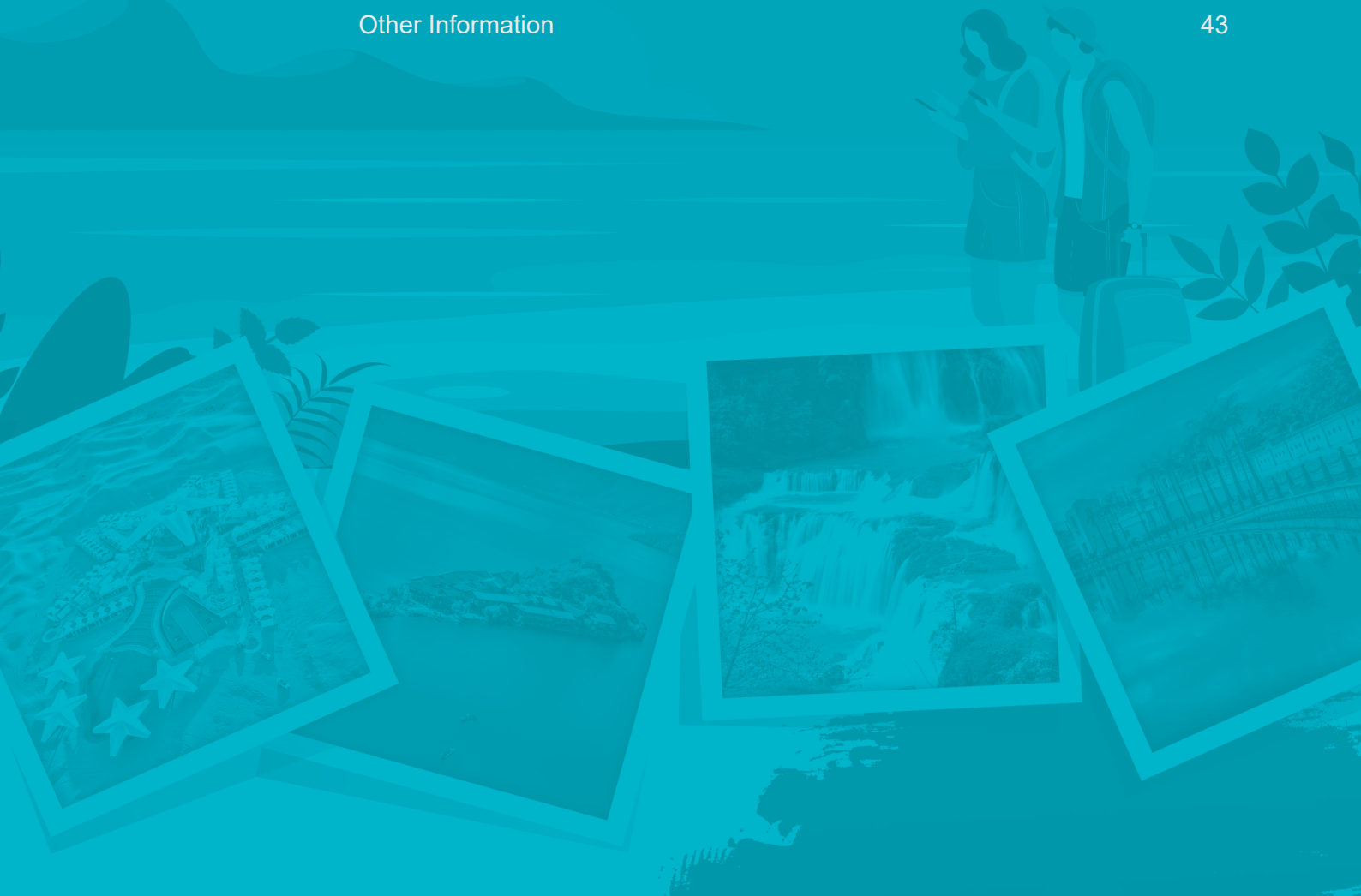


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CORPORATE INFORMATION

DIRECTORS

Mr. Jiang Hong (*Chairman*)
Mr. Lo Sui On (*Vice Chairman*)
Mr. Wu Qiang (*General Manager*)
Mr. Fan Dongsheng
Mr. Tang Yong (*appointed on 15 April 2021*)
Mr. You Cheng (*resigned on 15 April 2021*)
Mr. Yang Hao (*resigned on 24 May 2021*)
Mr. Tsang Wai Hung[#]
Mr. Tse Cho Che Edward*
Mr. Zhang Xiaoke*
Mr. Huang Hui*
Mr. Chen Johnny*
Mr. Song Dawei*

[#] *Non-Executive Director*

^{*} *Independent Non-Executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

KPMG

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

LEGAL ADVISORS

Jeffrey Mak Law Firm

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
China Everbright Bank Co., Ltd., Hong Kong Branch
Bank of Communications Co., Ltd., Hong Kong Branch



FINANCIAL CALENDAR AND INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR

Announcement of 2021 Interim Results	31 August 2021
Announcement of 2020 Final Results	30 March 2021
Announcement of 2020 Interim Results	28 August 2020
Announcement of 2019 Final Results	31 March 2020

DIVIDENDS

2021 Interim	Nil
2020 Final	Nil
2020 Interim	Nil
2019 Final	Nil

REGISTERED OFFICE

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

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.irasia.com/listco/hk/ctii

STOCK CODE

308

LISTING DATE

11 November 1992

ISSUED SHARES

5,536,633,709 (as at 30 June 2021)



REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 35 which comprises the consolidated statement of financial position of China Travel International Investment Hong Kong Limited (the “Company”) as of 30 June 2021 and the related consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

31 August 2021



CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	6	1,031,622	571,299
Cost of sales		(974,592)	(595,007)
Gross profit		57,030	(23,708)
Other income and gains, net	7(a)	326,367	67,139
Change in fair value of investment properties		30,378	(89,947)
Selling and distribution costs		(215,383)	(201,495)
Administrative expenses		(383,693)	(403,278)
Operating loss	7	(185,301)	(651,289)
Finance income		32,685	40,115
Finance costs		–	–
Finance income, net	8	32,685	40,115
Share of profits less losses of joint ventures		(11,744)	–
Share of profits less losses of associates		24,272	(51,443)
Loss before taxation		(140,088)	(662,617)
Taxation	9	28,565	136,349
Loss for the period		(111,523)	(526,268)
Attributable to:			
Equity owners of the Company		5,219	(443,486)
Non-controlling interests		(116,742)	(82,782)
Loss for the period		(111,523)	(526,268)
Earnings/(loss) per share (HK cents)	11		
Basic earnings/(loss) per share		0.09	(8.01)
Diluted earnings/(loss) per share		0.09	(8.01)

The notes on pages 13 to 35 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 10.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Loss for the period	(111,523)	(526,268)
Other comprehensive income for the period		
<i>Item 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)	6,964	(9,562)
<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	133,841	(205,598)
Other comprehensive income for the period, net of tax	886,499	(215,160)
Total comprehensive income for the period	774,976	(741,428)
Attributable to:		
Equity owners of the Company	878,098	(636,841)
Non-controlling interests	(103,122)	(104,587)
Total comprehensive income for the period	774,976	(741,428)

