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

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 00308)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

### INTERIM RESULTS

The Board of Directors (the “**Board**”) of China Travel International Investment Hong Kong Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures.

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	5	<b>885,326</b>	1,031,622
Cost of sales		<u>(1,023,541)</u>	<u>(974,592)</u>
Gross (loss)/profit		<b>(138,215)</b>	57,030
Other income and gains, net	6	<b>149,312</b>	326,367
Changes in fair value of investment properties		<b>(28,279)</b>	30,378
Selling and distribution costs		<b>(120,240)</b>	(215,383)
Administrative expenses		<u><b>(370,254)</b></u>	<u>(383,693)</u>
Operating loss	7	<b>(507,676)</b>	(185,301)
Finance income		<b>27,163</b>	32,685
Finance costs		<b>–</b>	–
Finance income, net	8	<b>27,163</b>	32,685
Share of profits less losses of joint ventures		<b>(5,534)</b>	(11,744)
Share of profits less losses of associates		<u><b>20,385</b></u>	<u>24,272</u>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Loss before taxation</b>		<b>(465,662)</b>	(140,088)
Taxation	<i>9</i>	<u>3,377</u>	<u>28,565</u>
<b>Loss for the period</b>		<b><u>(462,285)</u></b>	<b><u>(111,523)</u></b>
<b>Attributable to:</b>			
Equity owners of the Company		<b>(285,102)</b>	5,219
Non-controlling interests		<u>(177,183)</u>	<u>(116,742)</u>
<b>Loss for the period</b>		<b><u>(462,285)</u></b>	<b><u>(111,523)</u></b>
<b>(Loss)/earnings per share (HK cents)</b>	<i>11</i>		
Basic (loss)/earnings per share		<u>(5.15)</u>	<u>0.09</u>
Diluted (loss)/earnings per share		<u>(5.15)</u>	<u>0.09</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(462,285)</b>	<b>(111,523)</b>
<b>Other comprehensive income for the period</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on property valuation, net of tax	–	761,586
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<b>1,029</b>	6,964
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Release of reserves upon disposal of subsidiaries	–	(15,892)
Exchange differences on translation of foreign operations, net	<b>(472,706)</b>	133,841
<b>Other comprehensive income for the period, net of tax</b>	<b>(471,677)</b>	886,499
<b>Total comprehensive income for the period</b>	<b>(933,962)</b>	<b>774,976</b>
<b>Attributable to:</b>		
Equity owners of the Company	<b>(715,017)</b>	878,098
Non-controlling interests	<b>(218,945)</b>	(103,122)
<b>Total comprehensive income for the period</b>	<b>(933,962)</b>	<b>774,976</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

		At 30 June 2022	At 31 December 2021
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,152,637	9,238,280
Investment properties		2,648,856	2,736,691
Prepaid land lease payments		455,585	474,545
Goodwill		1,355,294	1,348,456
Other intangible assets		117,557	112,734
Interests in associates		1,422,768	1,444,625
Interests in joint ventures		226,316	240,627
Derivative financial instrument		49,474	41,591
Other financial assets		32,566	31,648
Prepayments and other receivables		496,180	524,486
Deferred tax assets		346,834	327,061
		<hr/>	<hr/>
Total non-current assets		16,304,067	16,520,744
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		182,410	185,540
Properties under development		3,744,746	4,281,760
Completed properties held for sale		740,185	610,543
Trade receivables	12	101,898	95,350
Deposits, prepayments and other receivables		571,443	496,195
Loan to fellow subsidiaries		245,560	256,849
Amounts due from holding companies		12,406	5,180
Amounts due from fellow subsidiaries		304,486	271,778
Tax recoverable		59	–
Pledged time deposits		9,545	9,967
Cash and bank balances		2,799,402	3,074,492
Assets held for sale	14	23,135	–
		<hr/>	<hr/>
Total current assets		8,735,275	9,287,654
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>25,039,342</b>	<b>25,808,398</b>
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		At 30 June 2022	At 31 December 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Equity attributable to equity owners of the Company</b>			
Share capital		9,222,295	9,222,295
Reserves		7,396,389	8,111,406
		<u>16,618,684</u>	<u>17,333,701</u>
<b>Non-controlling interests</b>		<u>1,631,021</u>	<u>1,787,539</u>
<b>Total equity</b>		<u>18,249,705</u>	<u>19,121,240</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		667,769	701,131
Lease liabilities		253,246	235,959
Bank and other borrowings		213,759	195,347
Deferred tax liabilities		649,287	685,379
Total non-current liabilities		<u>1,784,061</u>	<u>1,817,816</u>
<b>Current liabilities</b>			
Trade payables	13	585,287	686,508
Other payables and accruals		3,209,955	3,505,888
Loans from a holding company		548,416	84,393
Amounts due to holding companies		9,261	1,166
Amounts due to fellow subsidiaries		33,340	25,351
Lease liabilities		25,506	47,519
Tax payables		177,546	184,980
Bank and other borrowings		416,265	333,537
Total current liabilities		<u>5,005,576</u>	<u>4,869,342</u>
<b>Total liabilities</b>		<u>6,789,637</u>	<u>6,687,158</u>
<b>Total equity and liabilities</b>		<u>25,039,342</u>	<u>25,808,398</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 address of its registered office is 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was authorised for issue on 31 August 2022.

