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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00308)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The Board of Directors (the “**Board**”) of China Travel International Investment Hong Kong Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023 – unaudited

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	5	2,054,909	885,326
Cost of sales		(1,305,693)	(1,023,541)
Gross profit/(loss)		749,216	(138,215)
Other income and gains, net	6	48,215	149,312
Changes in fair value of investment properties		29,182	(28,279)
Selling and distribution costs		(149,499)	(120,240)
Administrative expenses		(392,315)	(370,254)
Operating profit/(loss)	7	284,799	(507,676)
Finance income		27,479	27,163
Finance costs		–	–
Finance income, net	8	27,479	27,163
Share of profits and losses of joint ventures		(1,657)	(5,534)
Share of profits and losses of associates		31,914	20,385

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Profit/(loss) before taxation		342,535	(465,662)
Tax (expense)/credit	<i>9</i>	(73,443)	3,377
Profit/(loss) for the period		<u>269,092</u>	<u>(462,285)</u>
Attributable to:			
Ordinary equity owners of the Company		224,225	(285,102)
Non-controlling interests		<u>44,867</u>	<u>(177,183)</u>
Profit/(loss) for the period		<u>269,092</u>	<u>(462,285)</u>
Earnings/(loss) per share (HK cents)	<i>11</i>		
Basic and diluted earnings/(loss) per share		<u>4.05</u>	<u>(5.15)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	269,092	(462,285)
Other comprehensive income/(loss) (for the period)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling), net of tax	15,717	1,029
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations, net	(324,968)	(472,706)
Other comprehensive loss for the period, net of tax	(309,251)	(471,677)
Total comprehensive loss for the period	(40,159)	(933,962)
Attributable to:		
Ordinary equity owners of the Company	(52,892)	(715,017)
Non-controlling interests	12,733	(218,945)
Total comprehensive loss for the period	(40,159)	(933,962)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	9,119,550	9,129,646
Investment properties	2,557,699	2,552,662
Prepaid land lease payments	439,327	418,211
Goodwill	1,354,512	1,354,833
Other intangible assets	112,734	112,734
Interests in associates	1,308,428	1,300,529
Interests in joint ventures	62,700	64,236
Derivative financial instrument	9,946	22,748
Other financial assets	49,779	34,091
Prepayments and other receivables	32,594	481,398
Deferred tax assets	381,311	398,329
	15,428,580	15,869,417
Total non-current assets	15,428,580	15,869,417
Current assets		
Inventories	101,087	199,917
Properties under development	3,700,498	3,158,298
Completed properties held for sale	533,215	678,345
Trade receivables	147,449	103,665
Deposits, prepayments and other receivables	527,725	390,846
Loan to a fellow subsidiary	227,771	235,091
Amounts due from holding companies	28,620	2,742
Amounts due from fellow subsidiaries	316,808	322,947
Tax recoverable	58	26
Pledged time deposits	422	4,057
Cash and bank balances	2,684,057	2,797,976
	8,267,710	7,893,910
Total current assets	8,267,710	7,893,910
Total assets	23,696,290	23,763,327

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Equity attributable to equity owners of the Company			
Share capital		9,222,295	9,222,295
Reserves		6,931,114	6,977,197
		<u>16,153,409</u>	<u>16,199,492</u>
Non-controlling interests		<u>1,814,492</u>	<u>1,778,121</u>
Total equity		<u><u>17,967,901</u></u>	<u><u>17,977,613</u></u>
LIABILITIES			
Non-current liabilities			
Deferred income		586,904	604,990
Lease liabilities		250,818	219,281
Bank and other borrowings		254,111	210,788
Deferred tax liabilities		641,612	656,643
Total non-current liabilities		<u>1,733,445</u>	<u>1,691,702</u>
Current liabilities			
Trade payables	13	717,204	745,001
Other payables and accruals		2,280,911	2,358,263
Loans from a holding company		324,302	334,725
Amounts due to holding companies		6,650	1,302
Amounts due to fellow subsidiaries		35,237	34,303
Lease liabilities		44,791	53,180
Tax payables		193,782	123,113
Bank and other borrowings		392,067	444,125
Total current liabilities		<u>3,994,944</u>	<u>4,094,012</u>
Total liabilities		<u><u>5,728,389</u></u>	<u><u>5,785,714</u></u>
Total equity and liabilities		<u><u>23,696,290</u></u>	<u><u>23,763,327</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION

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

- Tourist attraction and related operations
- Travel document and related operations
- Hotel operations
- Passenger transportation operations

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was authorised for issue on 30 August 2023.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information that are applicable to the Group.

Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group’s policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (b) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The adoption of amendments to HKAS 12 did not have significant impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4 OPERATING SEGMENT INFORMATION

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

- (a) the tourist attraction and related operations segment engages in the operation of theme parks, scenic spots, cable car systems, skiing facilities, hot spring resorts, other resorts, arts performance and tourism property development mainly located in Mainland China;
- (b) the travel document and related operations segment engages in the provision of travel document and related services in Hong Kong and Mainland China;
- (c) the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China;
- (d) the passenger transportation operations segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicle and vessel rental and charter operations in Hong Kong, Macau and Mainland China.

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

Six months ended 30 June 2023 (unaudited)

	Tourist attraction and related operations <i>HK\$'000</i>	Travel document and related operations <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Passenger transportation operations <i>HK\$'000</i>	Total of reportable segments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	1,065,846	219,393	315,636	438,982	2,039,857	15,052	2,054,909
Inter-segment revenue	<u>374</u>	<u>2,176</u>	<u>667</u>	<u>68</u>	<u>3,285</u>	<u>2,520</u>	<u>5,805</u>
	<u>1,066,220</u>	<u>221,569</u>	<u>316,303</u>	<u>439,050</u>	2,043,142	17,572	2,060,714
Elimination of inter-segment revenue					<u>(3,285)</u>	<u>(2,520)</u>	<u>(5,805)</u>
Revenue					<u>2,039,857</u>	<u>15,052</u>	<u>2,054,909</u>
Segment results	<u>86,463</u>	<u>114,499</u>	<u>69,192</u>	<u>6,257</u>	<u>276,411</u>	<u>(66,937)</u>	209,474
Non-controlling interests							<u>44,867</u>
Segment operating results before non-controlling interests							254,341
Changes in fair value of investment properties, net of tax							29,111
Loss on changes in fair value of a derivative financial instrument, net of tax							(9,407)
Net gain on disposal of property, plant and equipment, net of tax							1,856
Equity-settled share option expense							<u>(6,809)</u>
Profit for the period							<u>269,092</u>

Six months ended 30 June 2022 (unaudited)

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

5 REVENUE

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

(a) Disaggregation of revenue

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	772,882	249,684
– Travel document and related income	219,393	40,417
– Hotel income	341,749	210,380
– Passenger transportation income	438,982	25,502
– Property sales income	217,066	297,581
– Consultancy and service income	9,493	14,671
	<u>1,999,565</u>	<u>838,235</u>
Revenue from other sources		
– Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	55,344	47,091
	<u>55,344</u>	<u>47,091</u>
	<u><u>2,054,909</u></u>	<u><u>885,326</u></u>

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

As at 30 June 2023, there were no aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts (2022: Nil).

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from property sales as the performance obligation is part of a contract that has an original expected duration of one year or less.

6 OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Foreign exchange differences, net	716	16,702
Government grants	21,671	31,978
Management fee income	–	34,474
(Loss)/gain on changes in fair value of a derivative financial instrument	(12,543)	10,033
Gain on disposal of property, plant and equipment, net	2,342	658
Other rental income, net	13,779	15,491
Others	22,250	39,976
	<u>48,215</u>	<u>149,312</u>

7 OPERATING PROFIT/(LOSS)

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs	651,586	589,363
Depreciation		
– owned property, plant and equipment	243,006	282,788
– right-of-use assets	35,148	28,762
	<u>278,154</u>	<u>311,550</u>
Amortisation of prepaid land lease payments	12,422	13,904
Direct operating expenses of investment properties	5,042	5,216
Cost of properties sold	144,712	226,960
Provision for impairment of trade receivables and other receivables	2,789	27
	<u>2,789</u>	<u>27</u>

8 FINANCE INCOME, NET

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Finance income:		
Bank deposits	27,479	27,163
Interest expense:		
Bank borrowings, overdrafts and other borrowings	(28,310)	(9,017)
Interest on lease liabilities	(7,287)	(5,147)
	(35,597)	(14,164)
Less: Interest expense capitalised into properties under development and property, plant and equipment	35,597	14,164
Finance costs	–	–
Finance income, net	27,479	27,163

9 TAX (EXPENSE)/CREDIT

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% (2022: 16.5%) on the estimated assessable profits for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax at applicable tax rate. In addition, withholding income tax is imposed on dividends relating to any profits earned and under the Provisional Regulations on Land Appreciation Tax ("LAT"), all gains arising from the transfer of real estate property in Mainland China are subjected to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

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

The amount of taxation charged/(credited) to consolidated income statement represents:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation		
Hong Kong	26,973	5,542
Mainland China and other territories	45,513	(442)
	<u>72,486</u>	<u>5,100</u>
Deferred taxation	957	(8,477)
	<u>73,443</u>	<u>(3,377)</u>

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 credit of HK\$29,000 (2022: tax charge of HK\$120,000).

10 DIVIDENDS

For the six months ended 30 June 2023, the Board proposed an interim dividend of HK1.5 cents per share (2022: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,536,633,709 (2022: 5,536,633,709) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 30 June 2022.