The notes on pages 13 to 35 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	9,200,621	9,412,901
Investment properties	13	2,667,599	1,621,154
Prepaid land lease payments		431,244	411,054
Goodwill		1,348,456	1,347,825
Other intangible assets		112,734	112,734
Interests in associates		1,422,809	933,012
Interests in joint ventures		144,607	155,578
Other financial assets		37,564	27,395
Prepayments and other receivables		553,991	555,382
Deferred tax assets		302,612	259,473
Total non-current assets		16,222,237	14,836,508
Current assets			
Inventories		183,521	175,392
Properties under development		4,441,858	4,250,099
Completed properties held for sale		378,930	374,488
Trade receivables	14	73,178	81,743
Deposits, prepayments and other receivables	15	635,268	705,683
Loan to fellow subsidiaries		252,380	381,439
Amounts due from holding companies		5,422	1,165
Amounts due from fellow subsidiaries		249,374	152,228
Tax recoverable		19,463	13,983
Financial assets at fair value through profit or loss	16	240,456	297,553
Pledged time deposits		9,248	10,644
Cash and bank balances	17	3,172,929	2,947,404
Assets of disposal group classified as held for sale		–	955,865
Total current assets		9,662,027	10,347,686
Total assets		25,884,264	25,184,194
Equity attributable to equity owners of the Company			
Share capital		9,222,295	9,222,295
Reserves		7,863,262	6,985,164
		17,085,557	16,207,459
Non-controlling interests		1,861,090	2,228,804
Total equity		18,946,647	18,436,263

The notes on pages 13 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income		783,185	772,363
Lease liabilities		241,933	229,791
Loans from a holding company		82,925	–
Bank and other borrowings	19	188,299	95,052
Deferred tax liabilities		685,634	686,561
Total non-current liabilities		1,981,976	1,783,767
Current liabilities			
Trade payables	18	301,884	439,284
Other payables and accruals		4,061,723	3,207,303
Loans from a holding company		200,000	514,130
Amounts due to holding companies		3,852	3,882
Amounts due to fellow subsidiaries		6,727	4,924
Lease liabilities		49,980	61,309
Tax payables		146,273	110,164
Bank and other borrowings	19	185,202	51,569
Liabilities of disposal group classified as held for sale		–	571,599
Total current liabilities		4,955,641	4,964,164
Total liabilities		6,937,617	6,747,931
Total equity and liabilities		25,884,264	25,184,194

The notes on pages 13 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Attributable to equity owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2021	9,222,295	398,999	6,586,165	16,207,459	2,228,804	18,436,263
Comprehensive income						
Loss for the period	-	-	5,219	5,219	(116,742)	(111,523)
Other comprehensive income for the period:						
<i>Item that will not be reclassified subsequently to or loss:</i>						
Gain on property valuation, net of tax	-	761,586	-	761,586	-	761,586
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	-	7,425	-	7,425	(461)	6,964
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Release of exchange difference upon disposal of subsidiaries	-	(15,892)	-	(15,892)	-	(15,892)
Exchange differences on translation of foreign operations, net	-	119,760	-	119,760	14,081	133,841
Total other comprehensive income for the period, net of tax	-	872,879	-	872,879	13,620	886,499
Total comprehensive income for the period	-	872,879	5,219	878,098	(103,122)	774,976
Transactions with owners						
Disposal of non-wholly owned subsidiaries	-	(73,760)	73,760	-	(264,592)	(264,592)
Total transactions with owners for the period	-	(73,760)	73,760	-	(264,592)	(264,592)
At 30 June 2021	9,222,295	1,198,118	6,665,144	17,085,557	1,861,090	18,946,647

The notes on pages 13 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Attributable to equity owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	9,222,295	(118,236)	6,982,216	16,086,275	1,277,892	17,364,167
Comprehensive income						
Loss for the period	–	–	(443,486)	(443,486)	(82,782)	(526,268)
Other comprehensive income for the period:						
<i>Item that will not be reclassified subsequently to or loss:</i>						
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	–	(7,439)	–	(7,439)	(2,123)	(9,562)
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations, net	–	(185,916)	–	(185,916)	(19,682)	(205,598)
Total other comprehensive income for the period, net of tax	–	(193,355)	–	(193,355)	(21,805)	(215,160)
Total comprehensive income for the period	–	(193,355)	(443,486)	(636,841)	(104,587)	(741,428)
Transactions with owners						
Forfeiture of share options	–	(4,491)	4,491	–	–	–
Transfer from retained profits	–	12,274	(12,274)	–	–	–
Total transactions with owners for the period	–	7,783	(7,783)	–	–	–
At 30 June 2020	9,222,295	(303,808)	6,530,947	15,449,434	1,173,305	16,622,739

The notes on pages 13 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Cash generated/(used in) operations		763,813	(468,769)
Income tax refunded/(paid)		197	(66,369)
Net cash generated from/(used in) operating activities		764,010	(535,138)
Cash flows from investing activities			
Disposal of subsidiaries, net of cash		(7,685)	–
Acquisition of an associate		(468,529)	–
Proceeds from disposal of property, plant and equipment		10,252	3,116
Finance income received		34,426	40,137
Dividends received from an associate		6,232	–
Purchases of property, plant and equipment and prepaid land lease payments		(417,782)	(137,914)
Additions of other financial assets		(2,239)	–
Additions to financial assets at fair value through profit or loss		(527,302)	(388,729)
Proceeds upon maturity of financial assets at fair value through profit or loss		587,742	119,761
Proceeds from loan to fellow subsidiaries		132,873	–
(Increase)/decrease in time deposits with original maturity of more than three months when acquired		(105,108)	353,803
Decrease/(increase) in pledged time deposits		1,485	(14,337)
Net cash used in investing activities		(755,635)	(24,163)
Cash flows from financing activities			
Finance cost paid		(3,711)	(544)
Capital element of lease rentals paid		(29,516)	(27,565)
Interest element of lease rentals paid		(5,739)	(6,845)
Proceeds of new bank and other borrowings		297,778	43,791
Repayment of bank and other borrowings		(71,319)	–
(Repayment to)/advance from a holding company		(234,000)	282,087
Other cash flows arising from financing activities		–	90
Net cash (used in)/generated from financing activities		(46,507)	291,014

The notes on pages 13 to 35 form part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Net decrease in cash and cash equivalents		(38,132)	(268,287)
Cash and cash equivalents at 1 January		3,051,978	2,460,369
Effect of foreign exchange rate changes, net		26,207	(35,691)
Cash and cash equivalents at 30 June	17	3,040,053	2,156,391
Analysis of balances of cash and cash equivalents			
Cash and bank balances		3,172,929	2,545,638
Reclassified to assets of disposal group classified as held for sale		–	81,805
Deposits with maturity of more than three months		(132,876)	(471,052)
Cash and cash equivalents	17	3,040,053	2,156,391



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This 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, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 31 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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.

This 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 2020 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 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. KPMG’s independent review report to the Board of Directors is included on page 4.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report 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 2020 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.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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. Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

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 accounting policies and reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group under policies approved by the Directors of the Company.

