reduction targets ❖ Poverty alleviation projects

2.2 Materiality Assessment

Materiality assessment is an effective way for the Company to understand the expectations and concerns of stakeholders regarding our sustainable development. It is also an important reference when we re-confirm the direction of sustainable development. We have commissioned third-party professional organisation to conduct comprehensive materiality analysis, which ranges from energy conservation, emission reduction, employee welfare and development, operating practices and social responsibility to other main aspects of our business.

Meanwhile, the Board and senior management have different levels of participation in the materiality assessment. By reviewing the material issues of the previous year, benchmarking industry practices, comprehensively analysing the external market, international standards and policy environment and combining the opinions of the Board and senior management, the Company reassessed the materiality on the major concerns of stakeholders. The results of the materiality assessment are ranked in four categories: environment, employment and labour practices, operating practices and community.

During the Reporting Period, we finally identified 16 material issues to discuss in detail in this ESG Report. Identified material issues are listed in the table below:

ENVIRONMENT	SOCIETY		
	Employment and Labour Practices	Operating Practices	Community
1. Air pollution and greenhouse gas emissions and mitigation	6. Labour practices	10. Supply chain management	16. Contribution to community
2. Use of energy and water	7. Occupational health and safety	11. Service responsibility	
3. Waste management	8. Training and development	12. Intellectual property and data privacy	
4. Environmental management	9. Prevention of child and forced labour	13. Anti-corruption	
5. Climate Change		14. Customer satisfaction	
		15. Health and safety of customers	

3. OUR ENVIRONMENT

The quality of the environment is essential to the Company's daily operations and business, so we always advocate business practices that can achieve sustainable development. In response to the increasingly severe environmental risks, we are committed to applying the development principle of environmental responsibility throughout our business operations to protect the environment, save energy and reduce emissions.

We strictly comply with applicable environmental laws and regulations, such as the *Environmental Protection Law of the People's Republic of China* and the *Regulations on the Administration of Construction Project Environmental Protection*, and have established internal policies, plans and systems to promote continuous improvement, standardise resource and emission management, air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. For instance, Metropark Hotel Causeway Bay has established the "Environmental Management Policy" to implement a number of measures related to energy conservation and waste recycling, while cooperates with third-party companies to regularly recycle and dispose of waste generated from its operations.

The Company emphasises energy conservation, strives to reduce air pollutants and greenhouse gas emissions, reduces waste generation and plans to set targets for water efficiency in the future. The operating units of each business segment have also set relevant energy saving, emission reduction and waste reduction targets and adopted relevant measures in accordance with their own business and operating conditions as advocated by the Company, such as:

- For the hotel business segment, Metropark Hotel Mongkok is committed to reducing the hotel's energy consumption by 10%. To this end, various departments have adopted different energy saving measures to reduce unnecessary energy consumption.

- For the scenic spot business segment, Anji Company has set an energy consumption target for the Reporting Period, aiming to reduce energy expenditure to 7.5% of revenue. To this end, Anji Company has conducted preliminary research and has tentatively proposed to embark on two energy saving projects. These are: to save energy on lighting in the communal areas by adding a smart control system to reduce electricity consumption; and to replace the gas system with the heat pump system to use greener and cleaner energy to meet daily heating and domestic hot water needs.

- In terms of the passenger transportation operations segment, China Travel Tours Transportation Services is committed to reducing the generation of air pollutants and greenhouse gases, as well as hazardous waste including waste engine oil. To this end, China Travel Tours Transportation Services will gradually replace its fuel buses with purely electric buses. The initial plan is to procure 10 electric buses in the first phase of the project in 2023 to replace oil-fired vehicles with a service life of about 10 years, which is estimated to reduce carbon emissions by about 860 tonnes per year.

The Company will continue to encourage its operations to set appropriate targets for energy saving, emission reduction, waste reduction and water conservation, and call on those operations that have set relevant environmental targets to regularly track and review the progress of their environmental targets in order to better implement the concept of sustainable development.

Besides, when carrying out construction projects for travel destinations, we conduct Environmental Impact Assessment (EIA) work to gain an in-depth understanding of any potential adverse impact of our business operations on the local environment and take actions to minimise our impact on the environment to ensure the sustainable and healthy development of the local tourism industry.

During the Reporting Period, there were no non-compliance cases noted in relation to environmental laws and regulations.

The Company's efforts in environmental protection have also been recognised externally and received awards. For example, Metropark Hotel Macau was awarded the Macao Green Hotel Bronze Award in 2020, which is still valid for the Reporting Period.

During the Reporting Period, Metropark Hotel Macau participated in the Macau Energy Saving Campaign 2022 and received the "Sustainable Energy Saving Award" in the Hotel Category and the "Merit Award" in the Hotel B Category.

Moreover, the environmental management system established by the Shapotou Scenic Spot of the Company was also certified by a third-party organisation, which is still valid for the Reporting Period.

3.1 Energy and Resources Conservation

In order to reduce the carbon footprint arising from business practices, improving the efficiency of energy and resource use is an essential action for the Company to achieve its sustainable development goals, which also helps save the Company's operating costs and maximise cost efficiency. We take steps to ensure that our operations are in line with the environmental policies implemented by the government, while improve our internal environmental management to minimise our use of energy and other resources. By taking unremitting efforts, we ensure our business operations to make positive impacts on the environment.

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

- carry out various employee education activities to enhance employees' awareness of environmental protection;
- strengthen the management of power saving in lighting facilities and require employees to turn off lighting system, air conditioning, computers and other electronic equipment that are not in use when they leave the office;
- adjust the output of air-conditioning mainframe and cooling source temperature flexibly according to the daily weather and temperature change to reduce the electricity usage, e.g. Metropark Hotel Kowloon and Metropark Hotel Macau.
- each business segment has developed relevant energy management policies to gradually adopt the more energy-efficient LED lights;
- the energy saving management system was improved in order to implement relevant measures. In the scenic spot business segment, Shapotou Scenic Spot has developed an energy saving system based on the actual situation of the scenic area. Anji Company has established an energy saving committee and holds monthly energy saving meetings. In terms of the passenger transportation operations segment, China Travel Tours Transportation Services has improved its energy saving and environmental protection system and established a sound management network from the management level to the executive level; and
- encourage our scenic spots to minimise energy consumption and improve energy efficiency without affecting customers' experience. Splendid China has adopted Water and Electricity Consumption Data Collection Procedures and Energy-saving Measures, collects energy consumption statistics on a regular basis and makes various attempts to reduce energy consumption. For instance, Splendid China performs dynamic control on night light depending on the number of tourists and their position, and switches off main power transformer in power consumption off-peak season.

The operating units of the hotel business segment and the scenic spot business segment also use a small amount of packaging materials, including Beijing Metropark Hotel and Anji Company consuming approximately 0.07 tonne and 3.45 tonnes of paper packaging such as cardboard boxes, cartons and bags respectively, while Kew Green Hotel Wanchai and Anji Company consuming approximately 0.41 tonne and 1.06 tonnes of plastic materials such as plastic tapes, boxes and tapes respectively.

The following table covers the information regarding our resource consumption during the Reporting Period:

	Energy and resource consumption[1]		Unit	Energy consumption intensity[1]		Unit
	2022	2021		2022	2021	
Electricity use	75,409.79	67,432.82	MWh[2]	24.87	18.49	MWh/ million HK$
Natural gas	16,889.45	19,455.08		5.57	5.33	
Gasoline	1,036.88	1,533.89		0.34	0.42	
Diesel fuel	14,759.94	21,516.02		4.87	5.90	
Liquified petroleum gas	10,119.91	10,692.83		3.34	2.93	
Town gas	1,277.43	1,443.16		0.42	0.40	
Liquefied Natural Gas [3]	101.60	0		0.03	0	
Compressed natural gas [3]	0	205.42		0	0.06	
Total	119,594.99	122,279.21		39.45	33.52	
Refrigerant	1,036.60	1,646.70	Kg	–	–	

Notes:

1. In 2022, data from all 14 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, Anji Company, CTS Luzhou Culture Tourism and China Travel Tours Transportation Services. We use the Group's consolidated revenue HK$3,032 million in 2022 as the denominator for intensity calculation in 2022, and the Group's consolidated revenue HK$3,648 million in 2021 as the denominator for intensity calculation in 2021, to reflect the energy consumption per million HK$.

2. Calculation of energy consumption is based on the conversion factors in the *Guidelines for Accounting and Reporting Greenhouse Gas Emission from Other Industrial Enterprises (Trial).*

3. Only Shapotou Scenic Spot consumed compressed natural gas in 2021 and it changed to liquified natural gas in 2022. As a result, the consumption figures for both LNG in 2021 and CNG in 2022 are zero.

Energy consumption intensity of China Travel Tours Transportation Services:

Energy consumption intensity	2022	Energy consumption source
Fuel used for operation/Total vehicle mileage ('000)	9.77 GJ/km ('000)	Natural gas, gasoline, purchased electricity

Case studies

Energy Management at CTS Luzhou Culture Tourism

CTS Luzhou Culture Tourism has adopted a variety of ways to save electricity consumption of the equipment, including turning on and off the LED screen at regular intervals; using time controllers for the light and power works and adjusting the switching time in line with seasonal changes. CTS Luzhou Culture Tourism has also replaced some of the energy-consuming lamps in the indoor lighting with energy-saving lamps according to the actual usage.

3.2 Emission Reduction

We adhere to relevant laws and regulations for energy-saving and emission reduction, and have developed a series of management systems to manage various emissions in a systematic way.

For the passenger transportation operations segment, China Travel Tours Transportation Services has appointed third-party consultants to audit its scope 1 and scope 2 greenhouse gas emissions in accordance with ISO 14064-1 *Greenhouse Gases – Part 1: Specification with Guidance at Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals, 2006 IPCC Guidelines for National Greenhouse Gas Inventory, GB/T 32150-2015 General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises and SZDB/Z 69-2018 Specifications and Guidelines for Quantification and Reporting of Organisations' Greenhouse Gases Emissions.* The audit scope covers emissions from vehicles, energy consumption, data collection process, data quality and choice of emissions factor, etc.

In terms of the scenic spot business segment, Window of the World has also taken into account its own situation by purchasing green electricity from photovoltaic power stations to effectively reduce greenhouse gas emissions.

During the Reporting Period, the greenhouse gases emitted by the Company are shown in the table below:

Scope of Emissions	2022[1]	2021[1]	
Scope 1 Emissions and intensity[2]	**11,778.23 tCO_2e 3.88 tCO_2e/million HK$**	**15,023.52 tCO_2e 4.12 tCO_2e/million HK$**	**Unit[5]**
Natural gas	3,376.88	3,889.86	tCO_2e
Gasoline	251.00	369.29	
Diesel fuel	3,807.61	5,577.01	
Liquified petroleum gas	2,182.86	2,448.85	
Town gas	239.97	273.71	
Liquified natural gas [3]	16.35	0	
Compressed natural gas [3]	0	44.08	
Refrigerant	1,903.55	2,420.73	
Scope 2 Emissions and intensity[4]	**41,871.15 tCO_2e 13.81 tCO_2e/million HK$**	**38,367.26 tCO_2e 10.52 tCO_2e/million HK$**	**Unit**
Electricity use	41,821.16	38,303.70	tCO_2e
Town gas	49.99	63.57	

Notes:

1. In 2022, data from all 14 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, Anji Company, CTS Luzhou Culture Tourism and China Travel Tours Transportation Services. We use the Group's consolidated revenue HK$3,032 million in 2022 as the denominator for intensity calculation in 2022, and the Group's consolidated revenue HK$3,648 million in 2021 as the denominator for intensity calculation in 2021, to reflect the energy consumption per million HK$.

2. Scope 1 direct greenhouse gas emissions are calculated based on the total consumption of natural gas, gasoline, diesel fuel, liquefied petroleum gas, town gas, compressed natural gas and refrigerant. Methodologies of calculation refer to: the *Guidelines for Accounting and Reporting Greenhouse Gas Emission from Other Industrial Enterprises (Trial)* and the *Guidelines for Accounting and Reporting Approach of Greenhouse Gas Emission from Enterprises in Land Transportation (Trial)* issued by the National Development and Reform Commission of PRC, the *Greenhouse Gas Protocol: Greenhouse Gas Emissions from Transport or Mobile Sources* issued by the World Resources Institute and the World Business Council for Sustainable Development, the *Sixth Assessment Report on Climate Change 2022: Mitigation of Climate Change* published by IPCC, and the *How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs* issued by HKEX.

3. Only Shapotou Scenic Spot consumed CNG in 2021 and it changed to LNG in 2022. As a result, the carbon emission figures for LNG in 2021 and CNG in 2022 are zero.

4. Scope 2 indirect greenhouse gas emissions are calculated based on the emission factors for purchased gas with reference to the information released by Towngas, and purchased electricity with reference to the information released by CLP, HEC, CEM, and update accordingly. The average emission factor of electricity use of operating units in mainland China in 2022 was updated (as 0.5703 tCO2/MWh) in accordance with the *Notice on the Administration of Power Generation Enterprises to Report the Greenhouse Gas Emissions in 2023-2025* issued by the Ministry of Ecology and Environment of PRC. The average emission factor of electricity use of operating units for 2021 (0.5810 tCO_2/MWH) was in line with the *Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Enterprises-Power Generation Facilities* issued by the Ministry of Ecology and Environment of PRC.

5. tCO2e. Definition: Tonnes of carbon dioxide equivalent, which is describing how much global warming a given type and amount of greenhouse gas may cause, using the functionally equivalent amount or concentration of carbon dioxide (CO2) as the reference.

The use of vehicles is the source of air pollutant emissions from the daily operations of our business segments. The Company conducted statistics on carbon monoxide (CO), hydrocarbons (HC), nitrogen oxides (NOx), particulate matter (PM) and other harmful solid particles.

During the Reporting Period, we covered the data of 291 operating vehicles from China Travel Tours Transportation Services and operating vehicles from other operating units, in addition to the equipment including stove and diesel generators of the scenic spot business segment to calculate air pollutants. The results are shown in the following table:

Air Pollutant	Total Air Pollutants Generated[1] (tonnes)
Carbon Monoxide	43.11
Hydrocarbon	10.96
Nitrogen Oxide	49.42
Particulate Matter	3.98

Notes:

1. Emission data of China Travel Tours Transportation Services was the audited figure, whose calculation is based on the operation fuel consumption and relevant vehicle emission standards. Emissions of air pollutants of operating units in Hongkong and Macau are calculated based on the *How to Prepare an ESG Report - Appendix 2: Reporting Guidance on Environmental KPIs* issued by HKEX. For operation units in China mainland, calculations of air pollutants emission refer to the *Technical Guideline for the Compilation Emission Inventory for Road Vehicle (Trial)* and, the *Technical Guide for the Preparation of Air Pollutant Emission Inventory for Non-road Mobile (Trial)*, the *Manual of the Second National Pollution Source Census of Domestic Pollution Sources and Emission Factors (Trial),* and the *Manual of Accounting Methods and Coefficients of Statistical Surveys on Pollution Sources.*

Case studies

China Travel Tours Transportation Services' Emission Reduction Strategy: "Oil to Electricity"
China Travel Tours Transportation Services has established an energy-saving driving code, introduced the energy consumption assessment for each vehicle, and strengthened the management of vehicle fuel consumption and maintenance, including dynamic management measures such as vehicle inspection and maintenance, scrapping and replacement, and monitoring of energy consumption.

In addition, China Travel Tours Transportation Services plans to phase out oil-fired vehicles with a service life of around 10 years and replace them with purely electric buses, with 10 oil-fired buses scheduled for replacement in the first phase of the project in 2023. The scheme will replace diesel with electricity, which could effectively reduce the generation of hazardous waste, reduce vehicle energy consumption and significantly reduce greenhouse gas emissions.

3.3 Water Resources Conservation

Although the Company has no difficulty in sourcing water, good water management is indispensable for sustainable development. In the Reporting Period, our operating units have formulated different water resource management plans that work with their operations, installed and upgraded water conserving facilities to reduce water consumption and enhance the usage rate of recycling water. For example, Metropark Hotel Kowloon and Metropark Hotel Macau have adopted water-saving showerheads in guest rooms to reduce water usage. In addition, Splendid China has also implemented the following initiatives to effectively achieve water conservation:

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

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

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

The total water consumption of the Company in 2022 was 2,223,384.00 tonnes[1]. The intensity is 733.32 tonnes/million HK$.

Notes:

1. Data from all 14 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, CTS Luzhou Culture Tourism, Anji Company and China Travel Tours Transportation Services.

Case studies

Using Natural Spring Water
Shapotou Scenic Spot benefits from the regional geographical structure, uses the spring water that flows out from the desert surface to conserve water resource.

Lake Water for Irrigation of Landscaped Public Areas
Anji Company extracts water from the lake inside the scenic area and uses it for irrigation in the landscaped area to reduce water consumption.

Using Water-saving Sprinklers
Metropark Hotel Macau has implemented a water mist cooling system on the roof of the 26th floor rooftop triangular glass grille during the summer months. The system recovers most of the water for recycling and reduces the use of air-conditioning by physically cooling the 26th floor area.

3.4 Waste Management

In our daily operations, the wastes are primarily generated from our travel destinations, which include food waste, domestic waste and wastes from offices. Based on the *Waste Disposal Ordinance, the Legislative Proposals on Regulation of Edible Fats and Oils and Recycling of "Waste Cooking Oils"*, each operating unit developes appropriate waste management plan to reduce waste generation and recycle waste in a reasonable and scientific way.

To this end, each of our operating units actively cooperate with qualified third-party environmental protection service providers, to supervise and manage the entire process of classification, collection, transportation and disposal of the wastes. For the hotel business segment, both Metropark Hotel Macau and Metropark Hotel Causeway Bay have cooperated with a third party environmental organisation to collect waste oil from the restaurant kitchen on a regular basis. In terms of the scenic spot business segment, Window of the World and Splendid China carry out waste classification in accordance with the *Regulations of Shenzhen Municipality on Supervision of Household Waste Sorting*, to place separation bins in scenic spots, and authorise professional recycling companies to properly dispose of waste by category. Meanwhile, we have achieved resource reuse through centralised treatment and recycling of kitchen waste on a regular basis for making fertiliser.

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

The wastes generated from our operation are listed below. Some wastes are recycled by third party recycling companies.

Waste Disposed (by types)[1]	2022		Unit	Intensity
Non-hazardous waste	***Incurred***	***Recycled***		***Tonne/million HK$***
Total	6,782.71	6.89	Tonne	2.24
Food waste	641.68	0	Tonne	0.21
Domestic waste	4,931.95	5.00	Tonne	1.63
Paper	17.24	0.81	Tonne	0.01
Metal	0.14	0.14	Tonne	0.00005
Plastic	4.91	0.41	Tonne	0.002
Glass	1.56	0	Tonne	0.001
Construction waste	1,184.50	0	Tonne	0.39
Other non-hazardous waste	0.73	0.53	Tonne	0.0002
Hazardous waste	***Produced***	***Recycled***		***kg/million HK$***
Total	0.38	0.001	Tonne	0.12
Medical waste	0.09	0	Tonne	0.03
Chemical waste	0.23	0	Tonne	0.08
Hazardous chemicals	0.04	0	Tonne	0.01
Printer cartridges	0.01	0.001	Tonne	0.005
Toner	0.01	0	Tonne	0.002

Notes:

1. Data from all 14 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, Anji Company, CTS Luzhou Culture Tourism and China Travel Tours Transportation Services. We use the Group's consolidated revenue HK$3,032 million in 2022 as the denominator for all intensity calculation to reflect the waste generated per million HK$.

Case studies

Recycle Waste Cooking Oil

During the Reporting Period, Metropark Hotel Mongkok collected a total of 560 litres of used cooking oil with qualified contractors.

Besides, Metropark Hotel Macau signed a "Waste Cooking Oil Recycling Agreement" with a third party, which stipulates that the recycling of waste cooking oil must comply with the national and industry environmental protection management system and that the residues left after the recycling of waste cooking oil must be disposed of in accordance with the relevant laws and regulations.

