TOURISM INTERNATIONAL HOLDINGS LIMITED
旅業國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 01626

INTERIM REPORT 2018

CONTENTS

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of Tourism International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

- Revenue for the six months ended 30 June 2018 increased by approximately 8.1% or RMB19.0 million to approximately RMB254.3 million as compared with the same period in 2017.

- Gross profit for the six months ended 30 June 2018 increased by approximately 15.5% or RMB8.5 million to approximately RMB63.4 million as compared with the same period in 2017.

- Gross profit margin for the six months ended 30 June 2018 increased by approximately 1.6% from approximately 23.3% to approximately 24.9% as compared with the same period in 2017.

- Profit attributable to owners of the Company increased from approximately RMB1.0 million for the six months ended 30 June 2017 to approximately RMB16.1 million for the six months ended 30 June 2018.

- Average trade and note receivables turnover days decreased from approximately 146 days for the year ended 31 December 2017 to approximately 129 days for the six months ended 30 June 2018.

- Average trade and note payables turnover days increased from approximately 245 days for the year ended 31 December 2017 to approximately 277 days for the six months ended 30 June 2018.

- Average inventory turnover days increased from approximately 114 days for the year ended 31 December 2017 to approximately 147 days for the six months ended 30 June 2018.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

Notes:

(i) Gross profit margin was calculated based on gross profit for the period divided by the revenue for the period.

(ii) Average trade and note receivables turnover days were calculated as the average of the beginning and ending of trade and note receivables balance of the year end/period end divided by the revenue for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2017 and 181 days for the six months ended 30 June 2018).

(iii) Average trade and note payables turnover days were calculated as the average of the beginning and ending of trade and note payables balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2017 and 181 days for the six months ended 30 June 2018).

(iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2017 and 181 days for the six months ended 30 June 2018).

Board of Directors

Executive Directors

Mr. Li Tie *(Chairman)*
Mr. Liu Daoqi *(Chief Executive Officer)*
Mr. Huang Erwei

Non-executive Director

Mr. Yang Yoong An

Independent Non-executive Directors

Mr. Gong Jinjun
Mr. Zeng Shiquan
Mr. Wang Ping

Company Secretary

Mr. Wu Hung Wai *(HKICPA)*

Registered Office

P.O. Box 10008, Willow House, Cricket Square
Grand Cayman, KY1-1001
Cayman Islands

Headquarter and Principal Place of Business in the PRC

No. 6 Qingdao Road
Dongshan Economic Developing District
Yichang, Hubei

Principal Place of Business in Hong Kong

Suite 3212, 32nd Floor, Tower One, Times Square
No.1 Matheson Street, Causeway Bay
Hong Kong

Audit Committee

Mr. Wang Ping *(Chairman)*
Mr. Gong Jinjun
Mr. Zeng Shiquan

Remuneration Committee

Mr. Gong Jinjun *(Chairman)*
Mr. Liu Daoqi
Mr. Wang Ping

Nomination Committee

Mr. Li Tie *(Chairman)*
Mr. Zeng Shiquan
Mr. Gong Jinjun

Corporate Website Address

www.tourisminternational.com.hk

Authorised Representatives

Mr. Huang Erwei
Mr. Wu Hung Wai

Principal Bankers

China Merchants Bank Yichang Branch
Hubei Bank Corporation Yichang Branch

Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square
Grand Cayman, KY1-1001
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Legal Adviser as to Hong Kong Laws

Sidley Austin
39/F., Two International Finance Centre
Central, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F., Prince's Building, Central
Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tourism International Holdings Limited, I am pleased to present the interim report of the Company for the six months ended 30 June 2018.

China's economy maintained a sound growth as gross domestic product expanded 6.7% in the second quarter of 2018. Chinese smokers turned in favor of middle to high-end cigarettes as a result of a continuous upgrade of domestic consumption. To satisfy the demands of the middle to high-end packaging markets, the Group further broadened its product range. Leveraging competitive advantages in product design, research and development capabilities and cutting-edge packaging technology, the Group has laid a solid foundation for seizing the opportunities from the emerging market and reinforced its market position as a leading paper cigarette packaging printer.