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

There have been no changes in the risk management since year end or in any risk management policies.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation

4.2.1 Management analyses financial instruments carried at fair value, by valuation method. The following hierarchy is used for determining and disclosing their 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)

The following table presents the Group's financial assets that are measured at fair values.

Assets

	As at 30 June 2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss	–	240,456	–	240,456
Other financial assets	–	–	37,564	37,564
	–	240,456	37,564	278,020

	As at 31 December 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss	–	297,553	–	297,553
Other financial assets	–	–	27,395	27,395
	–	297,553	27,395	324,948

During the period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2020: Nil).

Changes in fair value of financial assets at fair value through profit or loss are recorded in other income and gains, net in the consolidated income statement.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

The fair values of financial assets at fair value through profit or loss are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the financial assets at fair value through profit or loss (30 June 2021: 2.80%-3.20%; 31 December 2020: 2.80%-3.15%). The fair values are within level 2 of the fair value hierarchy.

There were no changes in valuation techniques during the period.

The unlisted equity securities are measured at fair value using a valuation technique with significant unobservable inputs (Level 3).

The fair value of unlisted equity securities is determined using the price/earning 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 30 June 2021, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% (31 December 2020: 1%) would have increased/decreased the Group's other comprehensive income by HK\$444,000 (31 December 2020: HK\$357,000).

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Unlisted equity securities:		
At 1 January	27,395	48,782
Net unrealised gains or losses recognised in other comprehensive income during the period	6,964	(9,562)
Additions	2,239	–
Related tax	645	(1,059)
Currency translation differences	321	56
At 30 June	37,564	38,217

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	1,758,200	742,900
Outside Hong Kong:		
– Commercial properties	909,399	878,254
	2,667,599	1,621,154

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Group measures its investment properties at fair value. The investment properties were revalued at 30 June 2021 by RHL Appraisal Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK\$2,667,599,000 (2020: HK\$1,621,154,000). 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 the management, audit committee and valuers at least once every six months, in line with the Group's interim and annual reporting dates.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

At each financial period/year end the team:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements by comparing with the prior year valuation report;
- Holds 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.

4.2.3 The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 30 June 2021.

5 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, 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.

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5 OPERATING SEGMENT INFORMATION (CONTINUED)

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

Six months ended 30 June 2021 (unaudited)

	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	714,750	61,285	204,540	41,115	1,021,690	9,932	1,031,622
Inter-segment revenue	254	15	615	56	940	-	940
	715,004	61,300	205,155	41,171	1,022,630	9,932	1,032,562
Elimination of inter-segment revenue					(940)	-	(940)
Revenue					1,021,690	9,932	1,031,622
Segment results	(25,733)	(39,388)	(19,486)	(122,497)	(207,104)	(43,673)	(250,777)
Non-controlling interests							(116,742)
Segment operating results before non-controlling interests							(367,519)
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							(3,008)
Loss for the period							(111,523)

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5 OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020 (unaudited)

	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	230,481	159,659	135,565	45,501	571,206	93	571,299
Inter-segment revenue	552	118	455	162	1,287	464	1,751
	<u>231,033</u>	<u>159,777</u>	<u>136,020</u>	<u>45,663</u>	<u>572,493</u>	<u>557</u>	<u>573,050</u>
Elimination of inter-segment revenue					(1,287)	(464)	(1,751)
Revenue					<u>571,206</u>	<u>93</u>	<u>571,299</u>
Segment results	<u>(108,660)</u>	<u>(34,896)</u>	<u>(71,008)</u>	<u>(120,260)</u>	<u>(334,824)</u>	<u>(20,566)</u>	<u>(355,390)</u>
Non-controlling interests							<u>(82,782)</u>
Segment operating results before non-controlling interests							(438,172)
Changes in fair value of investment properties, net of tax							(86,071)
Net loss on disposal of property, plant and equipment, net of tax							<u>(2,025)</u>
Loss for the period							<u>(526,268)</u>



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6 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.

(a) Disaggregation of revenue

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	699,859	182,015
– Tour, travel agency, travel document and related income	51,559	155,027
– Hotel income	168,441	132,723
– Passenger transportation income	41,115	45,501
– Property sales income	–	118
– Consultancy and service income	24,823	26,411
	985,797	541,795
Revenue from other sources		
– Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	45,825	29,504
	1,031,622	571,299

- (b) 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.

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7 OPERATING LOSS

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
(a) Other income and gains, net		
Gain on disposal of subsidiaries	229,135	–
Rental income on investment properties, net	11,409	9,292
Foreign exchange differences, net	3,476	25
Government grants	5,785	2,718
Management fee income	35,291	30,742
Income from financial assets at fair value through profit or loss	3,542	1,596
Loss on disposal of property, plant and equipment, net	(4,582)	(2,012)
Other	42,311	24,778
	326,367	67,139
	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
(b) Other items		
Staff costs	716,335	529,868
Depreciation		
– owned property, plant and equipment	293,660	208,779
– right-of-use assets	29,001	29,915
	322,661	238,694
Amortisation of prepaid land lease payments	12,509	16,632
Amortisation of other intangible assets	–	1,445
Outgoing expenses in respect of investment properties	3,099	5,822
Cost of properties sold	–	4,363



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8 FINANCE INCOME, NET

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest income:		
Bank deposits and entrustment loans	32,685	40,115
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	(3,711)	(544)
Interest on lease liabilities	(5,739)	(6,845)
	(9,450)	(7,389)
Less: Interest expense capitalised into properties under development and property, plant and equipment*	9,450	7,389
	–	–
Finance income, net	32,685	40,115

* The borrowing costs have been capitalised at a rate of 2.29% per annum (2020: 1.63%).

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% (2020: 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.



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9 TAXATION (CONTINUED)

The amount of taxation credited to consolidated income statement represents:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current taxation		
Hong Kong	3,221	1,685
Mainland China and other territories	27,143	11,937
	30,364	13,622
Deferred taxation	(58,929)	(149,971)
	(28,565)	(136,349)

The share of fair value changes in equity investments as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect and tax charge of HK\$645,000 (2020: tax credit of HK\$1,059,000).

10 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 2020.

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

The calculation of basic and diluted earnings/(loss) per share is based on profit attributable to equity owners of the Company for the six months ended 30 June 2021 of HK\$5.22 million (2020: loss of HK\$443 million) and the weighted average of 5,536,633,709 ordinary shares (2020: 5,536,633,709 shares) in issue during the period.

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, additions of items of property, plant and equipment amounted to HK\$267,846,000 (2020: HK\$184,857,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK\$14,834,000 (2020: HK\$5,128,000).

Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of hotel properties, and therefore recognised the additions to right-of-use assets of HK\$22,013,000.

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-related rent concessions beyond 30 June 2021*, and applies the practical expedient to all eligible rent concessions received by the Group during the period.



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13 INVESTMENT PROPERTIES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At fair value		
At the beginning of the period/year	1,621,154	1,745,232
Changes in fair value recognised in income statement	30,378	(179,571)
Transfer from property, plant and equipment	1,006,900	8,103
Currency translation differences	9,167	47,390
At the end of the period/year	2,667,599	1,621,154

Valuation

The valuations of investment properties carried at fair value were updated at 30 June 2021 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2020 valuations.