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity owner of the Company, used in the basic and diluted earnings per share calculation	224,225	(285,102)
	<u>224,225</u>	<u>(285,102)</u>

Number of shares	Six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue, used in the basic and diluted earnings per share calculation	5,536,633,709	5,536,633,709

12 TRADE RECEIVABLES

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

	30 June 2023 <i>HK\$'000</i> (unaudited)	31 December 2022 <i>HK\$'000</i> (audited)
Within 3 months	83,985	44,895
Over 3 months to 6 months	21,442	29,404
Over 6 months to 12 months	25,873	22,170
Over 1 year to 2 years	11,964	6,447
Over 2 years	4,185	749
	147,449	103,665

13 TRADE PAYABLES

At 30 June 2023, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2023 <i>HK\$'000</i> (unaudited)	31 December 2022 <i>HK\$'000</i> (audited)
Within 3 months	145,033	279,393
Over 3 months to 6 months	187,131	121,059
Over 6 months to 12 months	119,120	113,086
Over 1 year to 2 years	172,356	192,586
Over 2 years	93,564	38,877
	717,204	745,001

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In the first half of 2023, many countries were resuming to normalcy in the wake of the COVID-19 pandemic. China's economy gradually stabilised and recorded year-on-year GDP growth of 5.5%. Hong Kong's economy and labour market also began to improve, with GDP resuming year-on-year growth and inbound tourism gradually recovering. For the Group, although economic activity was gradually returning to normal and countries reopened their borders, the first half of 2023 was still challenging due to continued uncertainty in the global economy stemming from geopolitical tensions, the decline in global trade, and the tightening of monetary and fiscal policies. During the period under review, the Group continued its efforts to improve efficiency and reduce costs to further enhance its operating performance.

In the first half of 2023, the Group's consolidated revenue was HK\$2,055 million, representing an increase of 132% compared with the corresponding period of last year. Profit before taxation was HK\$343 million, while loss before taxation amounted to HK\$466 million in the corresponding period of last year. Profit attributable to shareholders was HK\$224 million, while loss attributable to shareholders amounted to HK\$285 million in the corresponding period of last year. Profit attributable to operation was HK\$209 million, while loss attributable to operation amounted to HK\$266 million in the corresponding period of last year. The turnaround from loss to profit for the six months ended 30 June 2023 was mainly attributable to the improvement and gradual recovery of the Group's operating performance and results due to the effective implementation of the Company's strategy as well as the relaxation of travel control and social distancing measures in relation to the COVID-19 pandemic.

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 30 June 2023, total assets were HK\$23,696 million, representing a decrease of 0.28% compared with the end of last year. Equity attributable to shareholders was HK\$16,153 million, representing an 0.28% decrease compared with the end of last year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$2,912 million, representing a decrease of 4.1% compared with the end of last year, of which cash and bank balances amounted to HK\$2,684 million. Deducting HK\$970 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$1,714 million, representing a decrease of 5% compared with the end of last year.

DIVIDENDS

The Board recommended the payment of an interim dividend of HK1.5 cents per share (2022: Nil) for the six months ended 30 June 2023. The interim dividend is to be paid to shareholders on or about 17 October 2023. The dividend payout ratio is 37%.

BUSINESS REVIEW

(I) Tourist attractions and related operations

The Group's tourist attractions and related operations comprise:

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

Non-controlling investments in scenic spots: Huangshan Yuping Cable Car Company Ltd., Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company Limited, Changchun Jingyuetan Youle Co., Ltd., Hangzhou New Century Senbo Tourism Investment Co., Ltd. ("**New Century Senbo**") and CTS Taohuayuan (Changde) Cultural Tourism Development Company Limited ("**CTS Taohuayuan**");

3. Leisure resorts: China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("**Zhuhai OSR**"), CTS (Xianyang) Ocean Spring Resort Co., Ltd. ("**Xianyang OSR**"), Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("**Evergrande OSR**") and CTS (Anji) Tourism Development Company Limited ("**Anji Company**"); and
4. Supplementary tourist attraction operations: China Heaven Creation International Performing Arts Co., Ltd. ("**Heaven Creation Company**"), CTS (Shenzhen) City Development Co., Ltd. ("**CTS City**"), China Travel Zhiye Culture Development (Shenzhen) Co., Ltd ("**China Travel Zhiye**"), CTS Scenery (Beijing) Tourism Management Limited ("**CTS Scenery**").

In the first half of 2023, benefiting from the release of strong vacation demand following the resumption of domestic tourism in the PRC, the Group's total revenue from tourist attractions and related operations was HK\$1,066 million, representing an increase of 83% compared with the corresponding period of last year. Attributable profit was HK\$86 million, while attributable loss amounted to HK\$69 million in the corresponding period of last year.