## 2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2021 that is included in the condensed consolidated interim financial information as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

### **3 CHANGES IN ACCOUNTING POLICIES**

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report 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's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **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 reporting 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, hot spring 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 and 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 investment and property, plant and equipment.

**Six months ended 30 June 2022 (unaudited)**

	Tourist attraction and related operations	Travel agency, travel document and related operations	Hotel operations	Passenger transportation operations	Total of reportable segments	Corporate and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	582,818	40,401	223,131	25,498	871,848	13,478	885,326
Inter-segment revenue	398	2,183	632	60	3,273	1,200	4,473
	<u>583,216</u>	<u>42,584</u>	<u>223,763</u>	<u>25,558</u>	875,121	14,678	889,799
Elimination of inter-segment revenue					(3,273)	(1,200)	(4,473)
Revenue					<u>871,848</u>	<u>13,478</u>	<u>885,326</u>
Segment results	<u>(69,064)</u>	<u>(26,780)</u>	<u>6,108</u>	<u>(100,261)</u>	<u>(189,997)</u>	<u>(76,211)</u>	(266,208)
Non-controlling interests							<u>(177,183)</u>
Segment operating results before non-controlling interests							(443,391)
Changes in fair value of investment properties, net of tax							(26,747)
Gain on changes in fair value of derivative financial instrument, net of tax							7,524
Net gain on disposal of property, plant and equipment, net of tax							<u>329</u>
Loss for the period							<u><u>(462,285)</u></u>

**Six months ended 30 June 2021 (unaudited)**

	Tourist attraction and related operations <i>HK\$'000</i>	Travel agency, travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	714,750	61,285	204,540	41,115	1,021,690	9,932	1,031,622
Inter-segment revenue	<u>254</u>	<u>15</u>	<u>615</u>	<u>56</u>	<u>940</u>	<u>-</u>	<u>940</u>
	<u>715,004</u>	<u>61,300</u>	<u>205,155</u>	<u>41,171</u>	1,022,630	9,932	1,032,562
Elimination of inter-segment revenue					<u>(940)</u>	<u>-</u>	<u>(940)</u>
Revenue					<u>1,021,690</u>	<u>9,932</u>	<u>1,031,622</u>
Segment results	<u>(25,733)</u>	<u>(39,388)</u>	<u>(19,486)</u>	<u>(122,497)</u>	<u>(207,104)</u>	<u>(43,673)</u>	<u>(250,777)</u>
Non-controlling interests							<u>(116,742)</u>
Segment operating results before non-controlling interests							<u>(367,519)</u>
Changes in fair value of investment properties, net of tax							29,869
Gain on disposal of subsidiaries							229,135
Net loss on disposal of property, plant and equipment, net of tax							<u>(3,008)</u>
Loss for the period							<u>(111,523)</u>

## 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 period.

### Disaggregation of revenue

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
– Tourist attraction and related income	249,684	699,859
– Tour, travel agency, travel document and related income	40,417	51,559
– Hotel income	210,380	168,441
– Passenger transportation income	25,502	41,115
– Property sales income	297,581	–
– Consultancy and service income	14,671	24,823
	<u>838,235</u>	<u>985,797</u>
<b>Revenue from other sources</b>		
– Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	47,091	45,825
	<u>47,091</u>	<u>45,825</u>
	<u><b>885,326</b></u>	<u><b>1,031,622</b></u>