As a result of the update, a net gain of HK\$25,000,000 (2020: net loss of HK\$85,000,000), and deferred tax charge thereon of HK\$5,400,000 (2020: deferred tax credit of HK\$3,900,000), has been recognised in profit or loss for the period in respect of investment properties.

14 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:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 3 months	25,513	31,432
Over 3 months to 6 months	28,281	23,925
Over 6 months to 12 months	11,806	20,559
Over 1 year to 2 years	5,163	5,130
Over 2 years	2,415	697
	73,178	81,743

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 30 June 2021, the balances included an amount due from a non-controlling shareholder of Macao CTS Passenger Road Transport Company Limited, a 50% owned subsidiary of the Company, of HK\$17,617,000 (31 December 2020: HK\$18,568,000), which was unsecured and interest-free.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the period ended 30 June 2021, the Group subscribed RMB denominated principal-protected with floating yields investments issued and managed by banks in the PRC. The principals amount to RMB200 million (equivalent to approximately HK\$240 million) and the estimated yields are 3.10% per annum. The Group received proceeds of RMB490,433,000 (equivalent to approximately HK\$587,742,000) upon maturity.

17 CASH AND BANK BALANCES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Cash and bank balances	2,010,146	2,539,104
Time deposits	1,172,031	552,743
	3,182,177	3,091,847
Less: reclassified to assets of disposal group classified as held for sale	–	(133,799)
	3,182,177	2,958,048
Less: pledged time deposits	(9,248)	(10,644)
Cash and bank balances in the consolidated statement of financial position	3,172,929	2,947,404
Add: cash and bank balances reclassified to assets of disposal group classified as held for sale	–	131,376
Less: deposits with maturity of more than three months	(132,876)	(26,802)
Cash and cash equivalents in the condensed consolidated statement of cash flows	3,040,053	3,051,978



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18 TRADE PAYABLES

At 30 June 2021, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 3 months	237,979	365,953
Over 3 months to 6 months	20,031	22,737
Over 6 months to 12 months	17,550	25,002
Over 1 year to 2 years	9,787	9,902
Over 2 years	16,537	15,690
	301,884	439,284

19 BANK AND OTHER BORROWINGS

Movements in borrowings are analysed as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At the beginning of the period/year	146,621	3,801
Drawdown	297,778	142,579
Repayments	(71,319)	–
Currency translation differences	421	241
At the end of the period/year	373,501	146,621

The interest rate of bank and other borrowings as at 30 June 2021 is 0% to 4.55% (31 December 2020: 0% to 3.85%).

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's and subsidiaries' 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. As at 30 June 2021, none of the covenants relating to drawn down facilities had been breached (31 December 2020: Nil).

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20 PLEDGE OF ASSETS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Bank deposits		
Pledged for credit facilities granted by suppliers to the Group's certain subsidiaries	813	9,718
Pledged for bank guarantees given in lieu of utility and rental deposits	–	926
	813	10,644
Buildings		
Pledged for credit facilities granted by suppliers to the Group's certain subsidiaries	216,325	56,515
	217,138	67,158

21 CONTINGENT LIABILITIES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Performance bond given to a customer for due performance of a sales contract	300	300

22 COMMITMENTS

At 30 June 2021, the Group had the following significant capital commitments:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Property project, land and buildings: Contracted, but not provided for	840,191	617,332
Plant and equipment and motor vehicles: Contracted, but not provided for	36,875	23,572
Scenic spots: Contracted, but not provided for	344,832	71,016
Unpaid capital contribution to subsidiaries: Contracted, but not provided for	134,602	–
Unpaid capital contribution to an associate: Contracted, but not provided for	–	464,569
Unpaid capital contribution to a joint venture: Contracted, but not provided for	108,163	106,934



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23 RELATED PARTY TRANSACTIONS

In addition to those related party balances and transactions disclosed elsewhere in this interim financial report, the Group had the following significant transactions with related parties during the period:

(a) Significant transactions with related parties

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Travel-related income from	(a)		
– immediate holding company ^{#*}		609	48,206
– fellow subsidiaries*		623	552
– associates		7,356	3,294
– other related parties*		–	293
Hotel-related income from	(a)		
– immediate holding company		229	624
– fellow subsidiaries		516	323
Management income from	(b)		
– fellow subsidiaries*		32,499	29,721
– associates		–	1,212
– a non-controlling shareholder		–	3,338
Rental income from	(c)		
– immediate holding company		1,518	1,307
– fellow subsidiaries*		423	566
– an associate		–	3,802
– a non-controlling shareholder		3,166	1,266
– a related party		768	843
Interest income from			
– fellow subsidiaries		7,751	27,474
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		(6,818)	(8,962)
– other related parties*		–	(1,303)
Management expenses paid to	(b)		
– fellow subsidiaries*		(475)	(423)

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23 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Related interest expense (lease liabilities):	(c)		
– immediate holding company*		(37)	(66)
– fellow subsidiaries*		(29)	(58)
– other related parties		(4,492)	(4,681)
Amount of rent payable per month:	(c)		
– immediate holding company*		(143)	(244)
– fellow subsidiaries*		(64)	(82)
– other related parties		(1,586)	(1,872)
Other operating expenses paid to			
– a related party		(11,046)	(4,727)
	Note	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Lease Liabilities due to:	(c)		
– immediate holding company*		856	2,328
– fellow subsidiaries*		1,079	1,420
– other related parties		195,998	198,565

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 amounts disclosed above include certain income/expenses which are exempted from the announcements and reporting requirements as they are below de minimis threshold under the Listing Rule 14A.76(1).

Notes:

- (a) Travel-related and hotel-related income and expenses are entered into in the normal course of business based on terms mutually agreed by the parties.
- (b) Management income and expense are charged at rates in accordance with relevant contracts.
- (c) Rental income and lease rental are charged in accordance with respective tenancy agreements.



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23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

- (i) On 26 May 2017, China National Travel Service Group Corporation (“China CTS”), 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 China CTS has agreed to provide a loan of RMB30,000,000 to Shapotou. On 26 May 2020, the Company entered into an extension agreement with China CTS to extend the loan maturity date to 25 May 2023. The interest rate shall be the fixed rate 1.2% per annum. As at 30 June 2021, the arrangement remained effective with RMB30,000,000 withdrawn.
- (ii) On 24 May 2017, China CTS, 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 China CTS has agreed to provide a loan of RMB39,000,000 to Anji. On 24 May 2020, China CTS 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 30 June 2021, the arrangement remained effective with RMB39,000,000 withdrawn.
- (iii) 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 26 May 2021. Under both agreements, the interest rate shall be the six-month LIBOR plus 2.6% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 6 months from the loan drawdown date. The loan had been settled by cash on 26 May 2021. These transactions also constitute connected transactions as defined under Listing Rules.
- (iv) On 8 November 2018, the Company and China National Travel Service (HK) Finance Company Limited (“CTS Finance”) entered into a financial services framework agreement in respect of the provision of (i) deposit services, (ii) the comprehensive credit line services, (iii) the entrustment loan services; and (iv) the cross-border RMB cash pooling services by CTS Finance for a term commenced from 1 January 2019 and ending on 31 December 2021. As at 30 June 2021, the related deposit balance was RMB989,429,400. These transactions also constitute continuing connected transactions as defined under Listing Rules.
- (v) On 2 August 2019, CTS (Shenzhen) Travel Management Company Limited (“CTS (Shenzhen)”), as lender, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited (“CTS (China) Investment”), as borrower, for a term of three years commencing from 2 August 2019 and ending on 1 August 2022, pursuant to which CTS (Shenzhen) has agreed to provide a loan of RMB 210,000,000 to CTS (China) Investment. The interest rate shall be the fixed rate 5.225% per annum. As 30 June 2021, the arrangement remained effective with RMB210,000,000 withdrawn.