Theme parks

In the first half of 2023, with the tourism industry gradually recovering, the May Golden Week and Dragon Boat Festival saw a substantial increase in the number of domestic tourists. The theme park business stepped up its promotional efforts to increase the number of parent-child groups. Theme park revenue in the first half of the year amounted to HK\$313 million, representing an increase of 202% compared with the corresponding period of last year. Attributable profit was HK\$48 million, while attributable loss amounted to HK\$43 million in the corresponding period of last year.

The “Hanging Garden” project at Window of the World has been put into operation, and will continue to pursue the construction of the new “Strasbourg” and “Siamese Elephant” projects. In the first half of the year, the “28th International Beer Festival” was launched and the “Ice and Snow Naughty Castle” amusement project put into trial operation, which were favourably received by tourists. Splendid China launched “Splendid Starlight Night City”, a large-scale celebration activity, as a highlight of Labour Day activities. Window of the World and Splendid China will continue to strengthen market development and exploration, enrich their products and increase quality and capacity.

Natural and cultural scenic spots

Revenue from natural and cultural scenic spots amounted to HK\$362 million in the first half of the year, representing an increase of 415% compared with the corresponding period of last year. Attributable profit amounted to HK\$65 million, while attributable loss amounted to HK\$60 million in the corresponding period of last year.

During the first half of the year, revenue from Shapotou Scenic Spot amounted to HK\$121 million, representing an increase of 351% compared with the corresponding period of last year. This made a significant contribution to the Group’s revenue from natural and cultural scenic spots and realising profitability. Shapotou Scenic Spot has continuously strengthened its project construction, marketing and service quality improvement, with the “Desert Legend phase I” project commencing operation in the first half of the year. Detian Scenic Spot’s revenue was HK\$114 million, representing an increase of 2,554% compared with the corresponding period of last year, and a turnaround to profitability. Detian Scenic Spot launched the “Paddy Field Waterfall Café”, which has become a popular online experience product among tourists. Huashan Scenic Spot’s revenue increased by 1,713% compared with the corresponding period of last year. It will launch a series of cultural and creative experiential products, maintain its focus on the summer parent-child tour and summer camping markets, launch self-drive tour discounted fare activities, cultivate word-of-mouth advertising for the scenic spot’s new dynamic lines, and increase its secondary sales revenue. Xiufeng Cable Car recorded year-on-year growth in revenue and profit and will continue to strengthen its cooperation with travel agencies to boost group visitor numbers. CTS Luzhou Culture Tourism upgraded and transformed Laojiaochi Scenic Spot with a focus on developing wine

culture tourism. Revenue amounted to HK\$100 million for the first half of the year, representing a 179% increase compared with the corresponding period of last year. CTS Lugu Lake's revenue increased compared with the corresponding period of last year, and it will launch live broadcasting and national marketing to increase product exposure and traffic conversion. CTS Xinjiang, which is mainly engaged in the operation and management of tourism destinations in the Xinjiang region and the creation and operation of new vacation experience products and services, recorded a moderately positive revenue in the first half of the year. CTS Bairui recorded an increase in revenue compared to the corresponding period of last year. It will focus on Xinjiang's 5A and 4A scenic spots and scarce core areas of major tourist destinations, and will increase its marketing and promotional efforts as well as product innovation. New Century Senbo, an associate of the Company, recorded an attributable profit of HK\$18 million.

Leisure resorts

Revenue from leisure resorts was HK\$373 million for the first half of the year, representing a decrease of 5% compared with the corresponding period of last year. Attributable loss was HK\$13 million, compared with an attributable profit of HK\$32 million for the corresponding period of last year. The drop in revenue was mainly attributable to substantially decreased revenue from the sale of real estate in Xianyang OSR compared with the corresponding period of last year. The reversal from profit to loss was mainly attributable to the share of loss of Evergrande OSR, an associate, and an increase in loss incurred by Zhuhai OSR.

Zhuhai OSR recorded revenue of HK\$160 million, representing an increase of 75% compared with the corresponding period of last year, of which revenue from real estate sales amounted to HK\$103 million. In anticipation of favourable market conditions, Zhuhai OSR will expeditiously launch new products and activities to seize the tourism market and will strengthen its cooperation with the government in search of resource support. Xianyang OSR's revenue decreased by 84% compared with the corresponding period of last year, mainly due to a significant decrease in revenue from real estate sales compared to the corresponding period of last year. It will strengthen its marketing and promotion, product innovation, channel expansion and business development to increase revenue. Evergrande OSR, our associate, reported an attributable loss of approximately HK\$13 million. Revenue for Anji Company increased by 162% compared with the corresponding period of last year. It has raised the average room price to increase overall revenue and implemented labour cost controls and energy saving programmes.