## 6 OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Gain on disposal of subsidiaries	–	229,135
Rental income on investment properties, net	15,491	11,409
Foreign exchange differences, net	16,702	3,476
Government grants	31,978	5,785
Management fee income	34,474	35,291
Income from financial assets at fair value through profit or loss	–	3,542
Gain on changes in fair value of derivative financial instrument	10,033	–
Gain/(loss) on disposal of property, plant and equipment, net	658	(4,582)
Other	39,976	42,311
	<u>149,312</u>	<u>326,367</u>

## 7 OPERATING LOSS

The Group's operating loss is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs	589,363	716,335
Depreciation		
– owned property, plant and equipment	282,788	293,660
– right-of-use assets	28,762	29,001
	<u>311,550</u>	<u>322,661</u>
Amortisation of prepaid land lease payments	13,904	12,509
Direct operating expenses of investment properties	5,216	3,099
Cost of properties sold	226,960	–
	<u><u>226,960</u></u>	<u><u>–</u></u>

## 8 FINANCE INCOME, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance income:		
Bank deposits	27,163	32,685
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	(9,017)	(3,711)
Interest on lease liabilities	(5,147)	(5,739)
	<u>(14,164)</u>	<u>(9,450)</u>
Less: Interest expense capitalised into properties under development and property, plant and equipment*	14,164	9,450
	<u>14,164</u>	<u>9,450</u>
Finance costs	–	–
Finance income, net	<u><u>27,163</u></u>	<u><u>32,685</u></u>

\* The borrowing costs have been capitalised at a rate of 2.41% per annum (2021: 2.29%).

## 9 TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax at applicable tax rate. In addition, withholding income tax is imposed on dividends relating to any profits earned and under the Provisional Regulations on Land Appreciation Tax ("LAT"), all gains arising from the transfer of real estate property in Mainland China are subjected 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.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the territories in which the Group operates.

The amount of taxation credited to consolidated income statement represents:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current taxation		
Hong Kong	5,542	3,221
Mainland China and other territories	(442)	27,143
	<u>5,100</u>	<u>30,364</u>
Deferred taxation	(8,477)	(58,929)
	<u>(3,377)</u>	<u>(28,565)</u>

## 10 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

## 11 (LOSS)/EARNINGS PER SHARE FOR (LOSS)/EARNINGS 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 six months ended 30 June 2022 of HK\$285.10 million (2021: profit of HK\$5.22 million) and the weighted average of 5,536,633,709 ordinary shares (2021: 5,536,633,709 shares) in issue during the period.

## 12 TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade debtors. The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
Within 3 months	48,398	39,494
Over 3 months to 6 months	25,883	27,021
Over 6 months to 12 months	22,181	23,157
Over 1 year to 2 years	5,026	5,253
Over 2 years	410	425
	<u>101,898</u>	<u>95,350</u>

## 13 TRADE PAYABLES

At 30 June 2022, the ageing analysis of trade payables, based on the invoice date, is as follows:

	<b>30 June 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
Within 3 months	254,452	261,843
Over 3 months to 6 months	101,076	119,737
Over 6 months to 12 months	84,985	100,646
Over 1 year to 2 years	120,173	181,079
Over 2 years	24,601	23,203
	<u>585,287</u>	<u>686,508</u>

## 14 ASSETS HELD FOR SALE

On 22 February 2022 and 30 June 2022, Universal Entertainment, LLC, an indirect non-wholly owned subsidiary of the Company, entered into agreements to sell its certain investment properties, for an aggregate consideration of USD2,940,000. As at 30 June 2022, these transactions were not completed and would therefore be classified as assets held for sale.

## 15 SUBSEQUENT EVENT

On 29 June 2022, China Travel Property Investment Hong Kong Limited (“CTSPI”), an indirect wholly owned subsidiary of the Company, entered into the subscription agreement with China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”), pursuant to which, CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, the Subscription Shares at the Subscription Amount. Upon the completion, the equity interest in CTSPI will be held as to 90.29% indirectly by the Company and as to 9.71% will be held by CTS (Holdings). CTSPI will remain a non-wholly owned subsidiary of the Company. As at the date of this announcement, this transaction had not completed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS OVERVIEW**

The international environment remained complex and volatile during the first half of 2022. The development of the coronavirus diseases in Hong Kong and the PRC affected the Group adversely. In view of the outbreak of fifth wave of pandemic in Hong Kong, the Hong Kong Government imposed tighten measures for a two months period from February to April 2022 and ongoing cross-border travel restrictions, all of which hit the local economy. Further, some first-tier cities were locked down by the PRC Government. Despite the challenging business environment, the Group made timely adjustments to its strategies to enhance competitiveness, and proactively seized the market opportunities arising from the gradual relaxation of pandemic control measures and the implementation of the Consumption Voucher Scheme by the Hong Kong Government during the second quarter of the year.