Recycle Waste Engine Oil

During the Reporting Period, Shapotou Scenic Spot cooperated with a third party environmental agency to recycle about 280-300 litres of waste engine oil.

3.5 Response to Climate Change

As global warming intensifies, extreme weather will become more frequent in the foreseeable future. As part of the business nature of the Company is closely related to the environment and climate, we are well aware of the importance of identifying the risks arising from climate change and establishing action plans to deal with relevant risks for the Company to avoid losses in all aspects.

To this end, the Company's Beijing Metropark Hotel has formulated the *Emergency Plan for Water Leakage in Store* and the *Emergency Plan for Flood Control* to cope with the flooding caused by extreme weather. The plan clearly stipulates the division of responsibilities and operation procedures of employees in handling relevant matters, such as discussing countermeasures and arranging preventive measures, checking the water level of hotel sewage wells and municipal sewage pipelines, preparing water pumps, etc. Metropark Hotel Macau has also formulated the *Typhoon Emergency Plan* to provide employees with a specific and systematic framework of action in response to physical risks. In the plan, it is stipulated that under various typhoon signals, employees of various departments (front desk, housekeeping, food and beverage, security and engineering departments) should take action, and after the typhoon, the safety production team will prepare a report to the administrative office on the losses and accidents caused by the typhoon.

In terms of the scenic spot business segment, Shapotou Scenic Spot has prepared the *Emergency Plan for Sudden Bad Weather* to deal with the physical risks caused by strong wind (including sandstorms), thunderstorms, heavy rainstorms and heavy snowstorms respectively. Shapotou Scenic Spot has also formulated the relevant emergency handling work requirements and workflow. Zhuhai OSR has also prepared the *Emergency Plan for Typhoon and Rainstorms* to cope with typhoons and floods. Furthermore, Anji Company updates and supplements its existing standard operating procedures in response to typhoons, floods, snowstorms and other disasters, and carries out disaster prevention and other countermeasures in accordance with the corresponding standard operating procedures.

4. OUR EMPLOYEES

The Company regards employees as our most valuable asset. Adhering to the people-oriented philosophy, we always try our best to understand the needs of our employees and listen to their voices.

A fair, open, inclusive and excellent working environment is the foundation for sustainable development. Therefore, we adhere to the principles of openness, fairness and responsibility in the recruitment process. We believe that the key to business success lies in building a business team, so we are committed to providing employees with competitive remuneration and benefits and establishing sound training and development plans to help employees grow.

In accordance with the *Implementation Rules for the Rank Management*, the Company completed the rank promotion of employees in the headquarters in 2022, revised and updated the rules, and established the professional sequence and management sequence development path of employees. During the Reporting Period, we stepped up our efforts in open recruitment, actively broadening our horizons in attracting talent. We signed cooperation agreements with several headhunters so as to expand the scope of resume research and enrich the channels for attracting talents. As of the end of the Reporting Period, a total of 18 professionals were recruited from the headquarters, and the proportion of market-oriented open recruitment reached 100%.

4.1 Equal Opportunities and Treatment

Sound human resources policies are crucial to the development of the Company, therefore attracting and retaining talents is the key to ensure the sustainable development of the business. We have created significant employment opportunities in the places where we operate, we also strictly comply with local laws and regulations. In order to protect the rights and interests of employees, the Company complies with the *Measures for Administrative Recruitment* and employment-related laws and regulations. The Company has also established regulations such as the *Measures for the Administration of Remuneration*, the *Provisions on the Administration of Employee Leave*, and the *Measures for the Administration of Employee Attendance* to manage the compensation and dismissal, recruitment and promotion, working hours and rest period.

Providing equal opportunities is important for the Company to build an inclusive corporate culture and a diverse workforce. We are committed to eliminating employment discrimination due to factors such as gender, disability, pregnancy, race, religion, age or family status. We have zero tolerance for any form of discrimination or harassment and expect all employees to appreciate, care and respect each other.

The Company strictly abide to the *Labour Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour*, the *Regulation on Labour Security Supervision* and other regulations to address employment risk. We use public security system to undertake strict censorship on new employees to verify their identity and age to ensure the compliance of our recruitment process. Any form of child and forced labour in the Company is strictly prohibited. If any such cases are found, we will arrange for the relevant departments to conduct investigations in a timely manner and deal with them in accordance with the relevant laws and regulations. We also provide relevant training on labour law to inform employees of their rights.

During the Reporting Period, there was no case of discrimination, child and forced labour, or any other violations against laws.

4.2 Employee Benefits, Occupational Safety and Health

The Company attaches great importance to the health and well-being of its employees, and has established an internal regulation, the *Detailed Rules for the Administration of Headquarters Personnel*, to put the welfare into practice and care of its employees, and strives to enhance employee cohesion in order to provide an environment conducive to their work.

We continue to invest in employee protection and benefits, providing comprehensive medical and life insurance and formulating retirement plans. Considering that employees may experience different situations and challenges outside of work, we emphasise and encourage employees to seek a work-life balance, hoping that our employees can better engage in work and pursue their own personal goals. To this end, we have been providing different support. We have implemented the following family-friendly measures in all our operations:

- Paid maternity leave is granted to female employees, and the corresponding paid paternity leave for male colleagues is also provided;
- Our city hotel business combines the needs of post-natal women to work and feed their children, and is equipped with lactation rooms to assist working mothers who return to work after childbirth.

All business segments actively launched welfare activities for their employees. During the Reporting Period, Window of the World provided female employees with a range of welfare benefits such as holiday fees, meal coupons and half-day paid leave on the occasion of the "8th March International Women's Day". Splendid China also provided employees with festive gifts on New Year's Day, Spring Festival, Dragon Boat Festival and Mid-Autumn Festival in various ways.

In addition to our daily and holiday welfare activities, we also care about our employees and their families in need to understand their practical needs and provide them with assistance as far as possible. During the Reporting Period, Shapotou Scenic Spot presented spring festival scrolls and holiday ex gratia payments to 9 employees in need during the Spring Festival, while Splendid China launched a "Sending Warmth" campaign during the Mid-Autumn Festival, giving holiday ex gratia payments to more than 20 employees in need.

Given the COVID-19 pandemic, we encourage our employees to take advantage of flexible working hours and locations to negotiate a suitable work model with each other. We also encourage employees to take an active part to fight the COVID-19 pandemic by providing special allowances. For example, during the Reporting Period, Metropark Hotel Kowloon provided rapid antigen test and masks to employees. Vaccination leave was granted at Metropark Hotel Kowloon to encourage employees to receive vaccinations. Besides, we are well aware of the need to listen to the voices of more employees from time to time and we hope that more employees can speak up, share ideas or raise opinions with their immediate superior or the management. To this end, the Company has specifically set up employee communication channels to obtain true feedback to help improve our decision-making and working practices.

The Company understands that the health of our employees is closely linked to the development of the Company. In order to protect the health of employees, reduce the risk of injury and effectively prevent occupational diseases, the Company is committed to creating a safe, healthy and friendly workplace environment for employees.

In accordance with the *Measures for Salary Management* and the *Measures for Employee Allowance Standards and Distribution of the Company*, operating units such as Zhuhai OSR, Shapotou Scenic Spot, Beijing Metropark Hotel and CTS Luzhou Culture Tourism arrange professional clinics to provide free health checks for employees every year. In addition, Splendid China also conducts occupational health check-ups for plant protection and other positions to identify occupational hazards and protect the health and safety of employees. Beijing Metropark Hotel has also established an occupational health management mechanism with designated personnel. The Hotel regularly promotes occupational safety and health knowledge, holds occupational safety lectures, and helps employees to keep abreast of occupational and health knowledge in a timely manner, identifies factors that endanger health and the principles and methods of preventing harm. For occupational hazard sites, the Hotel also arranges qualified institutions to conduct annual environmental testing, and all sites involved during the Reporting Period were qualified.

In terms of providing a safe working environment, Metropark Hotel Mongkok, Metropark Hotel Causeway Bay and Metropark Hotel Macau implemented internal management in accordance with the *Occupational Safety and Health Ordinance* and other laws, regulations and standards, and formulated the *Emergency Plan for Work Safety Accidents*, the *Occupational Safety and Health Policy* and the *Employee Work Safety Code*. We regularly organise safety work meetings and conduct self-examination and self-inspection on fire firefighting, public health, engineering, public security and other key aspects. At the same time, we provide safety guidelines and training for employees in various fields, requiring employees to sign and abide by safety rules to prevent work-related injuries caused by accidents.

In the past three years (including the Reporting Period), there was no serious work-related injury or fatality in all business segments of the Company. During the Reporting Period, 35 employees were injured by accidents and the lost working days due to work injury amounted to 1,592.

Case studies

Mental Health Seminar and Family Welfare Programme

Window of the World has always been concerned about the physical and mental health development of its employees. During the Reporting Period, Window of the World invited a senior national psychological counsellor to present a seminar entitled “Happy Life and Spiritual Growth”, which helped 46 employees to learn more about the relevant knowledge and improve their abilities for emotion management.

Window of the World also appreciated the long-standing support of employees’ families and organised a tour at Window of the World for over 300 employees’ family members.

Case studies

Employee Welfare of Splendid China

During the Reporting Period, Splendid China launched the "Heart for Employees, Warmth for Chinese New Year" campaign, distributing condolences gifts such as food, oil, rice and noodles, and daily necessities to all employees. Besides, Splendid China also held the "Sending Coolness and Safety Advice" campaign in August to distribute cooling drinks to all employees working under high temperature.

Series of Activities on "Work Safety Month" to Ensure Hotel Safety

During the Reporting Period, Metropark Hotel Mongkok launched a series of activities for the "Work Safety Month", including a major production safety inspection with a focus on food safety and hygiene. A series of safety training programmes were also organised, including thematic learning, an educational exhibition on the prevention of telecommunication and internet fraud, fire-fighting equipment training and a monthly fire drill.

Case studies

Occupational Health and Safety Management System Obtained Certification


职业健康安全管理体系认证证书

证书编号：79321S1091R1M

港中旅（宁夏）沙坡头旅游景区有限责任公司

注册地址：中国宁夏回族自治区中卫市沙坡头旅游区
办公地址：中国宁夏回族自治区中卫市沙坡头旅游区
生产地址：中国宁夏回族自治区中卫市沙坡头旅游区
统一社会信用代码：91640000596204994P

职业健康安全管理体系符合
GB/T45001-2020/ISO45001:2018 标准要求

认证范围
"沙坡头 AAAAA 级旅游景区"旅游服务相关的职业健康安全管理活动

首次发证日期：2016 年 10 月 26 日
本次发证日期：2021 年 10 月 25 日
证书有效期至：2022 年 10 月 23 日

在一个认证周期内获证组织定期接受监督审核且合格后此证书保持有效，可扫描二维码获取当前状态。本证书信息可在本机构网站（WWW.GHHX.NET.CN）及国家认证认可监督管理委员会官方网站（WWW.CNCA.GOV.CN）上查询。

签发人：

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The occupational health and safety management system established by Shapotou Scenic Spot has passed the audit of a third-party organisation and obtained the certification, which remains valid for the Reporting Period.

4.3 Training and Development

Building an excellent team is a key step in promoting the Company's sustainable development, and employees' career development is the foundation of team building. To this end, we closely integrate individual career needs and corporate development goals to achieve the goal with a sound talent cultivation and development mechanism. We provide various types of tailored training, improve the quality of employees, broaden the employee career development path to support employees grow.

The Company encourages the mobility of employees in each business segment and has established a rotation system to provide hands-on learning opportunities for different employees. Grassroots employees are provided with a more convenient platform for learning and exchange, while headquarters employees are able to train their abilities at the grassroots level.

Each business segment places emphasis on employee training and development. In the hotel business segment, training is provided through the "E+People" system at Metropark Hotel Kowloon, Kew Green Hotel Wanchai and Metropark Hotel Macau. For the scenic spot business segment, Window of the World provides comprehensive orientation for new employees in accordance with the *Provisional Human Resource Management System*, helping employees to get acquainted with the corporate culture, the scenic environment and operational details, and helping them to adapt to the new working environment smoothly. Anji Company also attaches importance to the continuous development of talents. During the Reporting Period, Anji Company continued to carry out the talent succession plan of Key GO/GE to provide employees with a clearer career plan, and also provided specialised training to enhance the overall capability of employees.

During the Reporting Period, we provided training activities to employees include orientation for new employees, finance and taxation enhancement training, fire training, first aid knowledge and skills training, service etiquette training, invitation of expert scholars and advisory bodies to host training seminars, and management skills training for executive employees. During the Reporting Period, total training hours of our employees exceeded 95,801 hours.

Case studies

Shapotou Scenic Spot Cultivates Talents for Scenic Spots

Leveraging on the rich experience of the outstanding tour guides, Shapotou Scenic Spot has launched the talent development project. During the Reporting Period, more than 100 training sessions were held by Shapotou Scenic Spot in terms of knowledge of scenic spots, reception and service skills, presentation skills, etc. The training hours reached over 300 hours.

"Master of Cantonese Cuisine" training base and master workshop training programme

Zhuhai OSR has been actively cultivating skilled talents for the catering industry in accordance with the annual tasks and targets of the Zhuhai City-appointed "Master of Cantonese Cuisine" training base and master workshop. By the end of the Reporting Period, 150 people have completed the annual tasks and targets, of which 60 have been certified.

4.4 Employee Management Performance Indicators

Basic data of employees		2022
Total number of employees[1]		4,987
By gender	Male	2,837
	Female	2,150
By employment type	Full-time	4,841
	Part-time	146
By age	Under 30 years old	1,209
	30-50 years old	2,584
	Over 50 years old	1,194
By region	Hong Kong	560
	Macau	44
	Mainland China	4,378
	Other regions/countries	5

Notes:

1. The number of employees at the end of the Reporting Period is from all 14 operating units including six hotels in Hong Kong, Macau and Mainland China, Shapotou Scenic Spot, Zhuhai OSR, Xianyang OSR, Window of the World, Splendid China, Anji Company, CTS Luzhou Culture Tourism and China Travel Tours Transportation Services.

Employee turnover rate[1]

Category		2022
By gender	Male	19.95%
	Female	20.65%
By age	Under 30 years old	39.62%
	30-50 years old	15.91%
	Over 50 years old	10.05%
By region	Hong Kong	21.25%
	Macau	29.55%
	Mainland China	20.03%
	Other regions/countries	20.00%

Notes:

1. Employee turnover rate = number of resigned employees by category/number of employees by category at the end of the Reporting Period

Employee Training Data

Category			2022
Total number of employees trained		**Number**	4,488
Percentage of employees trained			
By gender	Male	Percentage [1]	55.37%
	Female	Percentage	44.63%
By employee category	Senior management	Percentage	2.83%
	Middle management	Percentage	12.63%
	General employees	Percentage	84.54%
Average hours of employees trained			
By gender	Male	Average hours [2]	20
	Female	Average hours	24
By employee category	Executive management	Average hours	14
	Middle management	Average hours	14
	General employees	Average hours	23

Notes:

1. Percentage of employees trained in relevant categories = number of employees trained by category/total number of employees trained*100

2. Average training hours for employees in relevant categories = total training hours by category/number of employees trained by category

5. COMPLIANCE OPERATION

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

5.1 Supply Chain Management

During the Reporting Period, we work with more than 1,487 suppliers in total, including 408 from Hong Kong, 202 from Macau and 877 from Mainland China.

In order to reduce the potential risks related to the supply chain, all suppliers are evaluated strictly internally before cooperation. For example, in response to quality control issues, Anji Company, Metropark Hotel Mongkok, Metropark Hotel Causeway Bay and Metropark Hotel Kowloon conduct comprehensive evaluation on various suppliers through "annual supplier evaluation" and signing documents including safety agreements, and terminate the cooperation relationship with unqualified suppliers. We strictly require suppliers who provide us with some high-risk food and goods to ensure the safety of food and products. For example, suppliers of high-risk food products such as salmon, sushi, bread crab and mussels are required to provide a qualified hygiene certificate before they are hired, meanwhile, we also conduct audit to each supplier from time to time. During the Reporting Period, we evaluated over 379 suppliers in terms of quality of supply, delivery time, quality of service, etc.

We abide by the *Food Safety Law of the People's Republic of China*, the *Food Safety Law of Macao* and the *Food Safety Ordinance of Hong Kong* and other relevant laws. Our hotels in Hong Kong also conduct on-site review of the supply quality and the status of suppliers, sample and send the food to laboratory for testing.

Given the COVID-19 pandemic, the supplier should also provide relevant hygiene certificate when delivering the goods. All import trades through suppliers require "Entry-exit Inspection and Quarantine Certificate". We also actively respond to the COVID-19 pandemic prevention and control policy to ensure the safety and quality of food and goods. For example, COVID-19 pandemic prevention products should be certified by third-party independent inspection, and all imported cold-chain products must meet specific standards of imported cold-chain products during the COVID-19 pandemic. Only after providing "nucleic acid test report for imported food", disinfection certificate of vehicles and warehouse, nucleic acid test report of delivery personnel and the green health code, the goods can be accepted and stored by our warehouse. All suppliers are selected for cooperation according to the above system process.

In terms of energy efficiency and environmental protection aspect, Metropark Hotel Macau takes in consideration whether the supplier takes actions on energy efficiency and environmental protection and without polluting the environment when purchasing, and uses it as a condition for approval, so as to promote suppliers to pay more attention to environmental protection requirements and avoid relevant environmental risks. The procurement principle of Shapotou Scenic Spot for equipment, which includes air conditioners, computers, printers and copiers, have changed from giving priority to more environmentally friendly ones among the same products to mandatory ones with high energy efficiency and environmental protection labels.

The Company strictly manages the cooperation with suppliers, identifies and corrects any potential problems in a timely manner. During the Reporting Period, no supplier violated any laws or regulations regarding business ethics, environmental protection, human rights, labour practices or other relevant issues.

Case studies

Supplier Evaluation and Supply Chain Risk Management
Metropark Hotel Kowloon holds semi-annual procurement meetings to evaluate suppliers' purchase prices, quality of goods, etc. Metropark Hotel Kowloon will sign a business ethics agreement with suppliers who have passed the assessment and will not cooperate with suppliers who do not meet the requirements.

In order to effectively manage food-related supply chain risks, Metropark Hotel Kowloon requires suppliers of high-risk food products to submit proof of import hygiene of the relevant food products in compliance with Hong Kong legislation and sends food samples from the kitchen for testing.

5.2 Service Responsibility

Customer Health and Safety

"People-oriented, safety first" is our operating principle. Each of our operating units is committed to strengthening production safety supervision and risk prevention, improving employee training, raising safety awareness and emergency management ability, and reducing potential safety risks. For example, Metropark Hotel Kowloon and Metropark Hotel Macau hold safety meeting on a regular basis, while provide employees with fire safety training and defibrillator training courses by familiarising themselves with safety rules, evacuation and inviting experts. Metropark Hotel Macau also provides training or safety drills to employees in different departments according to their job requirements. For example, food poisoning drills are provided to employees in the Food and Beverage Department, and emergency drills are arranged for employees in the Engineering Department in case of unexpected incidents such as electric shock, power supply failure, water failure, etc., in order to provide a safe and secure environment for guests in all aspects.

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

During the COVID-19 pandemic, each business segment implemented local epidemic prevention policies. For instance, Metropark Hotel Macau complies with the Prevention Guidelines against Epidemics published by the Macao SAR Government. All business segments take actions to ensure the safety of clients. For the scenic spot business segment, Window of the World strengthens COVID-19 pandemic prevention and control in scenic spot, all tourist buses and indoor areas require social distancing, and place reminders in obvious areas to prevent the spread of the COVID-19 pandemic while providing services for tourists. In terms of the hotel business segment, Metropark Hotel Mongkok and Metropark Hotel Kowloon have set up body temperature detectors at entrances and exits, all working employees should be fully disinfected and wear appropriate protective equipment. To avoid cross-infection, housekeepers shall clean the rooms only after disinfecting the rooms and when guests are not in the rooms, hotel reception should install protective transparent plastic board to protect employee and guests. During the Reporting Period, no major safety accidents occurred in any operating units.