Supplementary tourist attraction operations

Revenue from supplementary tourist attraction operations was HK\$18 million, representing an increase of 6% compared with the corresponding period of last year. Attributable loss was HK\$14 million, compared with attributable profit of HK\$4 million in the corresponding period of last year.

Heaven Creation Company was engaged in scenic spot construction, creative planning, performing arts and management businesses. As the main audience of its repertoire comprises tourists from Europe and the Americas, where the pandemic was not consistently controlled, residence performance has come to a complete halt. Through economic benefit calculation, it was estimated that the revenue after the repeat performance could not cover costs and expenses, so the residence performance business continued to be suspended. The development of other businesses also encountered obstacles, resulting in a decrease in revenue compared with the corresponding period of last year. Heaven Creation Company ploughed deeply into the Nanyang market and strived for the commencement of the “Kung Fu Town” and “Jing Zi Guan Ancient Town” projects. China Travel Zhiye was engaged in providing tourism planning services and recorded an revenue increase of 101% compared with the corresponding period of last year. It will innovate its business models and cooperate with outstanding enterprises to open up new business and reduce costs while increasing efficiency. CTS Scenery’s management and consulting services recorded a decrease of 18% in revenue compared with the corresponding period of last year. It will strengthen collaboration in product research and development, project promotion and implementation.

(II) Travel document and related operations

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

Benefiting from the increasing demand for the travel document business as a result of the relaxation of travel restrictions and socialisation measures related to COVID-19 in Hong Kong and the PRC, the Group’s revenue from travel document and related operations in the first half of 2023 was HK\$219 million, representing an increase of 443% compared with the corresponding period of last year. Attributable profit was HK\$114 million, compared with an attributable loss of HK\$27 million in the corresponding period of last year.

China Travel Hi-Tech Computer Hong Kong Ltd. provides system maintenance and data security services for the Group’s travel document business, and tourism management system leasing and maintenance services to China Tourism Group Corporation Limited and its subsidiaries. It also actively cooperates with the Group in work related to digital transformation. Revenue in the first half of the year increased by 192% compared with the corresponding period of last year.

(III) Hotel operations

The Group’s hotel operations comprise:

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

The outlook for Hong Kong's hotel operations is optimistic, with international tourist arrivals increasing due to the worldwide relaxation of travel restrictions. Hotel operations in Mainland China are also expected to maintain growth throughout the year. In the first half of 2023, revenue from the Group's hotel operations was HK\$316 million, representing an increase of 41% compared with the corresponding period of last year. Attributable profit was HK\$69 million, representing an increase of 1,033% compared with the corresponding period of last year. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Earlier this year, Metropark Hotel Kowloon ceased to be used as a government-designated quarantine hotel for returnees to Hong Kong, resulting in a decrease in revenue. Revenue from the Beijing Metropark Hotel increased by 46% compared with the corresponding period of last year. Some of the hotels offered discounts and promotions and strengthened their cost controls.

(IV) Passenger transportation operations

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

The Hong Kong government announced the first phase of border reopening between the Mainland and Hong Kong from 8 January 2023, leading to full reopening on 6 February 2023. The passenger bus business gradually resumed the Hong Kong-mainland passenger transportation operations, resulting in a significant increase in revenue compared with the corresponding period of last year.

Due to the impact of COVID-19, the passenger vessel business was suspended from early February 2020 to early January 2023. The cross-border passenger vessel business between Hong Kong and Macau has gradually resumed since early January this year, with an average daily frequency of approximately 43 trips and a scale of frequency of approximately 58% during the period from January to June.

In the first half of 2023, revenue from passenger transportation operations was HK\$439 million, representing an increase of 1,622% compared with the corresponding period of last year. Attributable profit was HK\$6 million, compared with attributable loss of HK\$100 million in the corresponding period of last year.

Shun Tak- China Travel will seize the opportunities arising from the resumption of cross-border travel, develop the market and quickly recover. It will seek business growth and the in-depth participation of local businesses to integrate resources and create a significant tourism transportation platform in the Greater Bay Area.

DEVELOPMENT STRATEGY

Tourist attractions and related operations

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

In the first half of the year, Window of the World launched the first normalised drone food delivery route. Its five-minute delivery was generally well received in China. Splendid China has strengthened its market expansion and plans to use digital online and offline creative empowerment to create the first immersive national cultural digital classroom in China. Integrating national customary stories and digital cultural tourism, it will enable the visitors to immerse themselves in a cultural experience. Window of the World and Splendid China will focus on reformation development and create new products which follow market trends.