In the first half of 2022, the Group's consolidated revenue was HK\$885 million, representing a decrease of 14% compared with the corresponding period of last year. Loss before taxation was HK\$466 million, representing an increase of 233% compared with the corresponding period of last year. Loss attributable to shareholders was HK\$285 million, while profit attributable to shareholders amounted to HK\$5.22 million in the corresponding period of last year. Loss attributable to operation was HK\$266 million, representing an increase of 6% compared with the corresponding period of last year. The turnaround from profit to loss for the six months ended 30 June 2022 was mainly attributable to (i) a non-recurring gain of approximately HK\$216 million from the completion of disposal of travel agency business was recorded for the six months ended 30 June 2021; and (ii) the outbreak of the fifth wave of the COVID-19 pandemic since January 2022, which negatively impacted 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 30 June 2022, total assets were HK\$25,039 million, representing a decrease of 3% compared with the end of last year. Equity attributable to shareholders was HK\$16,619 million, representing a 4% decrease compared with the end of last year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$3,054 million, representing a decrease of 9% compared with the end of last year, where cash and bank balances amounted to HK\$2,799 million. Deducting HK\$1,178 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$1,621 million, representing a decrease of 34% compared with the end of last year.

### **DIVIDENDS**

The Board does not recommend payment of an interim dividend for the six months ended 30 June 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 Scenic Spot**”), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. (“**Huashan Scenic Spot**”), CTS Guangxi Detian Waterfall Tourism Development Co., Ltd. (“**Detian Scenic Spot**”), CTS Luzhou Laojiao Culture Tourism Development Company Limited (“**Luzhou Laojiao Scenic Spot**”), CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. (“**Lugu Lake Scenic Spot Company**”), CTS Xinjiang Tourism Operation Management Co., Ltd. (“**CTS Xinjiang**”), CTS Bairui Xinjiang Tourism Development Co., Ltd. (“**Xinjiang 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. and Ningbo CTS Cicheng Ancient County Tourism Development Company Limited, Hangzhou New Century Senbo Tourism Investment Co., Ltd. (“**New Century Senbo**”);

3. Leisure resorts: China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. (“**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 has widely impacted various industries and to an extent bring on challenge to the national economy. As a non-necessity demand, the impact on tourism was even greater during the economic downturn. Major enterprises’ business meetings or travel budgets have been reduced, resulting in a reduction of industry supply prices. In the first half of 2022, the Group’s total revenue from tourist attractions and related operations was HK\$583 million, representing a decrease of 19% compared with the corresponding period of last year. Attributable loss was HK\$69 million, representing an increase of 168% compared with the corresponding period of last year.

### ***Theme parks***

In the first half of 2022, “Firework Dance”, a popular show among local tourists at Window of the World, was suspended due to the need for pandemic prevention and control. Numbers of foreign tourists, who comprised the majority of the theme park’s original source market, dropped significantly. Meanwhile, due to the complex and volatile pandemic situation in Shenzhen and surrounding markets, the theme park’s revenue in the first half of the year fell to HK\$103 million, representing a decrease of 52% compared with the corresponding period of last year. Attributable loss was HK\$43 million, representing an increase of 964% compared with the corresponding period of last year.

Construction of the “Hanging Garden” project at Window of the World has been continuing, with completion targeted in December 2022. The theme park has also been advancing the preliminary exchange of views and project design of the new “Ice World Wonderland for Kids”, “Ground Railcars” and “Flying Elephant” projects. With the Summer Songkran Festival, Splendid China continued to strengthen the development of OTA channels. 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***

Due to the pandemic, revenue from natural and cultural scenic spots amounted to HK\$70 million in the first half of the year, representing a decrease of 78% compared with the corresponding period of last year. Attributable loss amounted to HK\$70 million, while attributable profit for the corresponding period of last year was HK\$15 million.