Customer Satisfaction

To optimise service standards and promote the reputation management, each of our operating units has formulated customer complaint management policies, and regularly conduct customer service training for employees to ensure that complaints from customers can be addressed in a timely and proper manner. During the Reporting Period, we received 117 complaints about our products and services.

For the hotel business segment, Metropark Hotel Mongkok and Metropark Hotel Macau conduct training for all employees regarding service attitude, communication and reception skills, invite customers to write comments on their services in order to find out the shortcomings of their service for improvements. In accordance with the internal policy of the hotel, the manager on duty must deal with complaints immediately to make the guests feel respect and care. Through internal management and improvement, Metropark Hotel Mongkok wins praises from customers, its service rating ranks 54 in Hong Kong on TripAdvisor and scores 4.2 on Ctrip. In addition, we also actively carry out various customer satisfaction surveys and review the quality of our services. For example, during the Reporting Period, Metropark Hotel Macau conducted a GSS guest satisfaction survey and collected 981 valid questionnaires, with an overall satisfaction score of 98.52. Metropark Hotel Macau also holds monthly "Service Quality Analysis Meetings" to analyse, follow up and improve on the written and online feedback from guests, and to continuously optimise service quality.

In terms of the scenic spot business segment, CTS Luzhou Culture Tourism and Shapotou Scenic Spot have established the comprehensive service quality inspection system, respectively issued the *Efficient Complaint Handling Mechanisms of Tourism* and the *Measures for Handling Service Complaints*, improved the process of handling customer complaints, regularly conducted internal service quality inspection, and formed an inspection report. During the Reporting Period, CTS Luzhou Culture Tourism analysed customer comments through OTA platform, among which, 97% were good reviews and medium reviews. Xianyang OSR scored 90.4 in the network satisfaction in 2022. During the Reporting Period, Shapotou Scenic Spot issued 6 service quality inspection reports, identified and rectified 58 related problems. Meanwhile, Shapotou Scenic Spot conducts comprehensive reputation management and always pays attention to the online public opinion of the scenic spot and properly handles it.

Case studies

Quality Management System Certification


质量管理体系认证证书

证书编号：79321Q1089R1M

港中旅（宁夏）沙坡头旅游景区有限责任公司

注册地址：中国宁夏回族自治区中卫市沙坡头旅游区
办公地址：中国宁夏回族自治区中卫市沙坡头旅游区
生产地址：中国宁夏回族自治区中卫市沙坡头旅游区
统一社会信用代码 91640000596204994P

质量管理体系符合
GB/T19001-2016/ISO9001:2015 标准要求

认证范围
“沙坡头 AAAAA 级旅游景区”旅游服务

首次发证日期：2016 年 10 月 26 日
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E-mail：ghhxbjrzyxgs@163.com http://www.ghhx.net.cn

The quality management system established by the Shapotou Scenic Spot of the Company has passed the audit of a third-party institution and obtained the certification, which remains valid for the Reporting Period.

GBE Hotel Design Awards

During the Reporting Period, the Desert Star Hotel at Shapotou Scenic Spot was awarded the GBE Hotel Design Award 2022-”Best Resort Hotel” and “Best Theme Hotel”.

Case studies

First Class Restaurant Awards

During the Reporting Period, the restaurants named Lua Dourada Gold Moon Garden, Ciao, Rotunda of Metropark Hotel Macau were awarded the Star Merchant Award by the Macau Government Tourism Office and were certified as "First Class Restaurant".

Annual Top 10 Resort Hotels

During the Reporting Period, Xianyang OSR was awarded the "Annual Top 10 Resort Hotels" by the China Starlight Awards 2022.

Case studies

Most Influential Brand Award

During the Reporting Period, Window of the World won the awards including the "Most Influential Brand Award" of China Merchants Micro Cruise 2021.

5.3 Customer Privacy and Intellectual Property Rights

For us, integrity operation is based on the security and confidentiality of customer information, and the Company is committed to safeguarding privacy of our customers and employees to ensure the security of relevant data.

Since our business has potential privacy risks, relevant operating units strictly protect the privacy of customers as required by relevant confidentiality rules, and sign confidentiality agreements with employees. We also train employees in accordance with BSA standards. Window of the World standardises its ticketing platform to authorise its information centre to manage ticket information of tourists and restrict access, ensures that the information of tourists will not be disclosed and protects privacy and the rights of tourists. Splendid China has also signed confidentiality agreements with personnel of the relevant departments.

In Hong Kong and Macau, we strictly abide by the *Personal Data (Privacy) Ordinance*, develop and strictly enforce policies and management practices to protect customer privacy to prevent unauthorised use of customer data. Metropark Hotel Mongkok regularly shreds customer documents to ensure customer information safety.

In terms of intellectual property protection, Window of the World strictly abides by the *Copyright Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China*, reviewing the music materials used in the scenic spot in advance. We have signed contracts with copyright owners for all music material, and the uses of relevant music materials abide by the specified terms in laws and contracts, which effectively avoids potential intellectual property disputes. Splendid China has also signed the music copyright license agreement with the Music Copyright Society of China to use the relevant music within the scope of the law and the contract.

During the Reporting Period, we were not aware of any events of non-compliance with regulations and policies concerning the provision and use of our products and services, including but not limited to, product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that have a significant impact on us.

5.4 Anti-corruption

We attach great importance to corporate probity and integrity operation. In order to prevent corruption, we have built a line of defence against corruption. The Company has zero tolerance for any form of corruption, bribery, extortion and money laundering. In accordance with the *Prevention of Bribery Ordinance*, Metropark Hotel Kowloon formulates the *Employee Code of Responsibility for Integrity*, and requires every new employee to sign relevant documents. Metropark Hotel Macau also signs the *Employee Code of Conduct* for employees at Level B and above, and explained the code of conduct and potential risks to employees. This is to ensure that relevant information is clearly understood, and to prevent corruption and fraud.

For the hotel business segment, Metropark Hotel Macau requires employees from all departments to strictly comply with the *Notice on Eight Provisions and Preventing Four Styles* issued by the China Tourism Group (Hotel) Co., Ltd. We strictly and actively follow the anti-corruption requirements and guidelines proposed by the central government of the PRC to achieve improvised investigation, simplified reception, streamlined meetings and briefings, standardised visits, and practiced diligence and frugality. Committed to integrity, the Company has formulated and strictly implemented the supervision rules and regulations, carried out integrity education and anti-corruption work internally, formulated risk prevention and control plans and policies for each business, conducted daily monitoring of key risks and regularly reported to strictly deal with various violations of laws and regulations such as corruption, bribery and abuse of power, strengthened the management and control of the procurement process, and adjusted the internal structure so as to maintain the independence of each department. We fully implement the fight against formalism, bureaucracy, hedonism and extravagance.

In terms of the scenic spot business segment, Window of the World conducts business integrity risk sorting and prevention in accordance with internal policies and systems such as the *Work Plan for Special Inspection and Supervision on Epidemic Prevention and Control by the Discipline Inspection Commission*, the *Work System for Anti-corruption Supervision Information Personnel*, the *Work Plan for Integrity Risk Sorting and Prevention and Control*, and the *Measures for the Registration and Handling of Gifts Received by Employees through Work or Business Activities*. Splendid China launches the integrity risk identification check around its positions and formulates an integrity risk prevention and control map. Besides, Splendid China also launches the specific business supervision check and inspection on the entire ticketing process to identify risk points. During the Reporting Period, Zhuhai OSR signed 28 *Anti-Corruption and Integrity Responsibility Letters for 2022* with relevant responsible persons, and sorted out 126 integrity risk points and key points and formulated corresponding preventive and control measures.

In order to further enhance the anti-corruption awareness of the Board of Directors and employees at all levels, during the Reporting Period, the Company organised the 2022 Annual Education and Warning Conference for over 290 persons including the Board, leaders, key personnel, etc. The Company ordered relevant case alert documents and organised employees to watch anti-corruption films to raise the awareness of all participants to potential corruption incidents with vivid cases.

During the Reporting Period, the Company continued to improve its internal control mechanism. There were no risk loopholes or violations of integrity standards in key businesses, and no corruption-related legal cases were received against the Company and its employees.

6. COMMUNITY

The Company takes social responsibility fulfilment as its own responsibility, devotes itself to spread warmth for the vulnerable groups in society, and attaches importance to community investment. By supporting different types of charity projects, we contribute to the vulnerable groups in need and the protection of the planet.

In addition to the concern for “left-behind children” and the establishment of a youth volunteer team for this issue, we have also actively participated in the “Protect Mother River Action”, a major environmental protection project in China. At the same time, we respond to environmental protection activities organised by the Community Chest of Hong Kong and other organisations. Moreover, we have launched various community activities and encouraged our employees to participate in volunteer services, which could share the achievements of corporate development with the society, and promote the stable and harmonious development of the community through different forms.

Case studies

Caring for Left-behind Children

A 50-member youth volunteer service team was set up by Xianyang OSR, to work with charitable organisations to improve the lives of poor, disabled and left-behind children in the surrounding areas through material assistance, schooling, etc. During the Reporting Period, the youth volunteer service team conducted five visits to orphanages.

Case studies

Shapotou Scenic Spot Boosts "Protecting the Happy Forest of the Yellow River" Campaign

Shapotou Scenic Spot strives to be an important participant, contributor and leader in the construction of ecological civilisation. During the Reporting Period, Shapotou Scenic Spot conducted the public welfare tree planting and study activities and actively responded to the large-scale environmental protection public welfare project "Protecting the Mother River Action" by participating in the "Protecting the Happy Forest of the Yellow River " ecological restoration project on "World Earth Day". The 71,337 camphor pine trees collected from the nationwide netizens' participation will be planted along the south bank of the Yellow River in the Shapotou Scenic Spot to continuously promote the ecological protection and quality development of the Yellow River Basin.

Caring for the Disabled, Volunteering Shows True Love

Shapotou Scenic Spot is committed to providing sincere services to all kinds of tourists. On September 3 of the Reporting Period, Shapotou Scenic Spot welcomed the "Dream Chaser Barrier-Free Tour", a special group of disabled tourists.

Shapotou Scenic Spot provides free tickets and shuttle service for these special visitors, and six volunteer interpreters warmly welcomed them and explained the scenery along the way, bringing a sense of care to these special visitors.

Case studies

Walk for Millions

During the Reporting Period, both Kew Green Hotel Wanchai and Metropark Hotel Mongkok continued to actively participate in the Walk for Millions campaign organised by the Community Chest of Hong Kong, with a total of three employees from Metropark Hotel Mongkok participating in the campaign.

APPENDIX – HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject Areas	Content	Disclosure Section
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Board Participation
Reporting Principles	Describe or explain how the following reporting principles were applied in the preparation of the ESG report: materiality, quantitative, consistency.	Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Scope
General Disclosure and KPIs		**Disclosure Chapter or Explanation**
A1 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment
A1.1	The types of emissions and respective emissions data.	Emission Reduction
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Reduction
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environment; Waste Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment; Waste Management

Subject Areas	Content	Disclosure Section
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy and Resources Conservation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Energy and Resources Conservation
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Resources Conservation
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment; Energy and Resources Conservation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Resources Conservation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Energy and Resources Conservation; Due to the nature of our business, we only consume a small amount of packaging material and therefore do not calculate the amount per unit produced.
A3 General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	Our Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment
A4 General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Response to Climate Change
B1 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employee Management Performance Indicators

Subject Areas	Content	Disclosure Section
B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Management Performance Indicators
B2 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Benefits, Occupational Safety and Health
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Benefits, Occupational Safety and Health
B2.2	Lost days due to work injury.	Employee Benefits, Occupational Safety and Health
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Benefits, Occupational Safety and Health
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Management Performance Indicators
B3.2	The average training hours completed per employee by gender and employee category.	Employee Management Performance Indicators
B4 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Equal Opportunities and Treatment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Equal Opportunities and Treatment
B4.2	Description of steps taken to eliminate such practices when discovered.	Equal Opportunities and Treatment
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management

Subject Areas	Content	Disclosure Section
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
B6 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service Responsibility; Customer Privacy and Intellectual Property Rights
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to the nature of our business, the Company is not involved in product manufacturing.
B6.2	Number of products and service related complaints received and how they are dealt with.	Service Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Customer Privacy and Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures.	Service Responsibility; The Company is not involved in product production, so there is no product recall procedure.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Privacy and Intellectual Property Rights
B7 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of China Travel International Investment Hong Kong Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Travel International Investment Hong Kong Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 103 to 206, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Impairment assessment of property, plant and equipment relating to resort operations
Refer to notes 2.11 (ii) and 13 to the consolidated financial statements

The Key Audit Matter

As at 31 December 2022, the Group held two resort operations, Zhuhai Ocean Spring Resort and Xianyang Ocean Spring Resort, which the related property, plant and equipment ("the Resorts Related Assets") were stated at cost less accumulated depreciation and impairment losses at amounts of HK$1,296 million and HK$260 million respectively.

At the financial reporting date, the Group reviewed the resort operations to determine whether there were any indicators of impairment. When indicators of impairment are identified, management assesses the recoverable amounts of the Resorts Related Assets. An impairment loss is recognised as an expense in the consolidated income statement if the carrying amounts of the Resorts Related Assets exceed their recoverable amounts. The recoverable amounts of the Resorts Related Assets are the greater of the fair value less costs of disposal and value in use.

How the matter was addressed in our audit

Our audit procedures to assess the impairment of the Resorts Related Assets included the following:

- assessing whether the methodology used in preparing the projected cash flows is in accordance with the requirements of the prevailing accounting standards;
- assessing the objectivity, qualification and expertise of the external property valuer in the properties being valued;

KEY AUDIT MATTERS (continued)

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

Refer to notes 2.11 (ii) and 13 to the consolidated financial statements

The Key Audit Matter

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

We identified assessing impairment of the Resort Related Assets as a key audit matter because of the significant management judgement and estimation required in making assumptions and estimations which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

- obtaining and inspecting the valuation reports prepared by the external property valuer engaged by the Group and, with the assistance of our internal property valuation specialists, assessing the appropriateness of the valuation methodology adopted by the external property valuer with reference to the prevailing accounting standards and the appropriateness of the key estimates and assumptions adopted in the valuation of the Resorts Related Assets, including comparable market transactions, by comparing with available market data;

- obtaining and reading the value in use calculations of the Resorts Related Assets prepared by the Group's management and, with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the value in use calculations of the Resort Related Assets prepared by the Group's management, including forecast room rates, forecast occupancy rates, forecast guests spending, growth rates and discount rates applied, with available market data and government statistics;

KEY AUDIT MATTERS (continued)

Impairment assessment of property, plant and equipment relating to resort operations
Refer to notes 2.11 (ii) and 13 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
	• evaluating the historical accuracy of the key assumptions and most significant inputs used in the prior year's discounted cash flow forecast, including room rates, occupancy rates and growth rates, by comparison with the actual outcomes in the current year and enquiry of management in respect of the reasons for any significant variations identified and whether there was any indication of management bias; and • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for the Resorts Related Assets to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any indication of management bias.

KEY AUDIT MATTERS (continued)

Impairment assessment of property, plant and equipment and goodwill relating to passenger transportation operations

Refer to notes 2.11 (ii), 13 and 16 to the consolidated financial statements

The Key Audit Matter

As at 31 December 2022, the Group held property, plant and equipment and goodwill relating to passenger transportation operations ("the Passenger Transportation Related Assets") at amounts of HK$913 million and HK$48 million respectively.

The Passenger Transportation Related Assets are used for the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China which have been closed during the year ended 31 December 2022.

During the year ended 31 December 2022, the Group recorded loss of HK$169 million in respect of this passenger transportation operations. The cross-border closure have created uncertainties in relation to the financial performance of the passenger transportation operations. Consequently, management considered that impairment indicators of the Passenger Transportation Related Assets existed as at 31 December 2022.

At the financial reporting date, management performed impairment assessments of the Passenger Transportation Related Assets. An impairment loss is recognised as an expense in the consolidated income statement if the carrying amounts of the Passenger Transportation Related Assets exceed their recoverable amounts, which was based on their respective fair value less costs of disposal.

How the matter was addressed in our audit

Our audit procedures to assess the impairment of the Passenger Transportation Related Assets included the following:

- assessing the objectivity, qualification and expertise of the external valuer in the Passenger Transportation Related Assets being valued; and

KEY AUDIT MATTERS (continued)

Impairment assessment of property, plant and equipment and goodwill relating to passenger transportation operations
Refer to notes 2.11 (ii), 13 and 16 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The fair value less costs of disposal are assessed by the Group based on valuations prepared by a qualified external valuer which takes into account the recent market transactions to determine any impairment required, which involves significant judgement in selecting the comparable market transactions. We identified assessing impairment of the Passenger Transportation Related Assets as a key audit matter because of the significant judgement which could be subject to management bias.	• obtaining and inspecting the valuation reports prepared by the external property valuer engaged by the Group, and with the assistance of our internal valuation specialists, assessing the appropriateness of the valuation methodology adopted by the external valuer with reference to the prevailing accounting standards and the key estimates and assumptions adopted, including comparable market transactions, by comparing with available market data.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Ka Nang.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**3,031,936**	3,647,829
Cost of sales		**(2,723,527)**	(3,123,661)
Gross profit		**308,409**	524,168
Other income and gains, net		**238,613**	540,412
Changes in fair value of investment properties		**(90,724)**	36,255
Selling and distribution costs		**(331,653)**	(350,467)
Administrative expenses		**(798,627)**	(858,304)
Operating loss	7	**(673,982)**	(107,936)
Finance income	6	**53,216**	74,787
Finance costs	6	**–**	–
Finance income, net	6	**53,216**	74,787
Share of profits less losses of:			
– associates		**(51,825)**	76,520
– joint ventures		**(12,222)**	(27,940)
(Loss)/profit before taxation		**(684,813)**	15,431
Taxation	10	**19,197**	(107,018)
Loss for the year		**(665,616)**	(91,587)
Attributable to:			
Equity owners of the Company		**(355,792)**	174,016
Non-controlling interests		**(309,824)**	(265,603)
Loss for the year		**(665,616)**	(91,587)
(Loss)/earnings per share for (loss)/profit attributable to equity owners of the Company (HK cents)	12		
Basic (loss)/earnings per share		**(6.43)**	3.14
Diluted (loss)/earnings per share		**(6.43)**	3.14

The notes on pages 111 to 206 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

		2022 HK$'000	2021 HK$'000
Loss for the year		**(665,616)**	(91,587)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property valuation, net of tax		**–**	799,709
Equity investments at FVOCI – net movement in fair value reserve (non-recycling), net of tax	10(d)	**2,550**	3,881
Items that may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon disposal of subsidiaries		**–**	(15,892)
Release of exchange reserve upon disposal of a joint venture		**16,296**	–
Exchange differences on translation of foreign operations, net		**(1,005,533)**	194,106
Other comprehensive income for the year, net of tax		**(986,687)**	981,804
Total comprehensive income for the year		**(1,652,303)**	890,217
Attributable to:			
Equity owners of the Company		**(1,258,401)**	1,126,242
Non-controlling interests		**(393,902)**	(236,025)
Total comprehensive income for the year		**(1,652,303)**	890,217