Shapotou Scenic Spot has continued the development of a new “scenic spot + characteristic hotel” tourism model to facilitate the transformation and upgrading of scenic spots. On the basis of upgrading and advancing the Desert Star Hotel, Shapotou Scenic Spot has completed professional designs for a “Diamond Hotel” that will set a benchmark for luxury desert accommodation products in the second half of 2023. It will strive to realise the online operation of all offline businesses and the refinement of online platforms as soon as possible. Detian Scenic Spot launched a new “Sino-Vietnamese Street” product for KOLs, which will increase the attraction’s secondary consumption while adding a new cross-country border experience for visitors. The new landmark “Rings in the Sky” has been completed and has helped improve the capacity of the waterfall viewing programme during the holiday season by providing a view of the border, interactive tourist cards and identification of landmarks at the border. Xiufeng Cable Car will seize on the market situation of Lushan Scenic Spot and other large destinations in the surrounding area, forge extensive marketing connections, study future strategic development, and further improve maintenance of cable car equipment. The “Guili Parkyard” hotel of CTS Luzhou Culture Tourism has officially opened, and is of great significance to our business development in Luzhou city, the creation of boutique projects, and the integration of wine and tourism. CTS Bairui is striving to build a new type of tourism and vacation project, “Xinjiang Kurdening Camp”, which it plans to open in the second half of the year. CTS Lugu Lake has started construction of the Lugu Lake Boutique Resort Hotel with opening scheduled for January 2024. It is providing the project with comprehensive support in terms of resource acquisition and integration, product creation, service improvement and marketing support, to help improve its overall operational capacity within the “spot investment + flow integration + overall operation” business model.

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

In March 2023, CTS Scenery Resort entered into a shareholders’ agreement with Shanghai Zhibin Enterprise Management Company Limited, a wholly-owned subsidiary of Hongkong Land Holdings Limited, and Shanghai West Coast Cultural Industry Investment Development Company Limited, pursuant to which CTS Changyi would be incorporated for development of the Huangpu River Cross-River Cable Car Project in Shanghai. CTS Changyi was incorporated on 6 June 2023 with a registered capital of RMB10 million, into which CTS Scenery Resort injected RMB5.1 million, representing 51% equity in CTS Changyi. Shanghai Zhibin Enterprise Management Company Limited injected RMB2.45 million, representing 24.5% equity in CTS Changyi. Shanghai West Coast Cultural Industry Investment Development Company Limited injected RMB2.45 million, representing 24.5% equity in CTS Changyi. The Huangpu River Cross-River Cable Car Project intends to build cross-river cable cars on both sides of the Huangpu River, spanning the core areas of Xuhui and Pudong New District. The project is located in an area of outstanding advantages and scarce resources, and is of high strategic significance and impact as a landmark project for Shanghai to build an international tourism city.

Zhuhai OSR continues to transform and upgrade its existing products and develop real estate business with a view to enriching the “Ocean Spring” brand portfolio with differentiated products. It will continue the transformation of the Neptune Hotel, aiming for an opening in the second half of the year. It will also strengthen channel expansion, conduct Tiktok live broadcasts on a regular basis, expand opportunities for cooperation with travel agencies, and expand the customer resource pool. Zhuhai OSR is pushing forward with the construction of “Sail Hotel”, for an official opening in the second half of the year. Xianyang OSR’s “Ocean Spring Baby Amusement Park” has begun operation. Anji Company is building the first “parent-child farm” and “business street” resort project in the Yangtze River Delta with the theme of natural art and animal-friendly, and aims to put it into operation in the second half of the year. CTS City’s “CTS Investment Building” project is generally positioned as a landmark urban complex of the first rank in the convention and exhibition sector, comprising a modern complex of prestigious offices as well as a convention and exhibition and leisure area. It is currently in the main construction stage.

Through subsidiaries such as CTS Scenery and Splendid China, the Group provides scenic spot management services including custom solutions and full operational services for tourist destinations. The Group now has 22 scenic spots under such management, of which nine are of 4A grade and three of 5A grade. Among them, CTS Scenery is a leading destination operator in China with a focus on tourism resource development and operation management. CTS Scenery relies on the parent company's full-chain tourism industry service model, three-dimensional service platform and one-stop service system. It provides unique high-value solutions and full operational services for tourism destinations. Focusing on the sub-sectors of the tourism industry, CTS Scenery has also established a pool of professional talent across the whole chain of tourism resource development and management, including tourism investment, development, planning, operation and management. In the course of operation, CTS Scenery fosters team values to cultivate professional managers aligned with the Group's strategies and values and adept at working together to accomplish organisational goals and realise organisational benefits (economic, environmental and social).