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23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

- (vi) On 11 June 2020, China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”), as lender, entered into a loan agreement with the Company, as borrower, for a term of one year commencing from 11 June 2020 and ended 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 1-month LIBOR on two working days before drawdown date plus 0.75% per annum. The loan had been settled by cash on 10 June 2021.
- (vii) On 22 September 2020, CTS (Holdings), as lender, entered into a 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 HK\$200,000,000 to the Company. The interest rate shall be the three-month HIBOR plus 0.75% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 3 month from the loan drawdown date. As at 30 June 2021, the arrangement remained effective with HK\$200,000,000 withdrawn.
- (viii) On 1 April 2020, CTS (Holdings), as lender, entered into a loan agreement with China Travel Service (Hong Kong) Limited (“CTSHK”), as borrower, for a term of one year commencing from 1 April 2020 and ended on 30 March 2021, pursuant to which CTS (Holdings) has agreed to provide a loan of HK\$25,000,000 to CTSHK. The interest rate shall be 12-month HIBOR on drawdown date plus 0.7% per annum. As at 30 June 2021, the Company has completed the transaction to dispose of its equity interest in CTSHK.
- (ix) On 17 June 2020, CTS (Holdings), as lender, entered into a loan agreement with CTSHK, as borrower, for a term of one year commencing from 17 June 2020 and ending on 16 June 2021, pursuant to which CTS (Holdings) has agreed to provide a loan of HK\$25,000,000 to CTSHK. The interest rate shall be 12-month HIBOR on drawdown date plus 0.7% per annum. As at 30 June 2021, the Company has completed the transaction to dispose of its equity interest in CTSHK.

(c) Transactions with the PRC government related entities

- (i) On 4 January 2010, Henan Province Songshan Scenic Spot Management Committee (“Songshan Management”) entered into a franchise agreement pursuant to which CTS (Dengfeng) Songshan Shandin Culture Tourism Co., Ltd. (“CTS (Dengfeng)”) will be authorized to exclusively manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot from 25 December 2009 for a term of 40 years and Songshan Management received franchise fee in exchange. As at 30 June 2021, the Company has completed the transaction to dispose of its equity interest in CTS (Dengfeng).



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24 DISPOSAL OF SUBSIDIARIES

(a) 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 and its wholly-owned subsidiaries (together “CTSHK”) 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.

Analysis of the assets and liabilities of CTSHK upon disposal was as follows:

	HK\$'000 (unaudited)
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)

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(Expressed in Hong Kong dollars unless otherwise indicated)

24 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of CTS (Dengfeng) Songshan Shandin Culture Tourism Co., Ltd.

On 8 October 2020, the Board announced that the Company intended to dispose of its 51% equity interest in CTS (Dengfeng) Songshan Shandin 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 (unaudited)
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
Less: consideration receivable that will be settled by cash	(153,417)
Cash received	133,628
Net cash flows arising from the disposal	
Cash received	133,628
Cash and cash equivalents disposed of	(28,327)
Direct cost of disposal	(558)
	104,743



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SUBSEQUENT EVENT

In July 2021, the Company and Lijiang Lugu Lake Tourism Development Co., Ltd. (“Lugu Lake Tourism Company”) jointly established CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. (“Lugu Lake Scenic Spot Company”) with a registered capital of RMB200 million. The Company and Lugu Lake Tourism Company hold 51% and 49% equity interest respectively in Lugu Lake Scenic Spot Company, which is the main operating entity of Lugu Lake Scenic Spot.



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

With the increase in vaccination rates in various countries and regions and the gradual loosening of travel restrictions, major economies continue to recover from the impact of the pandemic. However, uncertainties remain as there have been multiple waves of outbreak of the pandemic in countries and regions where vaccination rates are low. Amid this complex and changing business environment, the Group recorded a solid overall performance in the first half of the year, showing a significant growth from the corresponding period of last year.

In the first half of 2021, the Group's consolidated revenue was HK\$1,032 million, representing an increase of 81% compared with the corresponding period of last year. This can mainly be attributed to the recovery from COVID-19, which resulted in an increase in overall revenue from the Group's tourist attraction and hotel operations. Loss before taxation was HK\$140 million, representing a decrease of 78.86% compared with the corresponding period of last year. Profit attributable to shareholders was HK\$5.22 million, while loss attributable to shareholders amounted to HK\$443 million in the corresponding period of last year. Loss attributable to operation was HK\$251 million, representing a decrease of 29.44% compared with the corresponding period of last year. The shift from loss to profit attributable to shareholders was mainly due to the gain of approximately HK\$216 million from the disposal of travel business in the first half of the year, and an increase in change in fair value of investment properties of approximately HK\$120 million compared with the corresponding period of last year.

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 30 June 2021, total assets were HK\$25,900 million, representing an increase of 2.78% compared with the end of last year. Equity attributable to shareholders was HK\$17,100 million, representing a 5.42% increase compared with the end of last year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$3,675 million, representing an increase of 1.04% compared with the end of last year, where cash and bank balances amounted to HK\$3,173 million. Deducting HK\$656 million of loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$2,517 million, representing an increase of 10% 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 2021.

BUSINESS REVIEW

(I) Tourist attraction and related operations

The tourist attraction and related operations of the Group comprise:

1. Theme parks: Shenzhen The World Miniature Co., Ltd. ("**Window of the World**"), Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**");
2. Natural and cultural scenic spots: CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("**Songshan Scenic Spot**"), CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd. ("**Shapotou Scenic Spot**"), Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd. ("**Xiufeng Scenic Spot**"), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**"), Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**"), CTS Luzhou Laojiao Culture Tourism Development Company Limited ("**Luzhou Scenic Spot**"), CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. ("**Lugu Lake Scenic Spot Company**");

Non-controlling investments in scenic spots: Huangshan Yuping Cable Car Company Limited, Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company Limited, Changchun Jingyuetan Youle Co., Ltd. and Ningbo CTS Cicheng Ancient County Tourism Development Company Limited, 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**", formerly known as Xianyang Ocean Spring Resort Co., Ltd.),



MANAGEMENT DISCUSSION AND ANALYSIS

Zhuhai Evergrande Ocean Spring Land Co., Ltd. (“**Evergrande OSR**”) and CTS (Anji) Tourism Development Company Limited (“**Anji Company**”); and

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

In the first half of 2021, with the alleviation of COVID-19 and a relatively rapid recovery of tourist arrivals in Mainland China, the Group’s total revenue from tourist attraction and related operations was HK\$715 million, representing an increase of 210% compared with the corresponding period of last year. Attributable loss was HK\$26 million, representing a decrease of 76% compared with the corresponding period of last year.