The notes on pages 111 to 206 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**9,129,646**	9,238,280
Investment properties	14	**2,552,662**	2,736,691
Prepaid land lease payments	15	**418,211**	474,545
Goodwill	16	**1,354,833**	1,348,456
Other intangible assets	17	**112,734**	112,734
Interest in associates	19	**1,300,529**	1,444,625
Interest in joint ventures	20	**64,236**	240,627
Derivative financial instrument	27	**22,748**	41,591
Other financial assets	21	**34,091**	31,648
Prepayments and other receivables	26	**481,398**	524,486
Deferred tax assets	35	**398,329**	327,061
Total non-current assets		**15,869,417**	16,520,744
Current assets			
Inventories	22	**199,917**	185,540
Properties under development	23	**3,158,298**	4,281,760
Completed properties held for sale	24	**678,345**	610,543
Trade receivables	25	**103,665**	95,350
Deposits, prepayments and other receivables	26	**390,846**	496,195
Loan to fellow subsidiaries	29	**235,091**	256,849
Amounts due from holding companies	29	**2,742**	5,180
Amounts due from fellow subsidiaries	29	**322,947**	271,778
Tax recoverable		**26**	–
Pledged time deposits	28	**4,057**	9,967
Cash and bank balances	28	**2,797,976**	3,074,492
Total current assets		**7,893,910**	9,287,654
Total assets		**23,763,327**	25,808,398

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022
(Expressed in Hong Kong dollars)

	Note	**2022 HK$'000**	2021 HK$'000
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	36	**9,222,295**	9,222,295
Reserves		**6,977,197**	8,111,406
		16,199,492	17,333,701
Non-controlling interests		**1,778,121**	1,787,539
Total equity		**17,977,613**	19,121,240
LIABILITIES			
Non-current liabilities			
Deferred income	32	**604,990**	701,131
Lease liabilities	34	**219,281**	235,959
Bank and other borrowings	33	**210,788**	195,347
Deferred tax liabilities	35	**656,643**	685,379
Total non-current liabilities		**1,691,702**	1,817,816
Current liabilities			
Trade payables	30	**745,001**	686,508
Other payables and accruals	31	**2,358,263**	3,505,888
Loans from holding companies	29	**334,725**	84,393
Amounts due to holding companies	29	**1,302**	1,166
Amounts due to fellow subsidiaries	29	**34,303**	25,351
Lease liabilities	34	**53,180**	47,519
Tax payables		**123,113**	184,980
Bank and other borrowings	33	**444,125**	333,537
Total current liabilities		**4,094,012**	4,869,342
Total liabilities		**5,785,714**	6,687,158
Total equity and liabilities		**23,763,327**	25,808,398

Approved and authorised for issue by the board of directors on 31 March 2023:

Wu Qiang
Director

Feng Gang
Director

The notes on pages 111 to 206 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Attributable to equity owners of the Company									
	Share capital HK'000 (note 36)	Building revaluation reserve HK'000	Capital reserve HK'000	Enterprise expansion/ reserve funds[1] HK'000	Exchange fluctuation reserve HK'000	Fair value reserve (non-recycling) HK'000	Retained profits HK'000	Total HK'000	Non-controlling interests HK'000	Total equity HK'000
At 1 January 2022	9,222,295	1,331,848	(547,172)	198,268	296,723	5,161	6,826,578	17,333,701	1,787,539	19,121,240
Comprehensive income										
Loss for the year	-	-	-	-	-	-	(355,792)	(355,792)	(309,824)	(665,616)
Other comprehensive income for the year:										
Item that will not be reclassified subsequently to profit or loss:										
Equity investment at FVOCI – net movement in fair value reserve (non-recycling)	-	-	-	-	-	3,605	-	3,605	(1,055)	2,550
Items that may be reclassified subsequently to profit or loss:										
Release of exchange reserve upon disposal of a joint venture	-	-	-	-	16,296	-	-	16,296	-	16,296
Exchange differences on translation of foreign operations, net	-	-	-	-	(922,510)	-	-	(922,510)	(83,023)	(1,005,533)
Total other comprehensive income for the year, net of tax	-	-	-	-	(906,214)	3,605	-	(902,609)	(84,078)	(986,687)
Total comprehensive income for the year	-	-	-	-	(906,214)	3,605	(355,792)	(1,258,401)	(393,902)	(1,652,303)
Transactions with owners										
Transfer from retained profits	-	-	-	4,315	-	-	(4,315)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(4,373)	(4,373)
Acquisition of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	70,785	70,785
Partial disposal of a subsidiary without loss of control	-	-	124,192	-	-	-	-	124,192	318,072	442,264
Release of building revaluation reserve upon disposal of investment properties	-	(1,098)	-	-	-	-	1,098	-	-	-
Total transactions with owners for the year	-	(1,098)	124,192	4,315	-	-	(3,217)	124,192	384,484	508,676
At 31 December 2022	9,222,295	1,330,750	(422,980)	202,583	(609,491)	8,766	6,467,569	16,199,492	1,778,121	17,977,613

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Attributable to equity owners of the Company									
	Share capital HK'000 (note 36)	Building revaluation reserve HK'000	Capital reserve HK'000	Enterprise expansion/ reserve funds[1] HK'000	Exchange fluctuation reserve HK'000	Fair value reserve (non-recycling) HK'000	Retained profits HK'000	Total HK'000	Non-controlling interests HK'000	Total equity HK'000
At 1 January 2021	9,222,295	556,603	(547,172)	240,201	147,036	2,331	6,586,165	16,207,459	2,228,804	18,436,263
Comprehensive income										
Loss for the year	–	–	–	–	–	–	174,016	174,016	(265,603)	(91,587)
Other comprehensive income for the year:										
Item that will not be reclassified subsequently to profit or loss:										
Equity investment at FVOCI – net movement in fair value reserve (non-recycling)	–	–	–	–	–	2,830	–	2,830	1,051	3,881
Gain on property revaluation, net of tax	–	799,709	–	–	–	–	–	799,709	–	799,709
Items that may be reclassified subsequently to profit or loss:										
Release of exchange reserve upon disposal of subsidiaries	–	–	–	–	(15,892)	–	–	(15,892)	–	(15,892)
Exchange differences on translation of foreign operations, net	–	–	–	–	165,579	–	–	165,579	28,527	194,106
Total other comprehensive income for the year, net of tax	–	799,709	–	–	149,687	2,830	–	952,226	29,578	981,804
Total comprehensive income for the year	–	799,709	–	–	149,687	2,830	174,016	1,126,242	(236,025)	890,217
Transactions with owners										
Transfer from retained profits	–	–	–	7,363	–	–	(7,363)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(7,933)	(7,933)
Acquisition of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	67,285	67,285
Disposal of non-wholly owned subsidiaries	–	(24,464)	–	(49,296)	–	–	73,760	–	(264,592)	(264,592)
Total transactions with owners for the year	–	(24,464)	–	(41,933)	–	–	66,397	–	(205,240)	(205,240)
At 31 December 2021	9,222,295	1,331,848	(547,172)	198,268	296,723	5,161	6,826,578	17,333,701	1,787,539	19,121,240

Note:

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

The notes on pages 111 to 206 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(684,813)**	15,431
Adjustments for:			
Finance income		**(53,216)**	(74,787)
Fair value loss of derivative financial instruments		**15,966**	7,031
(Gain)/loss on disposal of property, plant and equipment, net		**(1,709)**	11,737
Income from financial assets at fair value through profit or loss		**–**	(5,455)
Depreciation		**541,585**	588,788
Amortisation of prepaid land lease payments		**25,039**	27,835
Amortisation of other intangible assets		**–**	1,041
Reversal of impairment of property, plant and equipment and properties under development		**–**	(11,597)
Covid-19 rental concession received		**(8,305)**	(1,124)
Provision for impairment of trade and other receivables		**3,870**	42
Loss on disposal of investment properties		**1,654**	–
Gain on disposal of subsidiaries		**–**	(229,135)
Gain on bargain purchase of subsidiaries		**(915)**	–
Gain on disposal of a joint venture		**(1,969)**	–
Reversal of provision of legal expenses		**(6,564)**	–
Written off of trade and other payables		**(10,680)**	–
Changes in fair value of investment properties		**90,724**	(36,255)
Share of profits less losses of associates		**51,825**	(76,520)
Share of profits less losses of joint ventures		**12,222**	27,940
		(25,286)	244,972
Increase in inventories		**(27,507)**	(26,934)
Decrease/(increase) in properties under development and completed properties held for sale		**799,044**	(99,066)
Decrease in trade receivables, deposits, prepayments and other receivables		**92,676**	213,548
Increase in amounts due from associates		**(981)**	(885)
Decrease/(increase) in amounts due from holding companies		**2,574**	(6,770)
Increase in amounts due from fellow subsidiaries		**(51,169)**	(118,789)
(Decrease)/increase in trade payables, other payables and accruals		**(873,463)**	109,557
Increase in amounts due to fellow subsidiaries		**8,952**	20,378
Decrease in deferred income, net of sales tax		**(110,164)**	(94,258)
Cash used in operations		**(185,324)**	241,753
Hong Kong, PRC and Macau profits taxes paid		**(38,824)**	(107,660)
Net cash used in operating activities		**(224,148)**	134,093

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Finance income received		**64,065**	70,894
Dividends received from associates and joint ventures		**–**	6,264
Increase in loan to fellow subsidiaries		**–**	126,497
Purchases of property, plant and equipment and prepaid land lease payments		**(863,835)**	(680,576)
Proceeds from disposal of property, plant and equipment		**87,513**	18,824
Disposal of subsidiaries, net of cash		**–**	145,732
Acquisition of an associate		**–**	(419,129)
Acquisition of a joint venture		**(35,369)**	(108,277)
Acquisition of subsidiaries, net		**46,790**	–
Disposal of a joint venture		**177,644**	–
Proceeds upon disposal of financial assets at fair value through profit or loss		**–**	837,106
Increase in derivative financial instruments		**–**	(48,622)
Additions to financial assets at fair value through profit or loss		**–**	(529,995)
Decrease in pledged time deposits		**5,310**	806
(Increase)/decrease in non-pledged time deposits with original maturity of more than three months when acquired		**(394,228)**	14,424
Net cash used in investing activities		**(912,110)**	(566,052)
Cash flows from financing activities			
Capital element of lease rental paid		**(71,945)**	(58,633)
Interest element of lease rental paid		**(10,451)**	(11,187)
Finance cost paid		**(21,490)**	(24,034)
Dividends paid to non-controlling shareholders		**(4,373)**	(7,933)
Contribution from non-controlling shareholders		**–**	67,285
Proceeds of new bank loans		**315,558**	460,215
Repayment of bank loans		**(174,360)**	(86,154)
Proceeds of loan from associate		**–**	472,178
Proceeds/(repayment) of loan from holding companies		**710,597**	(434,591)
Net cash generated from financing activities		**743,536**	377,146
Net decrease in cash and cash equivalents		**(392,722)**	(54,813)
Cash and cash equivalents at beginning of year	28(a)	**3,061,548**	3,051,978
Effect of foreign exchange rate changes, net		**(253,369)**	64,383
Cash and cash equivalents at end of year	28(a)	**2,415,457**	3,061,548

The notes on pages 111 to 206 form part of these financial statements.

1 CORPORATE INFORMATION

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

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

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

In the opinion of the directors, 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 parent company is China Tourism Group Corporation Limited, a PRC state-owned enterprise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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

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

– equity investments (see note 2.10);

– derivative financial instruments (see note 2.14).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

(a) Changes in accounting policies

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group results and financial position for the current or prior years have been prepared or presented in the consolidated financial statements.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

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

Acquisition-related costs are expenses as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised either in consolidated income statement or as a credit or debit to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

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

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions-that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity and no adjustments are made to goodwill.

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries in the Company's statement of financial position are accounted for at cost less impairment unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates and joint ventures

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

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

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

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2.11 (i)).

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses (see note 2.11). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Hotel properties	Over the shorter of the lease terms and 75 years
Leasehold land	Over the lease terms
Buildings	Over the shorter of the lease terms and 40 years
Scenic spots establishments	2.25% to 19%
Right-of-use assets	Over the lease terms
Others:	
Leasehold improvements	4.5% to 20%
Furniture, fixtures and equipment	6% to 33.3%
Motor vehicles	5% to 20%
Vessels	5% to 6.7%
Synrolift system	6.7%
Repairable parts	6.7% to 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.11).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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

2.6 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "changes in fair value of investment properties".

Transfer from owner occupied property to investment property is made when, there is a change in use, evidenced by end of owner occupation. If an owner-occupied property becomes an investment property and the fair value is larger than carrying value, the difference will be recognised in revaluation reserve and subsequent gain or loss to be recognised through income statement. If the fair value is less than carrying value, the loss is recognised immediately in the income statement. Any increase in future is recognised in the income statement to the extent that the increase reverses a previous impairment loss.

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The Group's other intangible assets represent trademarks, passenger service licences and quota.

The useful life of trademarks, passenger service licences and quota are assessed to be indefinite as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group. They are not amortised and are tested for impairment annually or when events or changes in circumstances indicate a potential impairment at the cash-generating unit level. They are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.9 Leases

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

(i) As a lessee

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

(i) As a lessee (continued)

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

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

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

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

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

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

(ii) As a lessor

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Other investments in debt and equity securities

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

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

Investments other than equity investments

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

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

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

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

Equity investments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

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

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

Measurement of ECLs

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

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

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

Variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

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

Measurement of ECLs (continued)

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

Significant increases in credit risk

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

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

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

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

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

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

– intangible assets;

– goodwill; and

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

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Credit losses and impairment of assets (continued)

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

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

2.12 Trade and other receivables

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

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

2.13 Trade and other payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where derivative financial instruments are designated as hedging instruments in a cash flow hedge and hedge exposure to fluctuations in fuel prices, any fair value change is accounted for as follows:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories and other contract costs

(i) Inventories

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

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

a Consumable stores

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

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

b Property development

Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interest in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2.25). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories and other contract costs (continued)

(i) Inventories (continued)

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

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

(ii) Other contract costs

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Contract assets and contract liabilities

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

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

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

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

2.17 Deferred income

For the deferred income which relates to government grants, details are set out in the accounting policy for “Government grants” in note 2.22 to the consolidated financial statements.

2.18 Cash and cash equivalents

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

2.19 Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group’s accounting policy for borrowing costs (see note 2.25).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

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

(iii) Contingent liabilities assumed in business combinations

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

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset or property development project, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments or in the periods which the property sales incur.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" in note 2.13 to the consolidated financial statements. The benefit of the government loans granted with no or at a below market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.23 Revenue recognition

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

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

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

(b) revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalment received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (see note 2.16);

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits

Short term employee benefits

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

Paid leave carried forward

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

Retirement benefit schemes

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Borrowing costs

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

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

2.26 Foreign currencies

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Foreign currencies (continued)

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

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

2.27 Segment reporting

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

2.28 Dividend distribution

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actually results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of property, plant and equipment

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

Management judgement is required in the area of asset impairment, particularly in assessing whether (a) an event has occurred that may affect asset value; (b) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections or fair value less costs of disposal of the asset; and (c) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rate or the growth rate assumption in the cash flow projections, could significantly affect the Group's reported financial position and results of operations.

The Group performed impairment assessment by adopting the fair value less costs of disposal model which calculated the recoverable amount based on the lowest cash generating unit to which the asset belongs. If the fair value less costs of disposal is lower than the carry values of the assets, the management will further assess the value in use to calculate the recoverable amount and determine the impairment amount.

Based on the external valuation report and the impairment assessment performed by the management, the directors are of the opinion that there was no impairment of the assets as of 31 December 2022.

4 OPERATING SEGMENT INFORMATION

Executive management is the Group's chief operating decision-maker and regularly reviews the segment results. For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. No operating segments have been aggregated to form the reportable segments. A summary of details of the operating segments is as follows:

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

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

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

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

Management has determined the operating segments based on the information reviewed by the chief operating decision maker. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the (loss)/profit attributable to equity owners of the Company of each reportable operating segment excluding changes in fair value of investment properties and derivative financial instrument, result from acquisition or disposal of investments, investment properties and property, plant and equipment.

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

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

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

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	2,368,320	117,191	469,238	51,820	3,006,569	25,367	3,031,936
Inter-segment revenue	817	2,195	652	64	3,728	2,520	6,248
	2,369,137	119,386	469,890	51,884	3,010,297	27,887	3,038,184
Elimination of inter-segment revenue					(3,728)	(2,520)	(6,248)
Revenue					3,006,569	25,367	3,031,936
Segment results	29,155	(420)	17,436	(169,183)	(123,012)	(134,223)	(257,235)
Non-controlling interests							(309,824)
Segment operating results before non-controlling interests							(567,059)
Gain on disposal of a joint venture							1,969
Gain on bargain purchase of subsidiaries							745
Changes in fair value of investment properties							(89,370)
Loss on changes in fair value of derivative financial instrument							(11,974)
Gain on disposal of property, plant and equipment							1,708
Loss on disposal of investment properties							(1,635)
Loss for the year							(665,616)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022 (continued)

	Travel attractions and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment assets	10,813,422	1,539,586	3,582,503	1,544,883	17,480,394	4,918,168	22,398,562
Interest in associates	1,236,517	–	–	48,179	1,284,696	15,833	1,300,529
Interest in joint ventures	35,369	–	–	28,867	64,236	–	64,236
Inter-segment receivables	2,533,452	24,249	394,944	206,125	3,158,770	6,986,501	10,145,271
	14,618,760	1,563,835	3,977,447	1,828,054	21,988,096	11,920,502	33,908,598
Elimination of inter-segment receivables							(10,145,271)
Total assets							23,763,327
Segment liabilities	3,721,948	173,735	514,820	817,906	5,228,409	557,305	5,785,714
Inter-segment payables	4,140,262	265,911	1,841,248	739,057	6,986,478	3,158,793	10,145,271
	7,862,210	439,646	2,356,068	1,556,963	12,214,887	3,716,098	15,930,985
Elimination of inter-segment payables							(10,145,271)
Total liabilities							5,785,714
Other segment information:							
Share of profits less losses of associates	(36,280)	–	–	(37,742)	(74,022)	22,197	(51,825)
Share of profits less losses of joint ventures	–	–	–	(12,222)	(12,222)	–	(12,222)
Capital expenditure (note (a))	685,778	12,704	18,641	3,900	721,023	300,532	1,021,555
– owned property, plant and equipment	618,503	1,166	17,167	643	637,479	295,205	932,684
– right-of-use assets	67,275	11,538	1,474	3,257	83,544	5,327	88,871
Depreciation and amortisation	280,600	32,826	109,753	139,288	562,467	4,157	566,624
– owned property, plant and equipment	239,966	13,075	97,503	121,209	471,753	909	472,662
– right-of-use assets	40,634	19,751	12,250	18,079	90,714	3,248	93,962
Provision for impairment recognised in the income statement, net (note (b))	3,943	(340)	(985)	1,252	3,870	–	3,870

Notes:

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

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

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	3,004,824	103,096	439,372	77,344	3,624,636	23,193	3,647,829
Inter-segment revenue	646	2,203	658	67	3,574	1,200	4,774
	3,005,470	105,299	440,030	77,411	3,628,210	24,393	3,652,603
Elimination of inter-segment revenue					(3,574)	(1,200)	(4,774)
Revenue					3,624,636	23,193	3,647,829
Segment results	472,127	(106,719)	(33,034)	(248,284)	84,090	(156,972)	(72,882)
Non-controlling interests							(265,603)
Segment operating results before non-controlling interests							(338,485)
Gain on disposal of subsidiaries							229,135
Changes in fair value of investment properties							35,519
Loss on changes in fair value of derivative financial instrument							(7,031)
Loss on disposal of property, plant and equipment							(10,725)
Loss for the year							(91,587)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021 (continued)

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment assets	12,862,080	4,062,209	3,771,936	1,711,504	22,407,729	1,715,417	24,123,146
Interest in associates	1,325,794	–	–	100,727	1,426,521	18,104	1,444,625
Interest in joint ventures	199,835	–	–	40,792	240,627	–	240,627
Inter-segment receivables	54,664	836,011	1,596,555	133,132	2,620,362	8,061,149	10,681,511
	14,442,373	4,898,220	5,368,491	1,986,155	26,695,239	9,794,670	36,489,909
Elimination of inter-segment receivables							(10,681,511)
Total assets							25,808,398
Segment liabilities	5,187,274	117,022	452,890	677,434	6,434,620	252,538	6,687,158
Inter-segment payables	3,893,905	822,553	2,546,487	1,020,427	8,283,372	2,378,462	10,661,834
	9,081,179	939,575	2,999,377	1,697,861	14,717,992	2,631,000	17,348,992
Elimination of inter-segment payables							(10,661,834)
Total liabilities							6,687,158
Other segment information:							
Share of profits less losses of associates	62,607	–	–	(22,219)	40,388	36,132	76,520
Share of profits less losses of joint ventures	–	–	–	(11,473)	(11,473)	(16,467)	(27,940)
Capital expenditure (note (a))	492,312	78,017	11,776	62,386	644,491	5,114	649,605
– owned property, plant and equipment	421,940	74,343	11,776	23,814	531,873	5,114	536,987
– right-of-use assets	70,372	3,674	–	38,572	112,618	–	112,618
Depreciation and amortisation	284,510	31,915	109,508	184,018	609,951	6,672	616,623
– owned property, plant and equipment	246,345	12,770	97,650	171,751	528,516	6,672	535,188
– right-of-use assets	38,165	19,145	11,858	12,267	81,435	–	81,435
Provision for impairment recognised in the income statement, net (note (b))	(29,260)	–	13	17,692	(11,555)	–	(11,555)

Notes:

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

(b) Amounts consist of provision for impairment/(write back of provision for impairment) of trade and other receivables, properties under developments and inventories.