The Group has continued to develop its natural and cultural scenic spot, urban and peripheral vacation business. Firstly, in the field of leisure business, represented by Zhuhai OSR and Xianyang OSR, the Group has continued to build the OSR leisure series, as well as the family fun-oriented Anji and Leshan Valley Resort, forming a model for international family holiday living. Secondly, in the field of natural and cultural scenic spots, the Group has been deeply engaged in the development and operation of tourist destinations relying on scenic spots, and has innovated boutique hotels, themed amusement and night performing arts products. Shapotou International Tourism Resort and Detian Cross-Country Waterfall Tourism Destination have become benchmark cases of domestic scenic areas. Thirdly, to develop the mode of route vacation, it has linked the extreme landscapes along the Tianshan Mountains with in-depth travel routes and created a series of special camps by combining the landscapes to form the Xinjiang Tianshan Mountain Tourism Corridor. Fourthly, it is to innovate the operation of classic theme parks such as Window of the World and Splendid China.

Passenger transportation operations

The passenger bus operation will seek opportunities for the acquisition of a cross-border passenger transportation company to solve the development bottleneck of cross-border traffic and shortage of quota in Shenzhen Bay, and to build a Guangdong-Hong Kong-Macao Greater Bay Area cross-border passenger transportation platform. In view of the recovery of the market, with effect from 1 June 2023, we formally expanded our business in East Kowloon and New Territories East by introducing boarding and alighting stops and routes in Kwun Tong and Tai Wai, continued to optimise our bus product routes to tie in with the new network, and increased the number of trips on routes with market potential.

For the passenger vessel operation, the Company will continue to implement effective cost management and control, dispose of inefficient assets and low yield routes, improve operating efficiency and the return of individual vessels, for the purpose of increasing its share of the cross-border marine transportation market.

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

Hong Kong and overseas business development

The Group continues to develop new business and growth engines by strategically acquiring quality scenic spots and exploring new breakthroughs to expand into overseas markets. In August 2022, the Company completed the acquisition of a 50% equity interest in Handhuvaru Ocean Holidays Private Limited (“**Handhuvaru Company**”) (the remaining 50% equity interest in Handhuvaru Company is held by Zhen Hua Engineering Company Limited) from Ceylon Hotels Maldives (Pvt) Ltd., which holds a leasehold interest in Ambara Island in the Maldives. The Company and Zhen Hua Engineering Company Limited will agree to cooperate on developing a mid- to high-end resort of approximately 100 rooms on Ambara Island. Maldives is a renowned tourist destination, and Ambara Island is located in Vaavu Atoll with relatively convenient transportation, rich tourism resources and high development potential. Currently, construction and development work for Ambara Island is proceeding smoothly.

The Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. The conversion of the Group-owned Hip Kee Godown (No. 3) land parcel in Hung Hom to hotel use was approved by the government in 2018 and has significantly increased the land’s value and development potential. Demolition of Hip Kee Godown (No. 3) was completed in 2020. In December 2021, China Travel Service Property Investment Hong Kong Limited, a non-wholly owned subsidiary of the Company, entered into a contract for the construction of a 28-storey business grade B boutique hotel and complementary facilities on the land parcel. Taking into account the location, rail transit system and sea view resources of the proposed development, the new hotel will be positioned at the medium- to high-end market, and will be capable of commanding a higher revenue and reaching a wider business and leisure customer base, all of which is in line with the Group’s business development strategies. At present, the new hotel is at the finishing work stage and trial operations are expected to begin in January 2024.

The Group is in the process of negotiating for the acquisition of a property located at Nos. 8-12 Fenwick Street & No. 42-50 Lockhart Road, Wanchai, Hong Kong. As of the date of this announcement, the Group is still evaluating the acquisition and has not yet entered into a definitive or binding agreement. Details are set out in the Company’s announcement dated 28 July 2023.

Digital transformation

The Company is promoting the tourism industry's transformation from resource- to innovation-driven by means of digitisation and intelligent scenarios. The latter includes implementation of the digital transformation and development plan, further enhancement of online business and customer service capabilities through digital transformation, expansion of the scale of internal and external business synergies, and optimisation of customer service functions. In the first half of 2023, the Company focused on operation, and through digital marketing, traffic integration, internal and external synergistic operation, short video/livestreaming operation and other digital initiatives, the platform transaction turnover and the number of registered members grew steadily, and the rate of repurchase by members increased. The Company promoted an expanded role of technology in tourism, with Window of the World launching a usual domestic drone food delivery route and Shapotou Scenic Spot launching the "Yuan Universe Digital Ticket". These activated new functions of culture and tourism and drove new consumption. In the second half of the year, the Company will continue to strengthen its digitalisation capabilities, accelerate its transformation to a destination-centred model, build a regional destination platform for Detian Scenic Spot, CTS Lugu Lake and the Xinjiang Tianshan Corridor, integrate peripheral resources, and focus on enhancing the operational capacity of scenic areas and generating revenue. The Company will continue to enhance scientific and technological innovation capabilities, explore AI cultural and tourism industry model to promote tourism change, build up linkage of industry chains, consolidate industry resources to achieve realisation of online and offline service integration, so as to provide consumers with more personalised recommendations and services.