Theme parks

In the first half of the year, China’s economy was recovering orderly. For theme parks, tourism market trends were studied and discussed with a major focus on the development of local tourism market with explorations in other market segments. However, a new wave of COVID-19 outbreak in Guangdong province in mid-May of this year increased pressure on operations. In the first half of the year, revenue from theme parks was HK\$217 million, representing an increase of 203% compared with the corresponding period of last year. Attributable loss was HK\$4 million, representing a decrease of 89.78% compared with the corresponding period of last year.

In the first half of the year, the “Pyramid Fantasy” and “Maasai Mara” projects of Window of the World have commenced operation. Preliminary planning was also completed for the “Float Parade” and “Enhancement of River Rafting” projects of Splendid

China. Window of the World and Splendid China will continue to emphasise market development and research for potential markets, product enrichment, quality improvement and capacity expansion.

Natural and cultural scenic spots

Revenue from natural and cultural scenic spots amounted to HK\$317 million, representing an increase of 509% compared with the corresponding period of last year. Attributable profit amounted to HK\$15 million, while attributable loss for the corresponding period of last year was HK\$46 million.

In the first half of the year, Songshan Scenic Spot recorded a loss. The Company entered into an equity transfer agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited on 25 January 2021, pursuant to which the Company agreed to dispose of its 51% equity interest in Songshan Scenic Spot to Deng Feng Songshan Shaolin Culture Tourism Group Company Limited at a consideration of RMB255 million. The disposal will help to enhance the Group’s portfolio of natural and cultural scenic spots, increase the asset turnover rate and working capital, and further improve the sustainability of the Company’s development. The disposal was completed in April 2021 and resulted in a gain of approximately RMB10.93 million. For details, please refer to the Company’s announcement dated 25 January 2021.

In the first half of the year, Shapotou Scenic Spot adhered to the normalisation of pandemic prevention, continuously strengthened project construction, marketing, service quality improvements, etc, and achieved positive results. It recorded a year-on-year increase of 282% in revenue, and a decrease of 93% in loss. Detian Scenic Spot recorded a year-on-year increase of 630% in revenue and made a turnaround from loss to profit. The four major “key opinion leaders recommended products” and the “Far-sighted View of Vietnam” tour business from Detian Scenic Spot improved the tourist flow and increased the conversion rate of tourists’ secondary consumption. The implementation of regional management at Huashan Scenic Spot has increased



MANAGEMENT DISCUSSION AND ANALYSIS

revenue and reduced loss. Xiufeng Scenic Spot recorded a year-on-year increase in revenue, which made a turnaround from loss to profit. It will continue to investigate cable car renovation plans and strive to complete the submission of cable car renovation for government approval. Established in September 2020, Luzhou Scenic Spot aims to upgrade and transform Laojiaochi Scenic Spot with a focus on developing wine culture tourism. In the first half of the year, revenue from Luzhou Scenic Spot was HK\$98 million, which made significant contribution to the Group's revenue from natural and cultural scenic spots. The associate New Century Senbo shared a profit of HK\$7.02 million.

Leisure resorts

Revenue from leisure resorts was HK\$159 million, representing an increase of 86.15% compared with the corresponding period of last year. Attributable loss was HK\$31 million, representing an increase of 75% compared with the corresponding period of last year. The increase in attributable loss was mainly due to the year-on-year decrease in profits recognised from the real estate projects by the associate Evergrande OSR.

Zhuhai OSR recorded a year-on-year increase of 28% in revenue, and an increase in loss. Renovation of the Neptune Hotel will continue. Xianyang OSR is delivering a new OSR experience with activities such as themed festivals, and is enhancing brand communication through parent-child platforms. It recorded a slight loss with a year-on-year increase of 309% in revenue. Anji Company's revenue increased by 112% year-on-year and realised loss reduction. In the second half of the year, Anji Company plans to sell all the remaining Phase II project housing and drive its revenue growth by focusing on product innovation, channel development, and advancing synergy between new and old products.

Supplementary tourist attraction operations

The revenue from the supplementary tourist attraction operations was HK\$22 million, representing an increase of 2.5% compared with the corresponding period of last year. Attributable loss was HK\$5.17 million, representing a decrease of 5.66% compared with the corresponding period of last year.

Heaven Creation Company is engaged in scenic spot construction, creative planning and performing arts business. Revenue decreased and losses increased in the first half of the year as the main audience of its repertoire are tourists from Europe and America, where the pandemic was not fully controlled. In the second half of the year, Heaven Creation Company will focus on planning and production relating to the cultural tourism industry, including the promotion of "Ningbo Silk Road Harbor" and "Fo Shan Kung Fu Town" projects, and planning and producing an underground immersive drama "Chongqing Secret Passages". China Travel Zhiye, which provides tourism planning services, recorded a year-on-year decrease in revenue and an increase in loss. CTS Scenery is engaged in management and consulting services, and recorded a year-on-year revenue increase of 62%. It will strengthen its collaborations in product development, project promotion and implementation.

(II) Travel Agency, Travel Document and Related Operations

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

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

On 9 August 2019, the Group and CTG Travel Service Co., Ltd. ("**CTS Head Office**") entered into an asset and equity interest transfer master



MANAGEMENT DISCUSSION AND ANALYSIS

agreement, pursuant to which the Group agreed to dispose of its business and assets relating to travel agency to CTS Head Office for a consideration of HK\$5.13 million. The disposal was completed in May 2021 and resulted in a gain of approximately HK\$216 million. For details, please refer to the Company's announcement dated 31 May 2021.

Social distancing requirements and restricted cross-border activities under COVID-19 have affected the entire tourism industry's market dynamics. In the first half of 2021, the Group's travel agency, travel documents and related operations' revenue was HK\$61 million, representing a decrease of 62% compared with the corresponding period of last year. Attributable loss was HK\$39 million, representing an increase of 13% compared with the corresponding period of last year.

(III) Hotel Operation

The Group's hotel operations comprise:

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

In the first half of 2021, revenue from the Group's hotel operations was HK\$205 million, representing an increase of 51% compared with the corresponding period of last year. Attributable loss was HK\$19 million, representing a decrease of 73% compared with the corresponding period of last year. Beijing Metropark Hotel had a relatively better recovery and made a turnaround from loss to profit. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Metropark Hotel Kowloon recorded year-on-year revenue growth after it was designated by the government as a quarantine hotel to host oversea returnees for quarantine in Hong Kong last year. Some of the hotels launched discounts and promotions and strengthened their cost control to mitigate the negative impact of the pandemic.

(IV) Passenger Transportation Operations

The Group's passenger transportation operations comprise bus business and passenger vessels business, which are 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 COVID-19, 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 2021, revenue from passenger transportation operations was HK\$41 million, a decrease of 10% compared with the corresponding period of last year. Attributable loss was HK\$123 million, representing an increase of 2% compared with the corresponding period of last year.

In terms of the bus business, the Company actively expanded the local charter vehicle business in Hong Kong, winning service tenders for the Immigration Department of HKSAR, commuter vehicles of China Resources, and others. With the alleviation of COVID-19 in Hong Kong and the government's promotion of local tourism, the Company has taken the opportunity to cooperate with various travel agencies to expand its services relating to local and green tourism.