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022 HK$'000	2021 HK$'000
Hong Kong	**501,472**	414,326
Mainland China (including Macau)	**2,530,464**	3,227,933
Overseas	**–**	5,570
	3,031,936	3,647,829

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

(b) Non-current assets

	2022 HK$'000	2021 HK$'000
Hong Kong	**7,952,560**	8,606,905
Mainland China (including Macau)	**7,484,437**	7,555,130
	15,436,997	16,162,035

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

Information about major customers

There was no revenue from any sales to any single external customer that contributed over 10% of the total sales of the Group during the year ended 31 December 2022 (2021: Nil).

5 REVENUE

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

(a) Disaggregation of revenue

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	**707,016**	1,295,060
– Tour, travel agency, travel document and related income	**115,844**	103,115
– Hotel income	**501,037**	464,579
– Passenger transportation income	**51,820**	77,344
– Property sales income	**1,521,663**	1,574,769
– Consultancy and service income	**36,595**	35,228
	2,933,975	3,550,095
Revenue from other sources		
Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	**97,961**	97,734
	3,031,936	3,647,829

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

As at 31 December 2022, there were no aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts (2021: Nil).

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

6 FINANCE INCOME, NET

	2022 HK$'000	2021 HK$'000
Finance income:		
Bank deposits and entrustment loans	**53,216**	74,787
Interest expense:		
Lease liabilities	**(10,451)**	(11,187)
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(21,490)**	(24,034)
	(31,941)	(35,221)
Less: Interest expense capitalised into properties under development and property, plant and equipment	**31,941**	35,221
Finance costs	**–**	–
Finance income, net	**53,216**	74,787

* The borrowing costs have been capitalised at a rate of 2.51% per annum (2021: 4.03%).

7 OPERATING LOSS

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

		2022 HK$'000	2021 HK$'000
(a)	Other income and gains, net		
	Rental income on investment properties, net	**(26,729)**	(25,490)
	Foreign exchange differences, net	**6,576**	(4,812)
	Government grants	**(107,984)**	(149,167)
	Management fee income	**(55,490)**	(63,181)
	Income from financial assets at fair value through profit or loss	**–**	(5,455)
	(Gain)/loss on disposal of property, plant and equipment, net	**(1,709)**	11,737
	Loss on disposal of investment properties	**1,654**	–
	Gain on disposal of subsidiaries	**–**	(229,135)
	Gain on disposal of a joint venture	**(1,969)**	–
	Gain on bargain purchase of subsidiaries	**(915)**	–
	Loss on changes in fair value of derivative financial instrument	**15,966**	7,031
	Reversal of provision of legal expenses	**(6,564)**	–
	Written off of trade and other payables	**(10,680)**	–
	Other	**(50,769)**	(81,940)
		(238,613)	(540,412)

		2022 HK$'000	2021 HK$'000
(b)	Other items:		
	Depreciation charge		
	– owned property, plant and equipment	**472,662**	535,188
	– right-of-use assets	**68,923**	53,600
		541,585	588,788
	Amortisation of prepaid land lease payments	**25,039**	27,835
	Amortisation of other intangible assets	**–**	1,041
	Auditors' remuneration		
	– Audit services	**9,610**	8,573
	– Non-audit services	**1,252**	907
	Employee benefit expenses (including directors' remuneration (note 8)):		
	– Wages and salaries	**1,082,246**	1,328,930
	– Retirement benefit scheme contributions*	**130,542**	97,529
	Employee benefit expenses	**1,212,788**	1,426,459
	Provision for impairment of trade and other receivables, net	**3,870**	42
	Reversal of impairment of properties under development	**–**	(29,260)
	Provision for impairment of inventories	**–**	17,663
	Direct operating expenses of investment properties	**4,505**	3,215
	Fuel cost	**13,744**	16,377
	Cost of properties sold	**1,045,834**	1,012,201

* At 31 December 2022, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2021: Nil).

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

8 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director is set out below:

For the year ended 31 December 2022:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity-settled share option expense HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	HK$'000	Total HK$'000
Independent Non-Executive Directors										
Mr. Chen Johnny	350	-	-	-	-	-	-	-	-	350
Mr. Huang Hui	350	-	-	-	-	-	-	-	-	350
Mr. Song, Dawei	350	-	-	-	-	-	-	-	-	350
Mr. Tse Cho Che Edward	350	-	-	-	-	-	-	-	-	350
Mr. Zhang Xiaoke	350	-	-	-	-	-	-	-	-	350
Executive Directors										
Mr. Chen Xianjun (note (a))	-	-	-	-	-	-	-	-	-	-
Mr. Fan Dongsheng (note (b))	-	-	-	-	-	-	-	-	-	-
Mr. Feng Gang (note (c))	-	103	26	-	-	73	39	-	-	241
Mr. Jiang Hong (note (e))	-	1,686	86	-	-	290	238	-	-	2,300
Mr. Li Pengyu (note (c))	-	149	27	-	-	5	3	-	-	184
Mr. Lo Sui On (note (e))	205	-	-	-	-	-	-	-	-	205
Mr. Tang Yong (note (d), note (e))	-	1,080	55	-	-	31	227	-	-	1,393
Mr. Wu Qiang (note (f))	-	284	34	-	-	87	67	-	-	472
Non-Executive Director										
Mr. Fan Zhishi (note (c))	-	-	-	-	-	-	-	-	-	-
Mr. Tao Xiaobin (note (c))	-	-	-	-	-	-	-	-	-	-
Mr. Tsang Wai Hung	300	-	-	-	-	-	-	-	-	300

8 BENEFITS AND INTERESTS OF DIRECTORS (continued)

The remuneration of every director is set out below:

For the year ended 31 December 2021:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Equity-settled share option expense	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Independent Non-Executive Directors										
Mr. Chen Johnny	350	–	–	–	–	–	–	–	–	350
Mr. Huang Hui	350	–	–	–	–	–	–	–	–	350
Mr. Song, Dawei	350	–	–	–	–	–	–	–	–	350
Mr. Tse Cho Che Edward	350	–	–	–	–	–	–	–	–	350
Mr. Zhang Xiaoke	350	–	–	–	–	–	–	–	–	350
Executive Directors										
Mr. Fan Dongsheng (note (b))	240	–	–	–	–	–	–	–	–	240
Mr. Jiang Hong (note (e))	330	2,269	2,963	166	–	182	232	–	–	6,142
Mr. Lo Sui On (note (e))	240	–	–	–	–	–	–	–	–	240
Mr. Tang Yong (note (d), note (e))	172	1,048	1,000	–	–	8	162	–	–	2,390
Mr. Wu Qiang (note (f))	240	1,768	2,500	–	–	43	208	–	–	4,759
Mr. Yang Hao (note (g))	94	–	–	–	–	–	–	–	–	94
Mr. You Cheng (note (h))	68	409	1,362	31	–	98	40	–	–	2,008
Non-Executive Director										
Mr. Tsang Wai Hung	300	–	–	–	–	–	–	–	–	300

8 BENEFITS AND INTERESTS OF DIRECTORS (continued)

Notes:

(a) Appointed on 21 April 2022 and resigned on 9 November 2022

(b) Resigned on 20 January 2022

(c) Appointed on 9 November 2022

(d) Appointed on 15 April 2021

(e) Resigned on 9 November 2022

(f) Re-designated as Non-Executive Director on 20 January 2022, re-designated as Executive Director on 9 November 2022.

(g) Resigned on 24 May 2021

(h) Resigned on 15 April 2021

During the year, the director fee of Mr. Chen Xianjun, Mr. Fan Dongsheng, Mr. Feng Gang, Mr. Jiang Hong, Mr. Li Pengyu, Mr. Tang Yong, Mr. Wu Qiang, Mr. Fan Zhishi and Mr. Tao Xiaobin were waived by consent (2021: There was no arrangement under which a director waived or agreed to waive any remuneration during the year).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

9 FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year include 3 directors of the Company (2021: 2). Details of the remuneration of the five highest paid individuals for the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, housing allowances, other allowances and benefits in kind	**6,477**	9,295
Discretionary bonus	**323**	11,686
Retirement benefit scheme contributions	**1,068**	1,089
	7,868	22,070

9 FIVE HIGHEST PAID INDIVIDUALS (continued)

The emoluments fell within the following bands:

	Number of employees	
	2022	2021
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	3
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
	5	5

10 TAXATION

(a) Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2022 **HK$'000**	2021 HK$'000
Current – Hong Kong		
Charge for the year	**16,145**	4,252
Over-provision in prior years	**(1,189)**	(2,361)
	14,956	1,891
Current – Mainland China and Macau		
Charge for the year	**40,218**	122,675
(Over)/under-provision in prior years	**(60,845)**	7,236
	(20,627)	129,911
LAT	**95,459**	49,192
Deferred tax	**(108,985)**	(73,976)
Total tax (credit)/charge for the year	**(19,197)**	107,018

10 TAXATION (continued)

(b) A reconciliation of the tax (credit)/expense of the Group applicable to (loss)/profit before tax at the applicable tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rates is as follows:

	2022 HK$'000	2021 HK$'000
(Loss)/profit before taxation	**(684,813)**	15,431
Share of profits less losses of associates	**51,825**	(76,520)
Share of profits less losses of joint ventures	**12,222**	27,940
	(620,766)	(33,149)
Tax at the applicable tax rates	**(130,251)**	32,185
Income not subject to tax	**(28,527)**	(52,307)
Expenses not deductible for tax purposes	**45,546**	23,100
Effect of withholding tax on the distributed/distributable profits of the Group's PRC subsidiaries and associates	**4,000**	3,120
Tax losses utilised from previous periods	**(24,002)**	(5,745)
Tax losses not recognised	**56,544**	50,578
LAT	**95,459**	49,192
Temporary difference not recognised	**24,068**	2,020
(Over)/under-provision in prior years, net	**(62,034)**	4,875
Tax (credit)/charge	**(19,197)**	107,018

(c) The share of tax attributable to associates amounting to HK$11,873,000 (2021: HK$31,312,000) is included in "Share of profits less losses of associates" in the consolidated income statement.

(d) The fair value changes in equity investments as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$295,000 (2021: HK$372,000).

11 DIVIDENDS

There were no dividends paid during the year ended 31 December 2022 (2021: Nil).

At a board meeting held on 31 March 2023, the Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

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

The calculation of basic and diluted (loss)/earnings per share is based on loss attributable to equity owners of the Company for the year ended 31 December 2022 of HK$356 million (2021: profit of HK$174 million) and the weighted average of 5,536,633,709 ordinary shares (2021: 5,536,633,709 shares) in issue during the year.

13 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establishments HK$'000	Construction in progress HK$'000	Right-of-use assets HK$'000	Other fixed assets HK$'000	Total HK$'000
Net book value							
31 December 2022							
At 31 December 2021 and at 1 January 2022							
Cost	5,991,339	3,433,533	1,847,599	1,338,505	396,833	3,760,187	16,767,996
Accumulated depreciation and impairment	(2,770,239)	(1,113,356)	(1,225,483)	(691)	(127,144)	(2,292,803)	(7,529,716)
	3,221,100	2,320,177	622,116	1,337,814	269,689	1,467,384	9,238,280
At 1 January 2022	3,221,100	2,320,177	622,116	1,337,814	269,689	1,467,384	9,238,280
Additions	45	47	917	856,252	83,390	75,423	1,016,074
Acquisition of subsidiaries (note 37(a))	–	–	–	87,615	12,779	19,880	120,274
Disposals and write-off	(53,063)	(5)	(89)	(149)	–	(11,017)	(64,323)
Depreciation	(102,213)	(85,940)	(38,553)	–	(68,923)	(245,956)	(541,585)
Transfer within property, plant and equipment	–	37,501	36,339	(228,502)	–	154,662	–
Currency translation differences	(60,170)	(120,756)	(58,750)	(142,344)	(22,871)	(234,183)	(639,074)
At 31 December 2022	3,005,699	2,151,024	561,980	1,910,686	274,064	1,226,193	9,129,646
At 31 December 2022:							
Cost	5,781,290	3,253,045	1,724,288	1,911,378	417,524	3,541,526	16,629,051
Accumulated depreciation and impairment	(2,775,591)	(1,102,021)	(1,162,308)	(692)	(143,460)	(2,315,333)	(7,499,405)
	3,005,699	2,151,024	561,980	1,910,686	274,064	1,226,193	9,129,646

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Hotel properties HK$'000	Land and buildings HK$'000	Scenic spots establishments HK$'000	Construction in progress HK$'000	Right-of-use assets HK$'000	Other fixed assets HK$'000	Total HK$'000
Net book value							
31 December 2021							
At 31 December 2020 and at 1 January 2021							
Cost	5,878,298	3,988,034	1,763,269	853,240	384,044	3,876,837	16,743,722
Accumulated depreciation and impairment	(2,598,386)	(1,180,623)	(1,150,078)	(7,792)	(112,951)	(2,280,991)	(7,330,821)
	3,279,912	2,807,411	613,191	845,448	271,093	1,595,846	9,412,901
At 1 January 2021	3,279,912	2,807,411	613,191	845,448	271,093	1,595,846	9,412,901
Additions	413	22,873	3,120	428,855	58,042	81,726	595,029
Adjustment for lease modification	–	–	–	–	(7,712)	–	(7,712)
Disposals and write-off	–	(729)	(891)	–	–	(28,941)	(30,561)
Depreciation	(100,800)	(74,884)	(53,849)	–	(53,600)	(305,655)	(588,788)
Surplus on revaluation	–	799,709	–	–	–	–	799,709
Transfer to investment properties	–	(1,055,500)	–	–	–	–	(1,055,500)
Transfer within property, plant and equipment	–	(208,528)	52,510	50,405	–	105,613	–
Transfers to non-current prepayments and other receivables	–	–	–	(4,183)	–	–	(4,183)
Currency translation differences	41,575	29,825	8,035	17,289	1,866	18,795	117,385
At 31 December 2021	3,221,100	2,320,177	622,116	1,337,814	269,689	1,467,384	9,238,280
At 31 December 2021:							
Cost	5,991,339	3,433,533	1,847,599	1,338,505	396,833	3,760,187	16,767,996
Accumulated depreciation and impairment	(2,770,239)	(1,113,356)	(1,225,483)	(691)	(127,144)	(2,292,803)	(7,529,716)
	3,221,100	2,320,177	622,116	1,337,814	269,689	1,467,384	9,238,280

13 PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2022, included in the Group's land and buildings amounting to HK$188,457,000 (2021: HK$288,790,000) 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 2022, certain of the Group's buildings with net carrying amounts of HK$80,538,000 (2021: HK$89,862,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

During the year ended 31 December 2022, due to continued underperformance of Zhuhai Ocean Spring Resort ("Zhuhai Resort") and Xianyang Ocean Spring Resort ("Xianyang Resort"), the management conducted impairment assessments of Zhuhai Resort and Xianyang Resort.

As at 31 December 2022, the major assets of Zhuhai Resort are land and properties with carrying values amounting to HK$1,296,000,000 (2021: HK$1,199,000,000) which belongs to tourist attraction and related operations segment. The recoverable amounts of relevant assets have been determined based on fair value less costs of disposal, which are higher than the carrying value.

As at 31 December 2022, the major assets of Xianyang Resort are land and properties with carrying values amounting to HK$260,000,000 (2021: HK$255,000,000) which belongs to tourist attraction and related operations segment. The recoverable amounts of relevant assets have been determined based on fair value less costs of disposal, which are higher than the carrying value.

At 31 December 2022, accumulated impairment losses amounted to HK$389,361,000 (2021: HK$419,020,000).

Right-of-use assets

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

	Note	**2022** **HK$'000**	2021 HK$'000
Properties leased for own use, carried at depreciated cost	(i)	**256,251**	267,584
Plant, machinery and equipment, carried at depreciated cost	(ii)	**17,813**	2,105
		274,064	269,689

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2022 **HK$'000**	2021 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**61,929**	51,786
Plant, machinery and equipment	**6,994**	1,814
	68,923	53,600
Interest on lease liabilities (Note 6)	**10,451**	11,187
Expense relating to short-term leases	**7,800**	4,577
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**68**	24
COVID-19-related rent concessions received – long-term leases	**8,305**	1,124

During the year, additions to right-of-use assets were HK$83,390,000 (2021: HK$58,042,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 28(c) and 34, respectively.

The Group early adopted the Amendment to HKFRS 16, *Leases, Covid-19-related rent concessions beyond 30 June 2021* for the year ended 31 December 2021, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group. Further details are disclosed in (i) below.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Properties leased for own use

The Group has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 30 years. During 2022, the Group received rent concessions of HK$8,305,000 (2021: HK$1,124,000) in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

(ii) Other leases

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

14 INVESTMENT PROPERTIES

	2022 **HK$'000**	2021 HK$'000
At fair value		
At 1 January	**2,736,691**	1,621,154
Changes in fair value recognised in income statement	**(90,724)**	36,255
Transfer from property, plant and equipment	**–**	1,055,500
Disposals	**(23,135)**	–
Currency translation differences	**(70,170)**	23,782
At 31 December	**2,552,662**	2,736,691

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

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

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

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**82,419**	59,769
After 1 year but within 2 years	**78,930**	47,167
After 2 year but within 3 years	**33,881**	34,627
After 3 year but within 4 years	**5,266**	27,290
After 4 year but within 5 years	**611**	–
	201,107	168,853

15 PREPAID LAND LEASE PAYMENTS

	2022 **HK$'000**	2021 HK$'000
At 1 January	**502,420**	460,900
Additions	**5,481**	54,576
Acquisition of subsidiaries (note 37(a))	**4,662**	–
Amortisation	**(25,039)**	(27,835)
Currency translation differences	**(42,274)**	14,779
At 31 December	**445,250**	502,420
Current portion included in deposits, prepayments and other receivables	**(27,039)**	(27,875)
Non-current portion	**418,211**	474,545

At 31 December 2022, included in the Group's prepaid land lease payments, amounting to HK$4,325,000 (2021: HK$Nil) were certain land payments of which the Group was in the progress of applying the land use right certificate as at the end of the reporting period. The balance are also identified as a right-of-use assets.

16 GOODWILL

	2022 **HK$'000**	2021 HK$'000
At 1 January	**1,653,540**	1,653,540
Addition through acquisition of subsidiaries (note 37(a))	**7,507**	–
Currency translation differences	**(499)**	–
At 31 December	**1,660,548**	1,653,540
Accumulated impairment	**(305,715)**	(305,084)
Net book amount	**1,354,833**	1,348,456

Impairment testing of goodwill

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

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

16 GOODWILL (continued)

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

The recoverable amount of the travel agency, travel document and related operations cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13% (2021: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

Tourist attraction operations cash-generating unit

The recoverable amount of the tourist attraction and related cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% (2021: 13%) per annum. Cash flows beyond the five-year period are extrapolated without growth.