Internal management

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

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

PROSPECTS

Amidst a complex international environment, sluggish growth of the world economy and slowdown in trade and investment, China's economy began to rebound early this year and continued to improve in the second quarter. The global trend of sluggish growth, inflationary pressures and geopolitical uncertainty continued to cloud the global economic outlook. Though headline inflation moderated slightly in the first half of the year, it remains above the historical average and the target interest rates announced by the central banks of the United States, Europe and the United Kingdom. It is expected that high inflation is likely to persist for a prolonged period, while rising interest rates and tightening credit in major markets pose significant challenges to growth.

On 24 July 2023, the Political Bureau of the Central Committee of the Communist Party of China convened a meeting to study the current economic situation. The meeting concluded that China's economy has tremendous resilience and potential for development, and its long-term sound fundamentals remain unchanged. It was emphasized at the meeting that the country must expedite the building of a new development pattern, comprehensively deepen reform and opening up, and intensify the role of macro policies in regulating the economy. It is also imperative to make solid efforts to expand domestic demand, shore up confidence and prevent risks. We should continue to improve economic performance, boost endogenous driving force, improve social expectations, and defuse financial risks and hidden dangers, in a bid to effectively upgrade the quality and appropriately expand the quantity of the economy.

In the first half of 2023, Hong Kong's COVID-19 prevention and control policies were gradually relaxed and the overall economy recovered steadily. The number of inbound and outbound travellers continued to rise, with visitor arrivals exceeding 10 million, effectively boosting confidence in the local consumer market and injecting vitality into Hong Kong's economic development. At the same time, the Hong Kong SAR Government launched a series of policies to stimulate consumption, including a new round of the Consumer Voucher Scheme and the "Happy Hong Kong" mega-event, both of which boosted local consumer sentiment.

In the second half of 2023, the Group will continue to monitor the global economic and financial environment, geopolitical tensions and the war in Ukraine and their impact on our business, and prudently interpret and respond to the market. It will strengthen security risk screening, respond to potential risks in accordance with laws and regulations, and enhance the integrated management of risk control, compliance and internal control. The Group will also continue to promote application of new technologies and refine its management measures. The Group will endeavour to establish a management system that meets the characteristics of its business, improves work efficiency and realises continuous enhancement of corporate value.

The Group is confident that its operating performance and results for the second half of 2023 will continue to improve and gradually recover as market conditions in its areas of business gradually improve. The Group will also capitalise on the business opportunities arising from full reopening of borders. The Group's overall business fundamentals remain sound and healthy, and it is relatively well capitalised, with the strength and ability to invest and develop. The Company will continue to strive to achieve sustainable growth and better returns for its shareholders by pursuing potential long-term development opportunities and capitalising on strategic investments.

NUMBER AND REMUNERATION OF EMPLOYEE

As of 30 June 2023, the Group employed 6,571 staff. Employees are remunerated on the basis of work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group’s financial position continues to be strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 30 June 2023, the Group’s cash and bank balances amounted to HK\$2,684 million, while bank and other borrowings and loans from the holding company amounted to HK\$970 million. The debt-to-equity ratio was 27%. The debt includes bank and other borrowings, trade payables, other payables and accruals, loans from holding companies, and amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As of 30 June 2023, the Group’s bank deposits of approximately HK\$0.4 million (31 December 2022: HK\$4 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group’s subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As of 30 June 2023, certain of the Group’s land and buildings with net carrying amounts of HK\$314 million (31 December 2022: HK\$258 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the “Management Discussion and Analysis” section above, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures during the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the “Management Discussion and Analysis” section above, the Group did not make future plans for material investments or capital assets during the period.

CONTINGENT LIABILITIES

As of 30 June 2023, the Group’s performance bond given to a customer for due performance of a sale contract was HK\$0.3 million (31 December 2022: HK\$0.3 million).

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

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

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2023, the Company has adopted and complied with the code provisions (the “**Code Provision(s)**”) in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for the following deviation:

- Code Provision C.3.3 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Company’s articles of association (the “**Articles**”). In addition, the Directors are expected to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

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 set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. 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 2023.

DIVIDENDS

The Board has declared an interim dividend of HK1.5 cents per share (2022: Nil) for the six months ended 30 June 2023. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 25 September 2023. The interim dividend is expected to be paid on Tuesday, 17 October 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 20 September 2023 to Monday, 25 September 2023 (both dates inclusive), for the purposes of determining entitlements to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 19 September 2023.

REVIEW OF INTERIM FINANCIAL RESULTS

The unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee of the Company. The condensed consolidated interim financial results for the six months ended 30 June 2023 is unaudited, but have been reviewed by the Company's external auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/ctii/. The 2023 Interim Report will be available on the websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

By order of the Board
Wu Qiang
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wu Qiang, Mr. Feng Gang and Mr. Li Pengyu; three non-executive Directors, namely Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.