During the first half of the year, Shapotou Scenic Spot experienced a continuous impact from the pandemic, resulting in a significant decrease in tourist numbers. Revenue decreased by 77% year-on-year, and loss increased. Shapotou Scenic Spot adhered to normalised pandemic prevention, continuously strengthened project construction, marketing and service quality improvements, etc. It will advance the implementation and operation of the “Desert Legend phase I” project, and accelerate the construction of Shapotou international tourism and holiday destinations. Desert Star Hotel won the “Best Resort Hotel” and “Best Theme Hotel” awards at the 13th Annual GBE Luxury Hotels & Resort Forum in Shanghai. Affected by pandemic prevention and control measures in border cities, Detian Scenic Spot’s revenue decreased by 94% compared with the corresponding period of last year and turned from profit to loss. As for Huashan Scenic Spot, the travel agents could not organise tour groups to the border areas due to pandemic prevention and control policy. As a result, the flow of tourists visiting the scenic spot failed to rebound rapidly after the resumption of cross-provincial tourism. Revenue decreased by 95% compared with the corresponding period of last year. Huashan Scenic Spot will seize on summertime to generate revenue, carry out “Naadam on the Grassland project” to attract tourists, and strive for break-even this year. Xiufeng Scenic Spot recorded a significant increase in both revenue and profit as it strengthened cooperation with travel agents to increase the flow of group tours. Luzhou Laojiao Scenic Spot upgraded and transformed Laojiaochi Scenic Spot with a focus on developing wine culture tourism. Revenue from Luzhou Laojiao Scenic Spot was HK\$36 million, representing a decrease of 64% compared with

the corresponding period of last year. This revenue made a significant contribution to the Group's revenue from natural and cultural scenic spots. Luzhou Laojiao Scenic Spot continued to advance the "Zhangba phase I project", which is planned to go into operation in the second half of the year. Established in May of last year, CTS Xinjiang was engaged in the operation and management of tourist destination projects in Xinjiang region and the creation and operation of modern resort experience products and services. CTS Xinjiang recorded a slight loss. In the first half of the year, the Company, through its wholly-owned subsidiary, completed an injection of RMB92 million into the registered capital of Xinjiang Bairui. Subsequently the Company indirectly held 61.33% of the equity interest of Xinjiang Bairui. The projects and locations that Xinjiang Bairui selected for the tourism and holiday projects in Xinjiang are forward-looking. In terms of locations, it focuses on 5A and 4A scenic spots in Xinjiang 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 the first half of 2023. During this period, Xinjiang Bairui recorded a modest revenue contribution. Affected by the pandemic in Shanghai, New Century Senbo, an associate of the Company, recorded an attributable loss of HK\$16 million. However, as the pandemic situation improved, monthly revenue increased significantly in July and a net profit was recorded for the month.

### ***Leisure resorts***

Revenue from leisure resorts was HK\$392 million, representing an increase of 147% compared with the corresponding period of last year. This was mainly attributable to property sales income of approximately HK\$298 million in aggregate recorded by Xianyang OSR, Zhuhai OSR and Anji Company. Attributable profit was HK\$32 million, while the attributable loss was HK\$31 million for the corresponding period of last year. The attributable profit was mainly due to the shared profits of approximately HK\$51 million recognised from real estate projects by the associate Evergrande OSR.

Zhuhai OSR recorded a revenue of HK\$91 million, representing an increase of 37% compared with the corresponding period of last year. The increase in revenue was mainly due to revenue of approximately HK\$49 million from real estate projects. Zhuhai OSR will launch 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 420% compared with the corresponding period of last year and achieved a turnaround from loss to profit, which was mainly attributable to the revenue of approximately HK\$203 million from real estate projects. Xianyang OSR will strengthen its marketing and promotion, product innovation, channel development and business development with an aim of increasing revenue. Evergrande OSR, an associate, contributed a real estate profit of approximately HK\$51 million. Revenue for the Anji Company increased by 41% compared with the corresponding period of last year, which was mainly attributable to a revenue of approximately HK\$45 million recorded from real estate projects. Anji Company intends to focus on the individual market, increase the average property price to lift overall revenue, and implement staff costs controls and energy conservation.