Passenger transportation operations cash-generating unit

The recoverable amount of the passenger transportation operations was determined based on fair value less cost of disposal calculation using replacement cost and market comparison approach performed by external valuer.

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

	Travel agency, travel document and related operations		Tourist attraction and related operations		Passenger transportation operations		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**1,244,769**	1,244,769	**61,910**	55,555	**48,154**	48,132	**1,354,833**	1,348,456

Key assumptions were used in the value in use calculation of the travel agency, travel document and related operations and tourist attraction and related operations cash-generating units for the years ended 31 December 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

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

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

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

17 OTHER INTANGIBLE ASSETS

	Trademarks HK$'000	Passenger service licences and quota HK$'000	Total HK$'000
Cost:			
At 1 January 2021, 31 December, 2021, 1 January 2022 and 31 December 2022	**34,291**	**78,443**	**112,734**
Net book value:			
At 1 January 2021, 31 December, 2021, 1 January 2022 and 31 December 2022	**34,291**	**78,443**	**112,734**

18 SUBSIDIARIES

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

Material non-controlling interests

The total non-controlling interests as at 31 December 2022 is HK$1,778,121,000, of which HK$442,824,000 is attributable to Shun Tak – China Travel Shipping Investments Limited ("Shun Tak – China Travel") representing for 50% of equity for non-controlling interest, HK$312,434,000 is attributed to China Travel Service Property Investment Hong Kong Limited ("CTSPI") representing for 9.71% of equity for non-controlling interest and HK$223,752,000 is attributed to Shenzhen The World Miniature Co., Ltd. ("Window of the World") representing for 49% of equity for non-controlling interest. The non-controlling interests in respect of other subsidiaries are not material individually.

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statement of financial position

	Shun Tak – China Travel		CTSPI		Window of the World	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Non-current assets	**993,049**	1,221,148	**3,047,297**	–	**359,531**	671,249
Current assets	**372,412**	382,180	**255,638**	–	**232,028**	260,317
Non-current liabilities	**(402,333)**	(394,105)	**(45,695)**	–	**(43)**	(185,136)
Current liabilities	**(627,707)**	(434,338)	**(39,588)**	–	**(134,879)**	(189,906)
Net assets	**335,421**	774,885	**3,217,652**	–	**456,637**	556,524

18 SUBSIDIARIES (continued)

Summarised income statement

	Shun Tak – China Travel		CTSPI		Window of the World	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Revenue	**51,466**	76,885	**11,340**	–	**126,016**	265,507
Loss after taxation	**(439,756)**	(455,371)	**(58,064)**	–	**(75,759)**	(30,316)
Total comprehensive income	**(439,464)**	(457,459)	**(58,064)**	–	**(75,759)**	(30,316)
Total comprehensive income attributable to non-controlling interests	**(219,732)**	(228,725)	**(5,638)**	–	**(37,122)**	(14,855)

Summarised cash flows

	Shun Tak – China travel		CTSPI		Window of the World	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Net cash flows (used in)/ generated from operating activities	**(171,496)**	(300,298)	**455,435**	–	**(39,803)**	46,293
Net cash flows (used in)/ generated from investing activities	**(15,710)**	3,905	**(240,958)**	–	**(21,932)**	(60,363)
Net cash flows generated from/ (used in) financing activities	**188,521**	232,255	**8,957**	–	**51,986**	(23,061)
Net increase/(decrease) in cash and cash equivalents	**1,315**	(64,138)	**223,434**	–	**(9,749)**	(37,131)
Cash and cash equivalents at end of year	**130,685**	128,724	**239,468**	–	**223,586**	254,500

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

19 INTEREST IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Share of net assets	**1,300,739**	1,444,835
Provision for impairment	**(210)**	(210)
	1,300,529	1,444,625

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTEREST IN ASSOCIATES (continued)

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

Name	Particulars of issued share capital	Place of incorporation/ operations	Percentage of equity and profit sharing attributable to the Group		Principal activities
			2022	2021	
All China Express Limited#	10,000 Ordinary shares HK$10,000	Hong Kong	**30**	30	Passenger transportation
Changsha Colorful World Company Limited#	RMB100,000,000	PRC/Mainland China	**26**	26	Scenic spot operations
Huangshan Taiping Cable Car Co. Ltd.#	US$6,975,000	PRC/Mainland China	**30**	30	Cable car operations
Huangshan Yuping Cable Car Company Ltd.#	RMB19,000,000	PRC/Mainland China	**20**	20	Cable car operations
CDD International Holding Limited#	1,000,000 Ordinary shares HK$1,000,000	Hong Kong	**40**	40	Time share resort management
珠海市恒大海泉灣置業有限公司("恒大海泉灣") #	RMB821,812,000	PRC/Mainland China	**49**	49	Property development
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited#	1,000,000 Ordinary shares HK$1,000,000	Hong Kong	**20**	20	Passenger transportation
Celelight Company Limited#	HK$10,000	Hong Kong	**33.34**	33.34	Trading of fuel oil
China Ferry Terminal Services Limited#	HK$741,163	Hong Kong	**24.87**	24.87	Provision of baggage handling services at the China Ferry Terminal
杭州開元森泊旅遊投資有限公司("開元森泊") #	RMB362,500,000	PRC/Mainland China	**34**	34	Resort operations

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTEREST IN ASSOCIATES (continued)

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

Name	Particulars of issued share capital	Place of incorporation/ operations	Percentage of equity and profit sharing attributable to the Group		Principal activities
			2022	2021	
Hong Kong & Macao International Airport Transportation Service (HK) Co. Limited#	HK$5,000,000	Hong Kong	**12.50**	12.50	Investment holding
Hong Kong & Macao International Airport Transportation Service Co. Ltd. #	HK$100	Hong Kong	**12.50**	12.50	Provision of cross boundary bus service between Macau Boundary Crossing Facilities and Hong Kong International Airport via Hong Kong-ZhuhaiMacau Bridge
China International Travel Service (Macao) Ltd #	HK$5,000,000	Macau	**39**	39	Travel agency and travel relating services

Not audited by KPMG.

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

19 INTEREST IN ASSOCIATES (continued)

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

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

	開元森泊		恒大海泉灣		Other associates in aggregate		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross amounts of the associates'								
Non-current assets	**1,770,443**	1,685,935	**308**	12,494	**711,356**	873,616	**2,482,107**	2,572,045
Current assets	**221,726**	576,200	**1,470,549**	1,752,940	**765,206**	793,493	**2,457,481**	3,122,633
Non-current liabilities	**(1,274,941)**	(1,502,232)	**-**	–	**(34,902)**	(38,022)	**(1,309,843)**	(1,540,254)
Current liabilities	**(231,459)**	(337,577)	**(432,543)**	(525,832)	**(150,907)**	(155,246)	**(814,909)**	(1,018,655)
Equity	**485,769**	422,326	**1,038,314**	1,239,602	**1,290,753**	1,473,841	**2,814,836**	3,135,769
Revenue	**650,140**	768,829	**31,965**	546,270	**402,194**	464,304	**1,084,300**	1,779,403
Profit/(loss) from continuing operations	**73,668**	113,262	**(157,742)**	106,887	**(84,351)**	(69,402)	**(168,425)**	150,748
Other comprehensive income	**-**	–	**-**	–	**-**	–	**-**	–
Total comprehensive income	**73,668**	113,262	**(157,742)**	106,887	**(84,351)**	(69,402)	**(168,425)**	150,748
Dividends received from associates	**-**	–	**-**	–	**-**	(6,264)	**-**	(6,264)
Reconciled to the group's interests in the associates								
Gross amounts of net assets of associates	**485,769**	422,326	**1,038,314**	1,239,602	**1,290,753**	1,473,841	**2,814,836**	3,135,769
Group's effective interest	**34%**	34%	**49%**	49%	**-**	–	**-**	–
Group's share of net assets of associates	**165,162**	143,591	**508,774**	607,405	**309,946**	356,201	**983,882**	1,107,197
Goodwill	**295,727**	316,508	**-**	–	**20,920**	20,920	**316,647**	337,428
Carrying amount in the consolidated financial statements	**460,889**	460,099	**508,774**	607,405	**330,866**	377,121	**1,300,529**	1,444,625

20 INTEREST IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Share of net assets	**64,236**	240,627

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

Name of joint venture	Particulars of issued share capital/registered capital	Place of incorporation/ operations	Percentage of equity and profit sharing attributable to the Group 2022	2021	Principal activity
Handhuvaru Ocean Holidays Private Limited	MVR96,483,180	Maldives	**50**	–	Hotel Operation
Hong Kong International Airport Ferry Terminal Services Limited	HK$10,000	Hong Kong	**40**	40	Provision of handling services of passengers
寧波市中旅慈城古縣城旅遊發展有限公司*	RMB300 million	PRC/Mainland China	**–**	60	Scenic Spot operations
Shun Tak & CITS Coach (Macao) Limited	HK$9,708,738	Macau	**36**	36	Provision of coach service and coach rental services
Shenzhen Qing Long High-Speed Passenger Shipping Co., Ltd.	US$1,319,537	PRC/Mainland China	**40**	40	Route waterway transportation and ticket agency services

* The joint venture has been disposed on 9 December 2022.

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

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**64,236**	240,627
Aggregate amounts of the Group's share of these joint venture		
Loss from continuing operations and total comprehensive income	**(12,222)**	(27,940)
	(30,566)	(51,845)

21 OTHER FINANCIAL ASSETS

	2022 HK$'000	2021 HK$'000
Unlisted equity securities:		
At 1 January	**31,648**	27,395
Net unrealised gains recognised in other comprehensive income during the year	**2,443**	4,253
At 31 December	**34,091**	31,648

(i) The unlisted equity investments represent shares in companies engaging in the passenger transportation, tours attraction and travel agency operations. The Group designated its investments at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividends were received on these investments during the year (2021: HK$Nil). There was no disposal and no transfers of the cumulative gain or loss within equity during the year ended 31 December 2022 and 2021.

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

22 INVENTORIES

	2022 HK$'000	2021 HK$'000
Food and beverages	**53,118**	39,876
Fuel	**2,059**	1,640
Spare parts and consumables	**134,867**	135,227
General merchandise	**9,873**	8,797
	199,917	185,540

23 PROPERTIES UNDER DEVELOPMENT

	2022 HK$'000	2021 HK$'000
At 1 January	**4,281,760**	4,250,099
Additions	**377,352**	1,136,806
Reversal of impairment of property under development	**–**	29,260
Transfer to completed properties held for sale	**(1,170,394)**	(1,233,830)
Currency translation differences	**(330,420)**	99,425
At 31 December	**3,158,298**	4,281,760

23 PROPERTIES UNDER DEVELOPMENT (continued)

	2022 HK$'000	2021 HK$'000
Properties under development comprise:		
Land use rights	**2,237,213**	2,758,643
Construction cost and capitalised expenditures	**921,085**	1,523,117
	3,158,298	4,281,760

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

	2022 HK$'000	2021 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	**2,237,213**	2,758,643

The amount of properties under development expected to be recovered after more than one year is HK$1,426,950,000 (2021: HK$2,100,812,000).

24 COMPLETED PROPERTIES HELD FOR SALE

	2022 HK$'000	2021 HK$'000
At 1 January	**610,543**	374,488
Transfer from properties under development	**1,170,394**	1,233,830
Sold during the year	**(1,045,834)**	(1,012,201)
Currency translation differences	**(56,758)**	14,426
At 31 December	**678,345**	610,543

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

	2022 HK$'000	2021 HK$'000
Carrying amount of inventories sold	**1,045,834**	1,012,201

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

	2022 HK$'000	2021 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	**166,023**	84,696

The amount of properties for completed properties held for sale expected to be recovered within one year is HK$678,345,000 (2021: HK$610,543,000).

25 TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**124,709**	117,830
Less: loss allowance	**(21,044)**	(22,480)
	103,665	95,350

Ageing analysis

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

	2022 HK$'000	2021 HK$'000
Within 3 months	**44,895**	39,494
Over 3 months to 6 months	**29,404**	27,021
Over 6 months to 12 months	**22,170**	23,157
Over 1 year to 2 years	**6,447**	5,253
Over 2 years	**749**	425
	103,665	95,350

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

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

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**22,480**	19,322
Impairment losses recognised during the year	**5,902**	2,153
Impairment losses reversed	**(2,032)**	(676)
Currency translation differences	**(5,306)**	1,681
Balance at 31 December	**21,044**	22,480

As at 31 December 2022, trade receivables of HK$21,044,000 (2021: HK$22,480,000) were impaired and fully provided for. The ageing analysis of these receivables, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
Over 3 months to 6 months	**3,289**	4,265
Over 6 months to 12 months	**229**	383
Over 1 year to 2 years	**588**	765
Over 2 years	**16,938**	17,067
	21,044	22,480

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

26 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2022 HK$'000**	2021 HK$'000
Deposits, prepayments and other receivables		**865,395**	1,004,643
Amounts due from non-controlling shareholders	(a)	**–**	9,618
Amounts due from associates	(b)	**6,849**	5,941
Amount due from a related company	(b)	**–**	479
		872,244	1,020,681
Less: non-current portion of prepayments and other receivables		**(481,398)**	(524,486)
		390,846	496,195

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

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

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

Notes:

(a) The balances include the amount due from a non-controlling shareholder of Macao CTS Passenger Road Transport Company Ltd., approximately HK$Nil (2021: HK$9,618,000). The balance are unsecured and interest-free and recoverable on demand.

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

27 DERIVATIVE FINANCIAL INSTRUMENT

	2022	2021
Derivative financial asset	**22,748**	41,591

28 CASH AND BANK BALANCES

(a) Cash and bank balances comprise:

	2022 **HK$'000**	2021 HK$'000
Cash and bank balances	**1,722,113**	2,480,104
Time deposits	**1,079,920**	604,355
	2,802,033	3,084,459
Less: pledged time deposits	**(4,057)**	(9,967)
Cash and bank balances in the consolidated statement of financial position	**2,797,976**	3,074,492
Less: Deposits with maturity of more than three months	**(382,519)**	(12,944)
Cash and cash equivalents in the consolidated cash flow statement	**2,415,457**	3,061,548

	2022 **HK$'000**	2021 HK$'000
Maximum exposure to credit risks	**2,799,208**	3,081,634

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

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$2,186,487,000 (2021: HK$2,892,242,000). The RMB is not freely convertible into other currencies. However, under "Mainland China's Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Provisions", the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

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

28 CASH AND BANK BALANCES (continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Bank and other borrowings HK$'000	Loans from holding companies HK$'000	Loans from an associate HK$'000	Lease liabilities HK$'000	Interest payable HK$'000	Total HK$'000
At 1 January 2021	146,621	514,130	–	291,100	–	951,851
Changes from financing cash flows:						
Proceeds from new loans	460,215	–	472,178	–	–	932,393
Repayments of loans	(86,154)	(432,421)	–	–	–	(518,575)
Capital element of lease rentals paid	–	–	–	(58,633)	–	(58,633)
Interest element of lease rentals paid	–	–	–	(11,187)	–	(11,187)
Finance cost paid	–	–	–	–	(24,034)	(24,034)
Total changes from financing cash flows	374,061	(432,421)	472,178	(69,820)	(24,034)	319,964
Other changes						
Finance costs (Note 6)	–	–	–	11,187	24,034	35,221
Increase in lease liabilities from entering into new lease during the year	–	–	–	50,330	–	50,330
COVID-19-related rent concessions received (Note 13)	–	–	–	(1,124)	–	(1,124)
Currency translation differences	8,202	2,684	7,274	1,805	–	19,965
At 31 December 2021 and 1 January 2022	**528,884**	**84,393**	**479,452**	**283,478**	**–**	**1,376,207**
Changes from financing cash flows:						
Proceeds from new loans	**315,558**	**710,597**	**–**	**–**	**–**	**1,026,155**
Repayments of loans	**(174,360)**	**–**	**–**	**–**	**–**	**(174,360)**
Capital element of lease rentals paid	**–**	**–**	**–**	**(71,945)**	**–**	**(71,945)**
Interest element of lease rentals paid	**–**	**–**	**–**	**(10,451)**	**–**	**(10,451)**
Finance cost paid	**–**	**–**	**–**	**–**	**(21,490)**	**(21,490)**
Total changes from financing cash flows	**141,198**	**710,597**	**–**	**(82,396)**	**(21,490)**	**747,909**
Other changes						
Finance costs (Note 6)	**–**	**–**	**–**	**10,451**	**21,490**	**31,941**
Increase in lease liabilities from entering into new lease during the year	**–**	**–**	**–**	**96,169**	**–**	**96,169**
COVID-19-related rent concessions received (Note 13)	**–**	**–**	**–**	**(8,305)**	**–**	**(8,305)**
Loan capitalisation	**–**	**(442,264)**	**–**	**–**	**–**	**(442,264)**
Currency translation differences	**(15,169)**	**(18,001)**	**(40,615)**	**(26,936)**	**–**	**(100,721)**
At 31 December 2022	**654,913**	**334,725**	**438,837**	**272,461**	**–**	**1,700,936**

28 CASH AND BANK BALANCES (continued)

(c) Total cash outflow for leases

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

	2022 **HK$'000**	2021 HK$'000
Within operating cash flows	**(437)**	3,589
Within financing cash flows	**82,396**	69,820
	81,959	73,409

29 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES

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

(a) Loans to fellow subsidiaries

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

The loan to China Travel Financial Investment Holding Co., Limited is unsecured, interest-bearing at the 6 month London Interbank Offered Rate ("LIBOR") plus 2.6% per annum and recoverable on 16 May 2021. The loan had been settled by cash on 16 May 2021.

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

The loan to Hong Kong China Travel Service Investment (China) Limited is unsecured, interest-bearing at 4.35% per annum and recoverable on 1 August 2023.

(b) Loans from holding companies

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

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

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

The loans from China Tourism Group Corporation Limited are unsecured, interest bearing at 1.2% per annum and repayable on 23 May 2023 and 25 May 2023.

The loan from China Travel Service (Holdings) Hong Kong Limited is unsecured, interest-bearing at 2.8% per annum and repayable on 26 October 2023.

29 BALANCES WITH HOLDING COMPANIES AND FELLOW SUBSIDIARIES (continued)

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

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

	2022 HK$'000	2021 HK$'000
Amounts due from holding companies		
Within 1 year	**2,742**	5,180
Amounts due from fellow subsidiaries		
Within 1 year	**322,947**	271,778

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The above balances do not contain impaired assets.

	2022 HK$'000	2021 HK$'000
Amounts due to holding companies		
Within 1 year	**1,302**	1,166
Amounts due to fellow subsidiaries		
Within 1 year	**34,303**	25,351

30 TRADE PAYABLES

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

	2022 HK$'000	2021 HK$'000
Within 3 months	**279,393**	261,843
Over 3 months to 6 months	**121,059**	119,737
Over 6 months to 12 months	**113,086**	100,646
Over 1 year to 2 years	**192,586**	181,079
Over 2 years	**38,877**	23,203
	745,001	686,508

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

31 OTHER PAYABLES AND ACCRUALS

	Note	2022 HK$'000	2021 HK$'000
Construction in progress payables		**203,409**	474,554
Accrued employee benefits		**238,242**	170,467
Contract liabilities	(a)	**280,292**	1,341,203
Amounts due to non-controlling shareholders		**219,799**	137,649
Amount due to an associate	(b)	**120,244**	71,313
Loan from an associate	(c)	**438,837**	479,452
Other payable and accruals		**857,440**	831,250
		2,358,263	3,505,888

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

Except of the balance of HK$74,318,000 (2021: HK$76,051,000) are settled after 1 year, all of the remaining balance are settled or recognised as expense within 1 year.