DEVELOPMENT STRATEGY

Following its strategic position of building a "first-class tourist destination investment and operation service provider", the Group continued to focus on creating products related to tourism, leisure and holidays. It strives to set industry benchmarks for scenery, content and experience, and pursues the strategic implementation of integrating the 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 its business in the tourism consumption market, creating quality tourism and model projects, extensively applying technology in tourism, seizing post-pandemic consumption opportunities, and creating a new pattern of tourism consumption.



MANAGEMENT DISCUSSION AND ANALYSIS

During the period, Window of the World introduced “youth”, “birthday”, “university student” and “senior” tickets to widen its market coverage. Its “Alps Ice and Snow World” attractions are fully upgraded and back in operation. Splendid China will continue to focus on local family customers, launch promotional products in stages, continue to strengthen the comprehensive management service mechanism of management business, and increase the overall value of services. 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 continue to implement its “Gate of Time and Space”, “Desert Legend”, “Flying Island” and “Yellow River Theme Culture Museum” projects, and the development of a new “scenic spot + characteristic hotel” tourism model to facilitate transformation and upgrading via leisure holiday products, such as hot springs, guesthouses, hotels, shows and nighttime tours. With the opening of the nighttime tourism experience product “Night Detian”, the “Far-sighted View of Vietnam” and the “Sino-Vietnam Cross-border Duty Free Shopping Street” projects, operating performance of Detian Scenic Spot has improved significantly. In the second half of the year, Detian Scenic Spot will continue to expand the scenic spot tourist segment by adjusting its marketing strategy, developing an integrated “activities + brand + product” marketing and promotion model, proceeding with the quarterly referral plan, and implement channel and product expansion.

In February 2021, the Group completed the acquisition of 34% equity interest in New Century Senbo, becoming its second largest shareholder. New Century Senbo was positioned as a micro-vacation project targeting the mid-to high-end market, promoting short-distance peri-urban holiday packages to mid-to high-end customers and boosting consumption upgrade. Therefore, a value support system with special features, low cost and high quality was established. New Century Senbo has good tourism IP and high-reputation products that attract the market and a reproducible model with excellent performance. The Group’s acquisition and merger of the mature tourism IP is beneficial to the leapfrog development of the tourism real estate businesses. During the period, New Century Senbo recorded a profit contribution.

In the first half of the year, the Company entered into a basic project agreement with Lijiang Lugu Lake Management Bureau and Lijiang Lugu Lake Tourism Development Co., Ltd. (“**Lugu Lake Tourism Company**”) to jointly develop the Lugu Lake Scenic Spot. In July 2021, the Company and Lugu Lake Tourism Company jointly established Lugu Lake Scenic Spot Company with a registered capital of RMB200 million. The Company and Lugu Lake Tourism Company respectively hold 51% and 49% equity interest in Lugu Lake Scenic Spot Company, which is the main operating entity of Lugu Lake Scenic Spot. Lugu Lake Scenic Spot Company plans, develops, constructs, operates and manages the natural landscape, ethnic culture and water and land transportation resources within the project scope. Its ultimate aim is to build Lugu Lake Scenic Spot into a core tourism project of the Western Yunnan Tourism Ring Line, and a world destination integrating tourism, leisure, shopping and entertainment and Mosuo customs.

Zhuhai OSR will continue to upgrade its existing products and develop new real estate business with a view to enrich the “Ocean Spring” brand portfolio with differentiated products. To this end, it utilises the complementary effect between the travel and real estate industries, and continues to push forward the renovation of Neptune Hotel and the “Unpowered Paradise” project. Xianyang OSR and Starbucks have begun a partnership to build the first international brand coffee shop in Xixian New Area. Anji Company will emphasise the operation of tea gardens and bars, as well as the promotion and implementation of farm planning, to further improve the product and operation system.

In terms of the bus business, the Company will strive to expand its local market businesses in Hong Kong, such as essential transportation and charter vehicles. It will further cultivate new business, and expand the Company’s activities into sectors such as advertising, cross-border shopping malls and local green tourism. For the passenger vessels business, the Company will continue to implement effective cost management and control, and plans to update existing systems and technologies to tackle its ageing problem.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group will develop new business and new growth engines by strategically acquiring quality scenic spots, and exploring new breakthroughs to expand into overseas markets. During the period, the Group seized on investment opportunities through continuing its business negotiations and research with parties in Maldives, expanding the scope of its target areas, broadening business networks, identifying suitable targets, and focusing on the Japanese vacation market (the top destination for Chinese tourists). The Group will strive to expand its presence in the Guangdong-Hong Kong-Macao Bay Area market, consolidate its market share in the Yangtze River Delta, and facilitate implementation of its planned projects.

The Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. 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. The Group plans to build a multifunctional medium- to high-end hotel on the parcel. The demolition of the old building has been completed and inspection of the pile foundation has been carried out. The hotel is expected to open in early 2024. The Group also explored the feasibility of installing a smart hotel system to the project by conducting field visits to smart hotels in China and completing investigative reports.

The Company has established a digital operations department and developed a digital transformation and development plan. Through digital transformation, the Company will improve its level of 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, and promote the deep integration of digital technology into business and management models.

With the accelerating recovery of the tourism industry and the beginning of the traditional operating peak season for the Company's existing scenic spots, operating performance is expected to improve. 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. In the second half of the year, the Company will maintain its corporate operations' development lifeline by continuing its safety and pandemic prevention efforts through supervision, inspection, training and improvement, and normalisation of pandemic prevention. In particular, due to the COVID-19 situation in Guangdong province remains volatile, the Company has established a pandemic prevention and control working group, which will arrange, deploy and supervise pandemic prevention and control to ensure its overall stability.

The Group 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 mechanism to ensure its healthy and sustainable development.

PROSPECTS

In the first quarter of 2021, Hong Kong resumed positive real GDP and recorded a year-on-year growth of 7.8% with a lower unemployment rate and improved external export figures. The HKSAR Government's Consumption Voucher Scheme has been launched to stimulate consumer spending and to boost the economy. As the vaccinated population rises, the impacts of the pandemic subside. China's economy continues to rebound from the pandemic, showing trends of steady improvement. In the first half of the year, China's GDP was RMB53,216.7 billion, representing a year-on-year increase of 12.7%. By quarter, the GDP for the 1st quarter and for the 2nd quarter records a year-on-year increase of 18.3% and 7.9% respectively. China reduced the reserve requirement ratio for major commercial banks in mid-July, which would lend extra support to small and medium enterprises and continue to consolidate the foundation of recovery.