### ***Supplementary tourist attraction operations***

Revenue from supplementary tourist attraction operations was HK\$17 million, representing a decrease of 22% compared with the corresponding period of last year. These operations recorded a turnaround from loss to profit and generated an attributable profit of HK\$4 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 effectively controlled, residence performance has come to a complete halt, resulting in decreased revenue. China Travel Zhiye was engaged in providing tourism planning services, which recorded a modest increase in revenue. China Travel Zhiye will increase its efforts to widen its marketing channels and expand its market. CTS Scenery's management and consulting services recorded a year-on-year 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.

As border restriction between Hong Kong and the Mainland has not been lifted, the business volume of the travel document business has yet to rebound. The Group completed the disposal of travel business in May 2021 and recorded a gain of approximately HK\$216 million. In the first half of 2022, revenue decreased as no revenue was recorded from the travel agency operation. In the first half of 2022, the Group's revenue from travel document and related operations was HK\$40 million, representing a decrease of 34% compared with the corresponding period of last year. Attributable loss was HK\$7 million, representing a decrease of 82% compared with the corresponding period of last year.

### **(III) Hotel Operations**

The Group's hotel operations comprise:

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

In the first half of 2022, revenue from the Group's hotel operations was HK\$223 million, representing an increase of 9% compared with the corresponding period of last year. The hotel operations recorded a profit of HK\$6 million, making a turnaround from loss to profit. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Metropark Hotel Kowloon recorded a 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. Metropark Hotel Causeway Bay and Metropark Hotel Kowloon gave impetus to the year-on-year growth in revenue of the hotel operations. Impacted by the pandemic, revenue for Beijing Metropark Hotel recorded a year-on-year decrease of 19%. 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 have been suspended due to the ongoing impact of COVID-19 pandemic, causing serious setbacks to passenger transportation operations. At present, the bus business comprises the mainstream income of Shun Tak-China Travel. In the first half of 2022, revenue from passenger transportation operations was HK\$26 million, representing a decrease of 38% compared with the corresponding period of last year. Attributable loss was HK\$100 million, representing a decrease of 18% compared with the corresponding period of last year.

The Company alleviated the negative impact of suspension of the principal operation of passenger transportation operations by proactively expanding businesses such as cultural media and cross-border shopping malls whilst increasing its efforts in the local charter vehicle and local green tourism businesses.

### **DEVELOPMENT STRATEGY**

#### **Tourist attractions and related operations**

In keeping with its strategy of building a "first-class tourist destination investment and operation service provider", the Group continued to focus on creating products related to tourism, leisure and holidays. It strives to set industry benchmarks for scenery, content and experience, and is implementing a strategy of integrating development of its scenic spot and real estate businesses. The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations, expanding in the tourism consumption market, creating quality tourism and model projects, and extensively applying technology in tourism.

In the first half of the year, Window of the World strictly controlled costs, reduced the number of external performance and coordinated festivals activities with its existing resources, so as to ensure its market presence. In the future, it will adhere to the market positioning of local parent-child families. It also plans to add new products with a strong sense of experience and interaction. As for Splendid China, it will take full advantage of opportunities arising from the Summer Songkran Festival and continue to deepen cross-channel cooperation with the banking and insurance industries. Window of the World and Splendid China will emphasise transformation and development to create new products in line with market trends.

Shapotou Scenic Spot will implement 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 the “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 channel promotions such as “nighttime tour” and “Huashan Grassland Naadam” products to attract tourists. The company will also pay visits to important clients, and participate in tourism promotion conferences in Guiyang, Chongqing, Chengdu and other southwest market locations to boost tourist flow to the scenic spot. Xiufeng Scenic Spot will further improve the maintenance of cable equipment in compliance with national cable inspection centre requirements and to ensure safe production. Luzhou Laojiao Scenic Spot has entered into a joint operation agreement with Sichuan Fuyang Cultural Tourism Development Co., Ltd. On the basis of the two core resources of “Fawang Temple Longgua Mountain Scenic Spot” and “Luzhou Laojiao”, the parties will integrate advantageous regional resources to explore in-depth cooperation and high-quality development of “wine tourism integration”. They will also gradually develop an exclusive cultural tourism business model for Laojiao in the scenic spot, jointly explore the scenic spot’s tourism and market development strategies, jointly plan and promote the scenic spot’s boutique tourism route, and create a classic wine tourism brand and exclusive wine products for the scenic spot. Lugu Lake Scenic Spot has begun the construction of a “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 the project’s 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 forward the transformation of the Neptune Hotel in the second half of the year, aiming for an opening at the end of the year. It will also strengthen channel expansion, gradually conduct Tiktok live broadcasts on a regular basis, and continue to develop the market in-depth in Guangzhou. It will expand into markets outside the province as the pandemic situation permits, enter into contracts for airshow/charter rooms, and expand the customer resource pool. Xianyang OSR’s “Ocean Spring Baby Amusement Park” opened at the end of July and is being promoted through all channels. Anji Company will push forward the “parent-child farm” project with the theme of “animal friendly + natural art”, which is intended to open in May next year. CTS City’s “CTS Investment Building” project is at the initial stage of main construction, and development work is proceeding in an orderly fashion.