(a) Contract liabilities

	2022 HK$'000	2021 HK$'000
Contract liabilities		
Property development		
– Forward sales deposits and instalments received	**147,754**	1,092,128
Service contracts		
– Billings in advance of performance	**132,538**	249,075
	280,292	1,341,203

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

– ***Property development***

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

31 OTHER PAYABLES AND ACCRUALS (continued)

(a) Contract liabilities (continued)

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

– ***Service contracts***

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

Movements in contract liabilities

	2022 **HK$'000**	2021 HK$'000
Balance at 1 January	**1,341,203**	1,455,120
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(1,341,203)**	(785,460)
Increase in contract liabilities as a result of billing in advance of service contracts	**42,667**	81,879
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of properties still under construction as at the year end	**237,625**	589,664
Balance at 31 December	**280,292**	1,341,203

There is no amount of billings in advance of performance and forward sales deposits and instalments received expected to be recognised as income after more than one year (2021: HK$Nil).

(b) Amount due to an associate

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

(c) Loan from an associate

Loan from an associate is unsecured, interest-free and repayable on demand.

32 DEFERRED INCOME

Deferred income primarily represents government grant income.

33 BANK AND OTHER BORROWINGS

	2022			2021		
	Contractual interest rate per annum (%)	Maturity	HK$'000	Contractual interest rate per annum (%)	Maturity	HK$'000
Current						
Bank loan – secured	1-year Loan Prime Rate ("LPR")	2023	89,559	1-year Loan Prime Rate ("LPR")	2022	24,462
Bank loan – secured	N/A	N/A	–	1-year LPR + 0.7%	2022	85,274
Bank loan – unsecured	3-months Hong Kong Interbank Offered Rate ("HIBOR") + 1.5%	2023	350,000	3-months Hong Kong Interbank Offered Rate ("HIBOR") + 1.5%	2022	220,000
Bank loan – unsecured	4.23%-4.28%	2023	765	N/A	N/A	–
Other borrowings – unsecured	Interest-free	on demand	3,801	Interest-free	on demand	3,801
			444,125			333,537
Non-current						
Bank loan – secured	1-year LPR	2025	11,195	1-year LPR	2023	61,155
Bank loan – secured	N/A	N/A	–	1-year LPR + 0.7%	2023	85,298
Bank loan – unsecured	1-year LPR + 0.8%	2024	5,597	N/A	N/A	–
Bank loan – unsecured	4.23%-4.28%	2024	18,310	N/A	N/A	–
Bank loan – secured	1-year LPR + 0.9%	2026	175,686	1-year LPR + 0.9%	2026	48,894
			210,788			195,347
Bank and other borrowings			654,913			528,884

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

	2022 HK$'000	2021 HK$'000
Hong Kong dollar	353,801	223,801
Renminbi	301,112	305,083
	654,913	528,884

33 BANK AND OTHER BORROWINGS (continued)

At 31 December 2022, the Group's borrowings were repayable as follows:

	2022 HK$'000	2021 HK$'000
Bank loans:		
Within 1 year	**440,324**	329,736
Between 1 and 2 years	**53,619**	148,898
Between 3-5 years	**157,169**	46,449
	651,112	525,083
Other borrowings:		
Within 1 year	**3,801**	3,801
	654,913	528,884

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

At 31 December 2022, the banking facilities of the Group were secured by land and building with carrying value of HK$80,538,000 (2021: HK$89,862,000), land use right with original cost of HK$6,260,000 (2021: HK$1,652,408,000), properties under development with carrying value of HK$1,572,793,000 (2021: HK$605,952,000) and ticketing right of a scenic spot.

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 43. As at 31 December 2022, none of the covenants relating to drawn down facilities had been breached (2021: Nil).

34 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**53,180**	47,519
After 1 year but within 2 years	**28,097**	38,829
After 2 years but within 5 years	**26,712**	69,541
After 5 years	**164,472**	127,589
	219,281	235,959
	272,461	283,478

35 DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Surplus on revaluation of properties HK$'000	Surplus on revaluation of financial assets HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	**122,325**	**95,253**	**1,289**	**257,263**	**11,808**	**197,441**	**685,379**
Deferred tax charged/(credited) to the income statement	**6,158**	**759**	**–**	**(20,523)**	**4,000**	**–**	**(9,606)**
Acquisition of subsidiaries	**–**	**–**	**–**	**3,228**	**–**	**–**	**3,228**
Currency translation differences	**(4,078)**	**–**	**–**	**(1,850)**	**–**	**(16,725)**	**(22,653)**
Deferred tax charged to other comprehensive income	**–**	**–**	**295**	**–**	**–**	**–**	**295**
At 31 December 2022	**124,405**	**96,012**	**1,584**	**238,118**	**15,808**	**180,716**	**656,643**
At 1 January 2021	118,510	90,682	917	275,963	8,688	191,801	686,561
Deferred tax charged/(credited) to the income statement	2,391	4,571	–	(20,171)	3,120	–	(10,089)
Currency translation differences	1,424	–	–	1,471	–	5,640	8,535
Deferred tax charged to other comprehensive income	–	–	372	–	–	–	372
At 31 December 2021	122,325	95,253	1,289	257,263	11,808	197,441	685,379

35 DEFERRED TAX (continued)

Deferred tax assets

	Unrealised gain on land contribution to associate HK$'000	Depreciation charge of right-of-use assets HK$'000	Provision and accruals HK$'000	Deferred tax on unpaid LAT HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Deferred income HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2022	**(10,168)**	**(1,290)**	**(11,205)**	**(11,211)**	**(232)**	**(28,531)**	**(264,424)**	**(327,061)**
Deferred tax charged/(credited) to the income statement	**6,357**	**(760)**	**1,042**	**(16,246)**	**6**	**4,547**	**(94,325)**	**(99,379)**
Currency translation differences	**604**	**140**	**1,119**	**1,607**	**8**	**2,233**	**22,400**	**28,111**
At 31 December 2022	**(3,207)**	**(1,910)**	**(9,044)**	**(25,850)**	**(218)**	**(21,751)**	**(336,349)**	**(398,329)**
At 1 January 2021	(11,065)	(3,564)	(15,829)	(5,259)	(773)	–	(222,983)	(259,473)
Deferred tax charged/(credited) to the income statement	1,204	2,293	4,663	(5,952)	545	(28,098)	(38,542)	(63,887)
Currency translation differences	(307)	(19)	(39)	–	(4)	(433)	(2,899)	(3,701)
At 31 December 2021	(10,168)	(1,290)	(11,205)	(11,211)	(232)	(28,531)	(264,424)	(327,061)

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

	2022 HK$'000	2021 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(398,329)**	(327,061)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**656,643**	685,379
	258,314	358,318

The Group has tax losses arising in Hong Kong of HK$101,289,000 (2021: HK$93,535,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$672,148,000 (2021: HK$628,160,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

36 SHARE CAPITAL

	2022 Number of shares	2022 HK$'000	2021 Number of shares	2021 HK$'000
Issued and fully paid:				
Ordinary shares				
At 1 January and 31 December	**5,536,633,709**	**9,222,295**	5,536,633,709	9,222,295

37 BUSINESS COMBINATIONS

(a) Acquisition of CTS Bairui Xinjiang Tourism Development Co., Ltd.

On 10 December 2021, CTS Scenery Resort Investment Company Limited ("CTS Scenery"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with existing shareholders of CTS Bairui Xinjiang Tourism Development Co., Ltd ("CTS Bairui") to inject RMB92,000,000 into the share capital of CTS Bairui which represents 61.33% of the issued share capital of CTS Bairui. Upon the completion, CTS Bairui will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results. The transaction was completed on 5 January 2022.

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

	5 January 2022 HK$'000
Total consideration	
Cash paid	112,890
Recognised amounts of identifiable assets acquired and liabilities assumed fair value	
Property, plant and equipment	120,274
Prepaid land lease	4,662
Goodwill	7,507
Inventories	1,713
Trade and other receivables	2,340
Cash at bank	159,680
Trade and other payables	(95,579)
Lease liabilities	(12,779)
Deferred tax liabilities	(3,228)
Non-controlling interest	972
Total identifiable net assets	185,562

37 BUSINESS COMBINATIONS (continued)

(a) Acquisition of CTS Bairui Xinjiang Tourism Development Co., Ltd. (continued)

The following table summarises the gain on bargain purchase recognised at the acquisition date.

	5 January 2022 HK$'000
Consideration transferred	112,890
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of CTS Bairui	71,757
Fair value of identified net assets	(185,562)
Gain on bargain purchase	(915)

The gain on bargain purchase of HK$915,000 will be recognised in the line of "other income and gains, net" of the consolidated income statement. The gain on bargain purchase is mainly due to the Group's bargaining power and ability in negotiating the agreed terms with the seller.

	5 January 2022 HK$'000
Cash consideration	(112,890)
Cash and bank balances in subsidiary acquired	159,680
Cash inflow on acquisition	46,790

(b) Deemed disposal of China Travel Service Property Investment Hong Kong Limited

On 29 June 2022, China Travel Service Property Investment Hong Kong Limited ("CTSPI"), a subsidiary of the Company, entered into a subscription agreement with China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), the immediate holding company of the Company, pursuant to which, CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, 1,075 new ordinary shares at a subscription amount of RMB400,000,000. Upon completion of the disposal, the equity interest in CTSPI indirectly held by the Company will be diluted from 100% to 90.29%. The transaction constituted a deemed disposal transaction.

The transaction was completed on 10 October 2022 and the non-controlling interest is recognised with the balance of HK$318,072,000 on that day.

(c) Disposal of China Travel Service (Hong Kong) Limited and its wholly-owned subsidiaries

On 9 August 2019, Alton Services Limited ("Alton"), a wholly-owned subsidiary of the Company, entered into an agreement ("the Agreement") in relation to the sale of its entire equity interest in China Travel Service (Hong Kong) Limited (formerly known as China Travel (HK & Macau Tour) Management Hong Kong Limited) and its wholly-owned subsidiaries (together the "New CTSHK Group") within the travel agency, travel document and related operations segment, for a consideration of approximately HK$5,130,000 to CTG Travel Service Co., Ltd., a fellow subsidiary of the Company. The transaction was completed in May 2021 and resulted in a gain of approximately HK$216,115,000.

37 BUSINESS COMBINATIONS (continued)

(c) Disposal of China Travel Service (Hong Kong) Limited and its wholly-owned subsidiaries (continued)

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

	HK$'000
Assets	
Property, plant and equipment	37,030
Investment properties	25,800
Inventories	268
Trade receivables	6,193
Deferred tax assets	7,978
Deposits, prepayments and other receivables	112,502
Cash and bank balances	110,731
	300,502
Liabilities	
Trade payables	(75,284)
Other payable and accruals	(429,222)
Deferred tax liabilities	(3,065)
	(507,571)
Net liabilities	(207,069)
Release of exchange reserve	(3,916)
Gain on disposal of a subsidiary	216,115
Total consideration	5,130
Cash received	5,130
Net cash flows arising from the disposal	
Cash received	5,130
Cash and cash equivalents disposed of	(110,731)
Direct cost of disposal	(6,827)
	(112,428)

37 BUSINESS COMBINATIONS (continued)

(d) Disposal of CTS (Dengfeng) Songshan Shaolin Culture Toursim Co. Ltd.

On 8 October 2020, the Board announced that the Company intended to dispose of its 51% equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("CTS (Dengfeng)") and the entire shareholder's loan owed by CTS (Dengfeng) to the Company as at the date of open listing through Public Tender to be conducted on the China Beijing Equity Exchange. On 10 December 2020, after the expiry of the initial public tender period, CTS (Dengfeng) has repaid the Shareholder's Loan of CTS (Dengfeng) of approximately RMB63,143,130 to the Company. In light of the response of the market and condition, the Company decided to proceed with a second open tender with the bid price adjusted downward. Accordingly, the Company made an open tender again from 16 December 2020 to 13 January 2021 on the website of China Beijing Equity Exchange in respect of the disposal of CTS (Dengfeng). On 25 January 2021, after the completion of transaction process at China Beijing Equity Exchange, the Company has entered into the Equity Transfer Agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited ("Deng Feng"), pursuant to which the Company has agreed to dispose of and Deng Feng has agreed to purchase CTS (Dengfeng) at the consideration of approximately RMB255,112,200. The transaction was completed in April 2021 and resulted in a gain of approximately HK$13,020,000.

Analysis of the assets and liabilities of CTS (Dengfeng) upon disposal was as follows:

	HK$'000
Assets	
Property, plant and equipment	246,276
Prepaid land lease payments	261,698
Intangible assets	90,255
Inventories	53
Trade receivables	120
Deposits, prepayments and other receivables	87,046
Deferred tax assets	8,925
Cash and bank balances	28,327
	722,700
Liabilities	
Other payable and accruals	(117,050)
Deferred income	(1,202)
Deferred tax liabilities	(21,202)
Lease liabilities	(43,262)
	(182,716)
Net assets	539,984
Non-controlling interest	(264,592)
Tax impact	10,609
Release of exchange reserve	(11,976)
Gain on disposal of a subsidiary	13,020
Total consideration	287,045
Cash received	287,045
Net cash flows arising from the disposal	
Cash received	287,045
Cash and cash equivalents disposed of	(28,327)
Direct cost of disposal	(558)
	258,160

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2022	2021	Principal activities
Aldington International Ltd. [4]	Western Samoa	10 ordinary shares of US$1 each	**100**	100	Investment holding
Beijing CTS (Hong Kong) Grand Metropark Hotel Co., Ltd. [3,4]	PRC/Mainland China	US$12,000,000	**100**	100	Property investment holding and hotel operations
China Heaven Creation International Performing Arts Co., Ltd. [3,4,5]	PRC/Mainland China	RMB29,640,000	**78**	78	Production of arts performances
China Travel Service Entry Permit Service Hong Kong Limited	Hong Kong	10 ordinary shares HK$1,000 10,000 non-voting deferred shares HK$1,000,000	**100**	100	Air ticketing agency
China Travel Express Ltd.	Hong Kong	10,000 ordinary shares HK$10,000	**100**	100	Passenger transportation
China Travel Hi-Tech Computer Hong Kong Ltd.	Hong Kong	10,000,000 ordinary shares HK$10,000,000	**100**	100	Trading of computer equipment, provision of computer services and investment holding
China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. [2,5]	PRC/Mainland China	US$231,000,000	**100**	100	Hot spring resort operations
China Travel Service Property Investment Hong Kong Limited	Hong Kong	11,075 ordinary shares HK$468,001,000 1,000,000 non-voting deferred shares HK$100,000,000	**90.29**	100	Tour operations, PRC entry permit handling agency, investment holding and travel agency
China Travel Tours Transportation Services Hong Kong Ltd. [6]	Hong Kong	2 ordinary shares HK$200 5,000 non-voting deferred shares HK$500,000	**50**	50	Passenger transportation
CTS H.K. Metropark Hotels Management Company Ltd.	Hong Kong	100,001 ordinary shares HK$100,001	**100**	100	Hotel management
北京港中旅維景國際酒店管理有限公司[3,4]	PRC/Mainland China	HK$5,000,000	**100**	100	Hotel management
CTS Scenery Resort Investment Company Ltd. [2,4]	PRC/Mainland China	RMB132,250,000	**100**	100	Investment in and management of resort hotels and scenic spots
中旅(深圳)城市發展有限公司	PRC/Mainland China	RMB326,000,000	**100**	100	Golf club operations

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2022	2021	Principal activities
Glading Development Ltd.	Hong Kong	2 ordinary shares HK$2 2 non-voting deferred shares HK$2	**100**	100	Property investment holding and hotel operations
Guangdong CTS (HK) & Jinhuang Transportation Ltd. [2,4,6]	PRC/Mainland China	HK$30,000,000	**50**	50	Passenger transportation
Hotel Metropole Holdings Ltd.	BVI/Hong Kong	1 ordinary share of US$1 each 100 non-voting deferred shares of US$1 each	**100**	100	Property investment holding and hotel operations
Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd. [3,4]	PRC/Mainland China	RMB3,800,000	**80**	80	Cable car operations
Mart Harvest Ltd.	Hong Kong	2 ordinary shares HK$2 100 non-voting deferred shares HK$100	**100**	100	Property investment holding
Metrocity Hotel Ltd.	BVI/Hong Kong	1 ordinary share of US$1 each 100 non-voting deferred shares of US$1 each	**100**	100	Property investment holding and hotel operations
Mutual Great (Hong Kong) Ltd. [5]	Hong Kong	1 ordinary share HK$1	**100**	100	Investment holding
New Bus Holdings Ltd. [6]	Hong Kong	1,000,000 ordinary shares HK$1,000,000	**40**	40	Passenger transportation
Splendid China [1,5]	PRC/Mainland China	RMB184,000,000	**51**	51	Tourist attraction operations
Window of the World [1,5]	PRC/Mainland China	US$29,500,000	**51**	51	Tourist attraction operations
Sociedade De Fomento Predial Fu Wa (Macau), Limitada	Macau	MOP200,000	**100**	100	Property investment holding and hotel operations
Triumph King Ltd.	Hong Kong	2 ordinary shares HK$2 100 non-voting deferred shares HK$100	**100**	100	Property investment holding
Well Done Enterprises Inc.	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Property investment holding and hotel operations
CTS (Xianyang) Ocean Spring Resort Co., Ltd. [1]	PRC/Mainland China	RMB451,000,000	**89.14**	89.14	Hot spring resort operations

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2022	2021	Principal activities
北京港中旅數碼科技有限公司[2,4]	PRC/Mainland China	HK$3,900,000	**100**	100	Travel agency management and software system development
深圳市港中旅快綫運輸有限公司[3,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation and investment holding
珠海市港中旅快線有限公司[2,4]	PRC/Mainland China	RMB10,000,000	**100**	100	Passenger transportation
CTS (Anji) Tourism Development Company Limited [1,5]	PRC/Mainland China	US$82,834,661	**97.09**	97.09	Tourist attraction operations
珠海海泉灣博派會展服務有限公司[3]	PRC/Mainland China	RMB6,000,000	**60**	60	Conference and exhibition operations
Shapotou [1,5,6]	PRC/Mainland China	RMB192,117,800	**46**	46	Tourist attraction operations
CTS (Ningxia) Shapotou Cable Car Co., Ltd. [1,5]	PRC/Mainland China	RMB8,100,000	**51**	51	Tourist attraction operations
港中旅(深圳)旅遊管理有限公司[2,4,5]	PRC/Mainland China	RMB1,000,000	**100**	100	Tourist attraction management
內蒙古港中旅天創景區建設管理有限公司[3,4]	PRC/Mainland China	RMB50,000,000	**78**	78	Tourist attraction management
CTSHK Transportation (Macao) Company Limited [4]	Macau	MOP5,000,000	**100**	100	Passenger transportation
中旅風景(北京)旅遊管理有限公司[4]	PRC/Mainland China	RMB5,000,000	**100**	100	Tourist attraction consulting services
中旅(廣西寧明)岩畫旅遊文化有限公司(previously known as 廣西寧明中旅邑來旅遊文化有限公司)	PRC/Mainland China	RMB1,000,000,000	**51**	51	Tourist attraction operations
廣西中旅德天瀑布開發有限公司[3,4,5]	PRC/Mainland China	RMB1,000,000,000	**70**	70	Tourist attraction operations
Shun Tak-China Travel Shipping Investments Limited [6]	BVI/Hong Kong	US$10,000	**50**	50	Investment holding
Shun Tak-China Travel Ferries Limited [6]	BVI/Hong Kong	US$2	**50**	50	Investment holding
Shun Tak – China Travel Macau Ferries Limited [6]	BVI/Hong Kong	US$1	**50**	50	Shipping

(Expressed in Hong Kong dollars unless otherwise indicated)

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%) 2022	2021	Principal activities
FEH Company Limited [6]	Macau	MOP100,000	**50**	50	Shipping
Shun Tak China Travel Ship Management (Macau) Limited [6]	Macau	MOP10,000,000	**50**	50	Shipping management
STCT Ferry Services (Macau) Limited [6]	Macau	MOP10,000,000	**50**	50	Shipping
Estoril Tours Travel Agency Limited [6]	Macau	MOP1,000,000	**50**	50	Travel agency
Far East Hydrofoil Company, Limited [6]	Hong Kong	HK$2,000	**50**	50	Shipping
Shun Tak-China Travel Ship Management Limited [6]	Hong Kong	HK$200	**50**	50	Ship management
Celeworld Limited [6]	Hong Kong	HK$10	**50**	50	Fuel supply
Ocean Shipbuilding & Engineering Limited [6]	Hong Kong	HK$200	**50**	50	Ship repairing
Shun Tak-China Travel Turbojet Limited [6]	Hong Kong	HK$20	**50**	50	Provision of food and beverage services
Shun Tak-China Travel International Marine Consultant Limited [6]	Hong Kong	HK$2	**50**	50	Investment holding
Turbojet Ferry Services (Guangzhou) Limited [6]	Hong Kong	HK$2	**50**	50	Investment holding
Turbojet Shipyard Limited [6]	Hong Kong	HK$2	**50**	50	Shipping repairment
Hongkong Macao Hydrofoil Company, Limited [6]	Hong Kong	HK$10,000,000	**50**	50	Shipping
Sino Advantage Limited [6]	Hong Kong	HK$2	**50**	50	Logistics and courier services
Shun Tak-China Travel International Logistics Investment Limited [6]	Hong Kong	HK$2	**50**	50	Investment holding
Turbojet Travel Services Limited [6]	Hong Kong	HK$750,000	**50**	50	Travel agency
CTS Bairui Xinjiang Tourism Development Co. Ltd. [4]	PRC/Mainland China	RMB150,000,000	**61.33**	–	Tourist attraction operations

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

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

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

1 Sino-foreign equity joint ventures

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

3 Registered as limited liability companies under PRC law

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

5 Directly owned by the Company

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

39 CONTINGENT LIABILITIES

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

	2022 **HK$'000**	2021 HK$'000
Performance bond given to a customer for due performance of a sales contract	**300**	300

40 OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its certain property, plant and equipment and investment properties (notes 13 and 14) under operating lease arrangements. Leases for investment properties are negotiated for terms ranging from one to ten years, and those for certain property, plant and equipment for terms ranging from one to five years. The terms of the leases for investment properties generally require the tenants to pay security deposits.