Global recovery from the pandemic is becoming steadier as global economic growth gathers strength supported by strong macro indicators, good progress in the reopening of major economies, as well as accommodative monetary and fiscal policies. However, the high transmission rates



MANAGEMENT DISCUSSION AND ANALYSIS

of COVID-19 variants still pose challenges. Countries have responded to the pandemic with different strategies, resulting in an uneven pace of global recovery. It is difficult to predict when international travel will resume to normal levels, and the economic situation remains uncertain. Various governments have deployed various means to alleviate the damage from the pandemic and to regain momentum of growth. Prospect of global growth in the second half of the year will mainly depend on the progress and effectiveness of pandemic control, and the performance of the Group's hotel and passenger transportation operations will also largely depend on the status of Hong Kong's border restrictions. With sporadic COVID-19 cases in Mainland China affecting summer peak-season operations, the recovery momentum of the Company's tourist attraction and related operations has been affected to a certain extent. Amidst the uncertainties surrounding the pandemic, the Group remained resilient with its solid foundation and quality assets. With determination and quick adaptation to the rapid changing business environment, the Group secured adequate cashflow and achieved steady development of its business.

The Group is cautious about development prospects and will continue to monitor the COVID-19 situation while evaluating its potential risks and impacts on finances and operations. The Group's overall business remains fundamentally stable and sound, with abundant funds and excellent investment and development capability and capacity. The Company will make an all-out effort to accomplish its various aims, and will proceed with the Group's radical reform and integrated development. We will remain on the lookout for suitable growth opportunities to expand existing revenue streams in the medium to longer term, and to create greater shareholder value.



OTHER INFORMATION

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2021, the Group had 7,367 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by the management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 30 June 2021, the cash and bank balances of the Group amounted to HK\$3,173 million, whereas the bank and other borrowings and loans from the holding company amounted to HK\$656 million. The debt-to-capital ratio was 29%, and 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 to make use of appropriate measures when required.

CHARGES ON ASSETS

As at 30 June 2021, the Group's bank deposits of approximately HK\$0.81 million (31 December 2020: HK\$11 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 at 30 June 2021, certain of the Group's buildings with net carrying amounts of HK\$216 million (31 December 2020: HK\$57 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 section "Business Review" under 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 at 30 June 2021, the Group's performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2020: HK\$0.3 million).

SIGNIFICANT INVESTMENT HELD

To utilise the Group's idle funds more efficiently without affecting operating cash while ensuring fund safety, the Group used some idle funds to subscribe for RMB denominated wealth management products. As of 30 June 2021, the Group held wealth management products amounting to a total of RMB200 million (equivalent to approximately HK\$240 million). During the period, income from financial assets at fair value through profit or loss was approximately HK\$4 million. The movements of the subscribed wealth management products during the period were as follows:

OTHER INFORMATION

	1 January 2021 HK\$'000	Subscribed during the period HK\$'000	Recovered during the period HK\$'000	Exchange difference HK\$'000	Income receivable from financial assets at fair value through profit or loss HK\$'000	30 June 2021 HK\$'000	Duration (month)	Expected annualised yields (%)
Issuers								
With agreed maturity date								
Agricultural Bank of China Co., Ltd.	297,553	527,302	(587,742)	3,248	95	240,456	3	2.8-3.2
	297,553	527,302	(587,742)	3,248	95	240,456		

The key terms for the wealth management products above are:

- (i) Type of return: Principal-protected with floating yields.
- (ii) Payment of principal and income: The principal and the earned income of the wealth management products will be received one-off within 1-3 business days subsequent to the agreed maturity date or confirmed redemption date.
- (iii) Terms of redemption: During the agreed holding period, subscribers have no rights to redeem the products. For products without agreed maturity date, subscribers can perform the redemption on the business days.
- (iv) Early termination rights: Subscribers are not entitled to terminate such products early. Unless otherwise specified, issuers are entitled to early termination. In case of early termination, issuers shall settle the one-off payment of the principal and the earned income of the wealth management products within 2-3 business days subsequent to the termination day.

The subscriptions above belong to the principal-protected with floating yields investments. The Group continuously monitors the income risks derived from such financial assets and it diversifies the relevant investment risks via appropriate asset allocation.

During the period, in respect to each subscription above, the relevant applicable percentage ratios (as defined under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) calculated by the Group were all less than 5% and the subscription did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The above outstanding wealth management products at the end of the period with agreed maturity date will be gradually recovered before the end of this year; whereas the outstanding wealth management products without agreed maturity date will be redeemed where appropriate according to the Group's fund position.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2021, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 30 June 2021
	Corporate interest	Personal interest	Family interest			
Mr. Lo Sui On	–	600,000	–	–	600,000	0.01%
Mr. Wu Qiang	–	600,000	–	–	600,000	0.01%
Mr. Tang Yong	–	12,000	–	–	12,000	0.00%

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

On 4 May 2012, the Company has passed the resolutions in a shareholders' meeting for the termination of the share option scheme adopted on 3 June 2002 and the adoption of a new share option scheme (the "2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2012 Share Option Scheme

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 lapsed during the year ended 31 December 2020. No share options were granted during the six months ended 30 June 2021 and no share options were outstanding as at 30 June 2021.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of the 2012 Share Option Scheme. As at 30 June 2021, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.25% of the total number of issued shares of the Company as at the date of this interim report.



OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, none of the Directors or the Company's Chief Executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or any interests which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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:

Long position in the ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at 30 June 2021
China National Travel Service Group Corporation Limited ("China CTS")	Interest of controlled corporation (<i>Note 1</i>)	3,385,492,610	61.15%
China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)")	Interest of controlled corporation and beneficial owner (<i>Note 1 and 2</i>)	3,385,492,610	61.15%
Hongkong New Travel Investments Ltd.	Beneficial owner (<i>Note 2</i>)	1,136,254,901	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation (<i>Note 2</i>)	1,136,254,901	20.52%

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

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 30 June 2021, 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.



OTHER INFORMATION

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.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

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

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2020 Annual Report are set out below:

Name of Director	Changes
Chen Johnny	Resigned as a non-executive director and stepped down as chairman of the board of directors of Convoy Global Holdings Limited (Stock Code: 1019) with effect from 31 March 2021.
Wu Qiang	<ul style="list-style-type: none">– Appointed as a director of CTG Investment Management Corporation Limited, a subsidiary of CTS (Holdings), with effect from 26 July 2021.– Appointed as a director of Mutual Great (Hong Kong) Limited, a subsidiary of the Company, with effect from 26 July 2021.



OTHER INFORMATION

CORPORATE GOVERNANCE

The Group is committed to maintain 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 2021, the Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

- Code Provision A.4.1 specifies that Non-Executive Directors should be appointed for a specific term, subject to re-election. Although the Company's Non-Executive Directors do not have a specific term of appointment, pursuant to the Company's articles of association (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that such requirements are sufficient to meet the underlying objective and spirit of the relevant Code Provisions.
- Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lo Sui On, Mr. Fan Dongsheng and Mr. Tsang Wai Hung. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under

statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

- Code Provision E.1.2 specifies that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board has not attended the Company's annual general meeting held on 27 May 2021 because of his other business commitment.

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. 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 2021.

DIVIDENDS

The Board does not recommend the payment of an interim dividend (2020: Nil) for the six months ended 30 June 2021.

REVIEW OF INTERIM FINANCIAL REPORT

The unaudited condensed interim financial report of the Group for the six months ended 30 June 2021 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial report for the six months ended 30 June 2021 has not been audited but has been reviewed by the Company's external auditors, KPMG.

By order of the Board
Jiang Hong
Chairman

Hong Kong, 31 August 2021