## **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.

International fuel prices are expected to remain at a high level in 2022, and in the second half of 2022, the financial performance of passenger transportation operations will face many challenges and uncertainties. Looking forward, the resumption of “quarantine-free” travel between China, Hong Kong and Macao is the most crucial factor in getting the Group’s passenger transportation operations back on track. Recent developments such as steadily improving first- and second-dose COVID-19 vaccination rates, the implementation of a vaccine pass and introduction of the “Hong Kong Health Code” system, will facilitate the Hong Kong Government as it renegotiates quarantine-free travel arrangements with Mainland and Macao authorities.

## **Hong Kong and Overseas Business Development**

The Group continues to develop new business and new growth engines by strategically acquiring quality scenic spots, and exploring new breakthroughs to expand into overseas markets. In October last year, 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 reach an agreement 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 has been completed on 31 August 2022.

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 construction contract with a contractor to carry out the construction of a 28-storey business boutique hotel and complementary facilities on the land parcel, which is expected to be completed by 3 November

2023 (“**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 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. Upon completion of the transaction, CTSPI will be held as to 90.29% indirectly by the Company and as to 9.71% directly by CTS (Holdings). CTSPI will remain as a non-wholly owned subsidiary of the Company. The Hung Hom Hotel Project requires a considerable amount of capital expenditure, and the subscription agreement will 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. As of the date of this announcement, the transaction had not been completed.

## **Digital Transformation**

The State Council of the PRC has announced a development plan for the travel industry during the 14th Five-Year Plan period, emphasizing 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 an excellent consumer experience for customers, and promote the deep integration of digital technology into business and management models. The Group has established digital platforms in 15 scenic spots and launched 16 WeChat Mini Programs. It has also kickstarted platform operations in 11 scenic spots, and helped these spots to attract visitors and drive development through internal-external cooperation. In the first half of the year, sales of Shapotou Scenic Spot, Splendid China, Window of the World and Detian Scenic Spot digital collectibles were completed, realising a new attempt to develop a CTS metaverse. In the second half of the year, the Company will focus on user experience, strengthen platform construction and continuous upgrading, form destination habitations around digital boutique projects such as Shapotou Scenic Spot and Lugu Lake Scenic Spot, and enrich the content experience with innovative technology. From a basis of traffic integration, the Company will carry out the membership refined operation, develop a rich and distinctive membership interest system, build a community operation service system with strong social attributes, and advance the transformation of private traffic and continuous consumption.

## **Internal Management**

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

The Company will continue to strengthen the functional capacities of its headquarters, recruit high-calibre talent, advance its control and business synergies, improve existing rules and systems, optimise workflows and strengthen its production safety mechanisms to ensure sustainable development.

## **PROSPECTS**

The COVID-19 pandemic heavily impacted the global tourism industry. However, despite waves of more transmissible new variants, an increased global vaccination rate has enabled many countries in Asia, the Middle East, North Africa and the United States to relax or lift pandemic prevention restrictions. With the help of digital as well as online and offline elements, many countries' economies are expected to gradually recover. According to the latest research from the World Travel & Tourism Council, the global travel and tourism sector's contribution to the global economy could reach US\$8.6 trillion in 2022 (before the pandemic in 2019: approximately US\$9.2 trillion) if global vaccination continues at a steady pace and restrictions to international travel are eased during the year.