At 31 December 2022, the Group had future aggregate minimum lease receivables under non-cancellable operating leases with its tenants as follows:

	2022 **HK$'000**	2021 HK$'000
Equipment and motor vehicles:		
Within one year	**4,173**	4,569
In the second to fifth years, inclusive	**2,368**	2,183
	6,541	6,752

41 COMMITMENTS

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

	2022 HK$'000	2021 HK$'000
Property project, land and buildings:		
Contracted, but not provided for	**1,622,532**	879,265
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**64,310**	16,900
Scenic spots:		
Contracted, but not provided for	**153,505**	355,013
Unpaid capital contribution to a subsidiary:		
Contracted, but not provided for	**113,495**	124,000
Unpaid capital contribution to a joint venture:		
Contracted, but not provided for	**–**	35,139

42 RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

	Note	**2022 HK$'000**	2021 HK$'000
Travel-related income from	(a)		
– immediate holding company#*		**83,901**	69,385
– fellow subsidiaries*		**3,937**	1,252
– associates		**–**	8,944
Hotel-related income from	(a)		
– immediate holding company		**–**	140
– fellow subsidiaries		**24**	155
Management income from	(b)		
– fellow subsidiaries*		**65,037**	64,872

42 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

	Note	**2022 HK$'000**	2021 HK$'000
Rental income from	(c)		
– immediate holding company*		**3,868**	4,689
– fellow subsidiaries*		**12,415**	4,270
– a non-controlling shareholder		**2,532**	4,432
– a related party		**1,795**	1,853
Interest income from loans to			
– fellow subsidiaries		**12,038**	13,146
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		**(3,694)**	(10,780)
Management expenses paid to	(b)		
– fellow subsidiaries*		**(3,995)**	(1,016)
Lease Liabilities due to:	(d)		
– immediate holding company*		**3,403**	1,428
– fellow subsidiaries*		**669**	1,502
– other related parties		**138,945**	174,337
Related interest expense (lease liabilities):	(d)		
– immediate holding company*		**(86)**	(91)
– fellow subsidiaries*		**(34)**	(92)
– other related parties		**(7,410)**	(8,827)
Amount of rent payable per month:	(d)		
– immediate holding company*		**(368)**	(90)
– fellow subsidiaries*		**(136)**	(53)
– other related parties		**(1,991)**	(1,890)
Other operating expenses paid to			
– a related party		**–**	(19,072)

42 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

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

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

Notes:

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

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

(c) Rental income is charged in accordance with respective tenancy agreements.

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

42 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

(i) On 26 May 2017, China Tourism Group Corporation Limited ("CTG"), as lender, entered into a loan agreement with CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou"), as borrower, for a term of three years commencing from 26 May 2017 and with repayable on demand clause, pursuant to which CTG has agreed to provide a loan of RMB30,000,000 to Shapotou. On 26 May 2020, the Company entered into an extension agreement with CTG to extend the loan maturity date to 25 May 2023. The interest rate shall be the fixed rate 1.2% per annum. As at 31 December 2022, the arrangement remained effective with RMB30,000,000 withdrawn (2021: RMB30,000,000).

(ii) On 24 May 2017, CTG, as lender, entered into a loan agreement with CTS (Anji) Tourism Development Company Limited ("Anji"), as borrower, for a term of three years commencing from 24 May 2017 and with repayable on demand clause, pursuant to which CTG has agreed to provide a loan of RMB39,000,000 to Anji. On 24 May 2020, CTG and Anji renewed the loan agreement for a term commencing from 24 May 2020 and expiring on 23 May 2023. The interest rate of the loan made under the loan agreement shall be the fixed rate 1.2% per annum. As at 31 December 2022, the arrangement remained effective with RMB39,000,000 withdrawn (2021: RMB39,000,000).

(iii) On 11 June 2020, China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), as lender, entered into the Loan Agreement with the Company, as borrower, for a term of one year commencing from 11 June 2020 and ending on 10 June 2021, pursuant to which CTS (Holdings) has agreed to provide a loan of USD30,000,000 to the Company. The interest rate shall be the 1-month LIBOR plus 2.6% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 1 month from the loan drawdown date. The loan had been settled by cash on 10 June 2021.

(iv) On 22 September 2020, CTS (Holdings), as lender, entered into the Loan Agreement with the Company, as borrower, for a term of one year commencing from 22 September 2020 and ending on 21 September 2021, pursuant to which CTS (Holdings) has agreed to provide a loan of HKD200,000,000 to the Company. The interest rate shall be the 3-month HIBOR plus 0.75% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 3 month from the loan drawdown date. The loan had been settled by cash on 21 September 2021.

(v) On 18 May 2018, the Company, as lender, entered into a loan agreement with China Travel Financial Investment Holdings Co., Ltd. ("CTS Finance Investment"), as borrower, for a term of one year commencing from 18 May 2018 and ending on 17 May 2019, pursuant to which the Company has agreed to provide a loan of USD20,000,000 to CTS Finance Investment. On 17 May 2019, the Company entered into an extension agreement with CTS Finance Investment to extend the loan maturity date to 17 May 2020. On 27 May 2020, the Company entered into an extension agreement with CTS Finance Investment to extend the loan maturity date to 16 May 2021. Under both agreements, the interest rate shall be the 6-month LIBOR plus 2.6% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 6 months from the loan drawdown date. The loan had been settled by cash on 16 May 2021. These transactions also constitute connected transactions as defined under Listing Rules.

42 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

(vi) On 8 November 2018, the Company and China National Travel Service (HK) Finance Company Limited ("CTS Finance") entered into a financial services framework agreement in respect of the provision of (i) deposit services, (ii) the comprehensive credit line services, (iii) the entrustment loan services; and (iv) the cross-border RMB cash pooling services by CTS Finance for a term commenced from 1 January 2019 and ending on 31 December 2021. On 16 November 2021, the Company entered into an extension agreement with CTS Finance to extend the terms of such services for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. As at 31 December 2022, the related deposit balance was RMB726,928,723 withdrawn (2021: RMB986,845,331). These transactions also constitute continuing connected transactions as defined under Listing Rules.

(vii) On 2 August 2019, CTS (Shenzhen) Travel Management Company Limited ("CTS (Shenzhen)"), as lender, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited ("CTS (China) Investment"), as borrower, for a term of three years commencing from 2 August 2019 and ending on 1 August 2022, pursuant to which CTS (Shenzhen) has agreed to provide a loan of RMB210,000,000 to CTS (China) Investment. The interest rate shall be the fixed rate 5.225% per annum. On 2 August 2022, CTS (Shenzhen) entered into a renewal agreement with CTS (China) Investment to extend the loan maturity date to 1 August 2023. The interest rate shall be revised at the fixed rate of 4.35% per annum. As 31 December 2022, the arrangement remained effective with RMB210,000,000 (2021: RMB210,000,000) withdrawn.

(viii) On 26 October 2022, CTS (Holdings), as lender, entered into the Loan Agreement with the Company, as borrower, for a term of one year commencing from 26 October 2022 and ending on 26 October 2023, pursuant to which CTS (Holdings) has agreed to provide a loan of RMB230,000,000 to the Company. The interest rate of the loan made under the loan agreement shall be the fixed rate of 2.8% per annum. As at 31 December 2022, the arrangement remained effective with RMB230,000,000 withdrawn (2021: Nil).

(b) Key management personnel remuneration

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

	2022 **HK$'000**	2021 HK$'000
Short term employee benefits	**10,320**	22,257
Total remuneration paid to key management personnel	**10,320**	22,257

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

(c) Commitments with related parties

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

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities mainly comprise other financial assets, trade and other receivables, financial assets at fair value through profit or loss, pledged time deposits, cash and bank balances, trade payables, other payables and accruals, and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Liquidity risk

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

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:

	2022				
	Carrying value HK$'000	**Within 1 year or on demand HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**745,001**	**745,001**	**–**	**–**	**745,001**
Other payables and accruals	**2,358,263**	**2,077,971**	**–**	**–**	**2,077,971**
Loans from a holding company	**334,725**	**334,725**	**–**	**–**	**334,725**
Lease liabilities	**272,461**	**61,454**	**76,383**	**205,870**	**343,707**
Amounts due to holding companies	**1,302**	**1,302**	**–**	**–**	**1,302**
Amounts due to fellow subsidiaries	**34,303**	**34,303**	**–**	**–**	**34,303**
Bank and other borrowings	**654,913**	**459,564**	**228,781**	**–**	**688,345**
	4,400,968	**3,714,320**	**305,164**	**205,870**	**4,225,354**

	2021				
	Carrying value HK$'000	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	686,508	686,508	–	–	686,508
Other payables and accruals	3,505,888	2,164,685	–	–	2,164,685
Loans from a holding company	84,393	84,393	–	–	84,393
Lease liabilities	283,478	56,791	136,309	142,920	336,020
Amounts due to holding companies	1,166	1,166	–	–	1,166
Amounts due to fellow subsidiaries	25,351	25,351	–	–	25,351
Bank and other borrowings	528,884	347,488	208,310	–	555,798
	5,115,668	3,366,382	344,619	142,920	3,853,921

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

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

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

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

The allowance for expected credit losses is insignificant.

Foreign currency risk

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

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/decrease in RMB rate %	**Increase/ decrease in profit before tax** HK$'000
2022		
If Hong Kong dollar weakens/strengthens against RMB	**5**	**17,064**
If Hong Kong dollar weakens/strengthens against RMB	**10**	**34,128**
2021		
If Hong Kong dollar weakens/strengthens against RMB	5	4,797
If Hong Kong dollar weakens/strengthens against RMB	10	9,594

Interest rate risk

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

Interest rate profile

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

	2022		2021	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Lease liabilities	**3.0-4.9%**	**272,461**	3.0-4.9%	283,478
Unsecured debentures	**–**	**3,801**	–	3,801
		276,262		287,279
Variable rate borrowings:				
Bank loans	**3.85-6.79%**	**651,112**	1.76%-4.75%	525,083
Total borrowings		**927,374**		812,362
Fixed rate borrowings as a percentage of total borrowings		**30%**		35%

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before tax by approximately HK$3,256,000 (2021: would have decrease/increased the Group's profit before tax by approximately HK$2,625,000) and decreased/increased the Group's retained profits by approximately HK$3,256,000 (2021: HK$2,625,000).

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 2022 and 31 December 2021.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. The debt includes bank and other borrowings, trade and other payables and accruals, amounts due to holding companies and fellow subsidiaries and lease liabilities. Capital represents equity attributable to equity owners of the Company.

The Group assessed the range at which it maintains its adjusted net debt-to-capital ratio to be 10% to 50% (2021: 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.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

	2022 HK$'000	2021 HK$'000
Trade payables	**745,001**	686,508
Other payables and accruals	**2,358,263**	3,505,888
Loans from holding companies	**334,725**	84,393
Amounts due to holding companies	**1,302**	1,166
Amounts due to fellow subsidiaries	**34,303**	25,351
Lease liabilities	**272,461**	283,478
Bank and other borrowings	**654,913**	528,884
Debt	**4,400,968**	5,115,668
Capital	**16,199,492**	17,333,701
Debt-to-capital ratio	**27%**	30%

Fair value estimation

The following hierarchy is used for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: HK$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value estimation (continued)

	2022			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Investment properties	**–**	**–**	**2,552,662**	**2,552,662**
Derivative financial instrument	**–**	**–**	**22,748**	**22,748**
Other financial assets	**–**	**–**	**34,091**	**34,091**
	–	**–**	**2,609,501**	**2,609,501**

	2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Investment properties	–	–	2,736,691	2,736,691
Derivative financial instrument	–	–	41,591	41,591
Other financial assets	–	–	31,648	31,648
	–	–	2,809,930	2,809,930

(i) Investment properties

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

	2022 HK$'000	2021 HK$'000
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**1,728,800**	1,815,900
Outside Hong Kong:		
– Commercial properties	**823,862**	920,791
	2,552,662	2,736,691

The Group measures their investment properties at fair value. The investment properties were revalued on 31 December 2022 by RHL Appraisal Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK$2,552,662,000 (2021: HK$2,736,691,000). For all investment properties, their current use equates to the highest and best use.

The Group assigns a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between management, audit committee and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Investment properties (continued)

Significant inputs used to determine fair value

At each financial year end the team:

– Verify all major inputs to the independent valuation report;

– Assess property valuations movements by comparing with the prior year valuation report; and

– Hold discussions with the independent valuers.

The fair value of investment properties are determined by direct comparison approach, on the market basis assuming sale with immediate vacant possession and taking reference to their respective existing states and comparable sales evidence. The valuations take into account the characteristics of the properties including the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristics will result in a higher fair value measurement.

At 31 December 2022 and 31 December 2021, the range of premium/(discount) used in the direct comparison approach is as follows:

	2022 Range of premium/ (discount)
Hong Kong	**-6.3% to -1.4%**
Outside Hong Kong	**-27% to 1.93%**

	2021 Range of premium/ (discount)
Hong Kong	-15% to 15%
Outside Hong Kong	-38% to -6.99%

(Expressed in Hong Kong dollars unless otherwise indicated)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Other financial assets

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Market comparable companies	Discount for lack of marketability	16.2% to 22.8%

The fair value of unlisted equity securities is determined using the price/earning ratios or enterprise value/earning before interest, taxes, depreciation and amortisation ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by HK$440,000 (2021: HK$408,000). The analysis is performed on the same basis for 2021.

(iii) Derivative financial instrument

	Valuation techniques	Significant unobservable inputs	Range
Derivative financial assets	The Black-Scholes Option Pricing Model	Expected volatility	45.5%

The fair value of derivative financial assets is determined using the Black-Scholes Option Pricing Model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2022, it is estimated that with the volatility by 1% would have decreased/increased the Group's loss before tax by HK$102,000 (2021: would have increased/decreased the Group's profit before tax by HK$624,000).

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	**31 December 2022 HK$'000**	31 December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**97**	151
Investment property		**3,459**	3,840
Interests in subsidiaries		**7,546,710**	6,729,780
Interests in associates		**35,369**	196,016
Right-of-use assets		**1,673**	–
Other financial asset		**29,535**	24,462
Total non-current assets		**7,616,843**	6,954,249
Current assets			
Inventories		**59**	62
Deposits, prepayments, and other receivables		**294**	156
Amounts due from subsidiaries		**7,130,553**	7,809,741
Amounts due from fellow subsidiaries		**1,356**	681
Amounts due from an associate		**–**	2
Cash and bank balances		**249,713**	118,380
Total current assets		**7,381,975**	7,929,022
Total assets		**14,998,818**	14,883,271
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,222,295**	9,222,295
Reserves	a	**4,635,661**	4,618,227
		13,857,956	13,840,522

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

Statement of financial position of the Company (continued)

	Note	**31 December 2022 HK$'000**	31 December 2021 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,849**	1,654
Total non-current liabilities		**1,849**	1,654
Current liabilities			
Other payables and accruals		**69,941**	76,969
Amounts due to subsidiaries		**702,143**	847,262
Amounts due to holding companies		**3,963**	2,740
Tax payable		**103,792**	114,124
Loans from holding companies		**257,481**	–
Lease liabilities		**1,693**	–
Total current liabilities		**1,139,013**	1,041,095
Total liabilities		**1,140,862**	1,042,749
Total equity and liabilities		**14,998,818**	14,883,271

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2023 and was signed on its behalf:

Wu Qiang	**Feng Gang**
Director	*Director*

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

(a) Reserve movement of the Company

	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2021	7,380	4,406,930	4,414,310
Profit for the year and total comprehensive income for the year	–	201,834	201,834
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	2,083	–	2,083
At 31 December 2021	9,463	4,608,764	4,618,227
Balance at 1 January 2022	**9,463**	**4,608,764**	**4,618,227**
Profit for the year and total comprehensive income for the year	**–**	**12,652**	**12,652**
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**4,782**	**–**	**4,782**
At 31 December 2022	**14,245**	**4,621,416**	**4,635,661**

45 SUBSEQUENT EVENTS

(a) On 27 January 2023, the Board announced that the Company has resolved to grant share options to certain directors and employees of the Group to subscribe for, in aggregate up to 61,404,000 ordinary shares of the Company, subject to acceptance of the grantees, under the 2023 Share Option Scheme.

(b) In January 2023, the Company's wholly-owned subsidiary, CTS Scenery Resort Investment Company Limited ("CTS Scenery Resort") entered into an agreement with Changde City Development Group Co., Ltd ("Changde City Development Group") to establish a joint venture, namely CTS Taohuayuan (Changde) Cultural Tourism Development Company Limited ("CTS Taohuayuan (Changde)"). CTS Taohuayuan (Changde) was incorporated on 11 January 2023 with a registered capital of RMB50,000,000. CTS Scenery Resort injected RMB17,000,000, representing 34% equity interest in CTS Taohuayuan (Changde). Changde City Develop Group injected RMB33,000,000, representing 66% equity interest in CTS Taohuayuan (Changde).

PARTICULARS OF PRINCIPAL HOTEL PROPERTIES

31 December 2022

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

PARTICULARS OF PRINCIPAL INVESTMENT PROPERTIES

31 December 2022

Location	Use	Lease term
Portions of Basement Levels 2 and 3, 1st to 9th, 11th, 12th and 16th Floor CTS (HK) Grand Metropark Hotel Beijing No. 338 Guanganmen Nei Street, Xicheng District, Beijing, PRC	Carpark/Shop/Office	Medium
The Whole of Ground Floor with its Flat Roof, China Travel Building, No. 77 Queen's Road Central, Hong Kong	Shop	Long
Units 1105-1109 and 1112, Zhongong Plaza, Huangpu Boulevord, Tianhe District, Guangzhou, PRC	Office	Medium

香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)