China's economy has been growing steadily. In 2021, national GDP increased by 8.1% year-on-year. According to data from the National Bureau of Statistics of China, in the first half of 2022, China's GDP increased by 2.5% year-on-year to RMB56.3 trillion. In February 2022, the National Development and Reform Commission of China promulgated guidelines for assisting the recovery of service-related industries, including tourism, and a number of supporting measures to aid the recovery of China's tourism industry. In May 2022, the State Council of China issued the "Policy Package to Stabilize the Economy", which proposed 33 detailed measures covering aspects including fiscal, monetary and financial policy, as well as policies on investment stabilisation and consumption promotion, food and energy security, stabilisation of industrial chains and supply chains, and people's basic livelihoods. These aimed to stabilise the economy in the second quarter, lay a sound foundation for development in the second half of the year, and maintain the operation of the economy within a reasonable range. Since 2022, in response to the COVID-19 pandemic's adverse impact, the Chinese Government has intensified macro policy adjustment, implementing a package of policies and measures to control the rebound of the pandemic in the second quarter, stabilise the economy, and maintain overall social stability.

Although the world is gradually emerging from the dark cloud of the pandemic, the financial market may continue to fluctuate because the geopolitical tension is intensifying, with the Russia-Ukraine conflict leading the United States and Europe to impose sanctions on Russia. Following the interest rate hike in mid-March by the Federal Reserve of the United States, substantial rate increases are expected in the next few months, resulting in increased uncertainty in global economic development. According to the World Economic Outlook survey by the International Monetary Fund in April 2022, global economic growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. According to World Bank predictions, global economic growth is expected to slow sharply to 4.1% in 2022, from 5.5% in 2021, and may drop further to 3.2% in 2023 due to new threats from COVID-19 variants, elevated inflation, record debt levels and rising income inequality which are expected to jeopardise the economic recovery. In addition, the Chinese Government's work report stated that the expected target of China's economic growth in 2022 is about 5.5%.

The entry restrictions, visa suspensions or quota limitations and quarantine measures imposed by various governments, together with the low sentiment for leisure travel, will continue to have significant adverse impact on the Group's operational and financial performance. Its future business performance primarily depends on the course of the COVID-19 pandemic, the timing of reopening of borders and easing of restrictions on cross-boundary/border travel as well as anti-epidemic measures at travel destinations operated by the Group.

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

The Company remains cautious about development prospects and will continue to monitor the COVID-19 situation while evaluating the potential risks and impact on the Group's finances and operations. The Group's overall business remains fundamentally stable and sound, with abundant funds, and great capability and capacity for investment and development. The Company will continue to strive to achieve sustainable growth and better returns for shareholders by pursuing potential long-term development opportunities and seizing strategic investments.

## **NUMBER AND REMUNERATION OF EMPLOYEE**

As at 30 June 2022, the Group had 6,484 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The financial position of the Group continues to be strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 30 June 2022, the Group's cash and bank balances amounted to HK\$2,799 million, whereas the bank and other borrowings and loans from the holding company amounted to HK\$1,178 million. The debt-to-capital ratio was 32%. 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. The Group will closely monitor and manage its foreign currency exposure and make use of appropriate measures when required.

## **CHARGE ON ASSETS**

As of 30 June 2022, the Group's bank deposits of approximately HK\$10 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 30 June 2022, certain of the Group's buildings with net carrying amounts of HK\$746 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 for the reporting period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

## **CONTINGENT LIABILITIES**

As of 30 June 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).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholders' value. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance.

For the six months ended 30 June 2022, 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, except for the following deviations:

- 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, Mr. Fan Dongsheng (resigned with effect from 20 January 2022), Mr. Wu Qiang (after his re-designation to a non-executive Director and resignation as the general manager of the Company on 20 January 2022) and Mr. Tsang Wai Hung. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association. 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend (2021: Nil) for the six months ended 30 June 2022.

## **REVIEW OF INTERIM FINANCIAL RESULTS**

The unaudited condensed interim financial results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial results for the six months ended 30 June 2022 is unaudited, but have been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF 2022 INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the HKExnews website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.irasia.com/listco/hk/ctii/](http://www.irasia.com/listco/hk/ctii/). The 2022 Interim Report will be available on the websites of HKExnews and the Company, and despatched to the shareholders of the Company in due course.

By order of the Board  
**Jiang Hong**  
*Chairman*

Hong Kong, 31 August 2022

*As at the date of this announcement, the Board of the Company comprises four executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. Chen Xianjun and Mr. Tang Yong; two non-executive Directors, namely Mr. Wu Qiang and Mr. Tsang Wai Hung; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.*