For the six months ended 30 June 2018, the Group recorded approximately RMB254.3 million in revenue, representing a year-on-year increase of approximately 8.1%. The paper cigarette packaging and social product paper packaging accounted for approximately 94.6% and 5.4% of the revenue, respectively. Gross profit amounted to approximately RMB63.4 million, representing an increase of approximately 15.5% compared with the first half of 2017. Gross profit margin was approximately 24.9%. Profit for the period amounted to approximately RMB18.3 million (for the six months ended 30 June 2017: RMB2.9 million).

The Group strives to extend its market coverage. Although the Group became the qualified supplier of major customers in Jiangsu market, the Group keeps devoting greater efforts to explore new cities. The Group dynamically adjusted the product mix with the focus on the products having high margins. The Group invested significant efforts in research and development to develop new products that not only cater to the dynamic consumption pattern but also have higher margins. The Group enriched product portfolio through establishing new cigarette brands. These strategies were proven to be effective with the strong performance during the period.

I would like to express my gratitude for the continued support of all our shareholders, investors, suppliers and customers. As always, our management team and employees will align and leverage all resources available towards maximizing returns for our shareholders.

Li Tie
Chairman of the Board and Executive Director

Hong Kong, 30 August 2018

Market Review

According to the State Tobacco Monopoly Administration ("STMA"), in the first half of 2018, China's cigarette production amounted to approximately 23.5 million boxes despite the impact of various tobacco control legislation by the Chinese government in recent years. The consumers' huge demand for cigarette is attributable to a steadily increasing disposable income. China's tobacco industry stepped up structure reformation and optimization, as consumers have been shifting towards middle to high-end cigarette. In particular, there is a growth in popularity of e-cigarette in recent years. In 2017, China's e-cigarette production reached approximately 1.7 billion boxes. Leveraging its extensive experience in the cigarette packaging industry, advanced middle to high-end tobacco packaging capabilities, strong research and development capabilities and diversified product portfolio, the Group is in full swing to grasp the market opportunities.

Business Review

The Group is principally engaged in the design, printing and distribution of paper cigarette packages in China and to a lesser extent, social product paper packages in the PRC. Hubei Golden Three Gorges Printing Industry Co., Ltd* (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), the Group's primary subsidiary, has been established in China for over 20 years. The Group provides paper cigarette packaging services for key cigarette brands designated by the STMA. The Group has also diversified its business to social product paper packages such as packaging for medicines, wines, food and other consumer goods by leveraging its extensive experience and know-how in the cigarette packaging industry.

Sales and Distribution

The Group places great emphasis on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities. As at 30 June 2018, the Group's clients included 12 provincial tobacco industrial companies and 8 non-provincial tobacco companies under China Tobacco Industry Development Center* (中國煙草實業發展中心), which are located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces in China. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to expand to other cigarette brands or sub-brands manufactured by those clients currently not designed and/or printed by the Group into the Group's product portfolio.

To promote the Group's business strategy, the Group intends to set up sales offices in cities where these major customers are located if there appears to be significant business potential. Setting up sales offices near the Group's major customers will enable the Group to maintain good relationships with them and improve the Group's after-sales service to enhance customer satisfaction.

Product Development and Design

The Group will continue to invest in machinery and equipment to upgrade its production plants and ensure the productivity is up to international standards. The management strives to pursue cutting-edge technology in order to reduce production costs while maintaining or even improving product quality.

* *For identification purpose only*

Technology Development and Quality Control

The Group attaches high importance on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities, and continuing to commit resources to the upgrading of its product research and development capabilities. During the period under review, the Group carried out regulated operation in strict compliance with the ISO9000 quality system standards. Equipped with state-of-the-art and comprehensive inspection equipment and devices, the Group has formulated a complete institutional system that covers every single process for its products in terms of the production flow, standards, record and appraisal for the quality management of imported materials, processes as well as inspection of finished products and product delivery, which in turn assures the continuous enhancement of product quality.

Cost Control

Due to the impact of the current rising prices of raw materials for paper packaging in the industry, in order to keep the fluctuations in the prices of packaging raw materials under effective control, the Group further improved the bidding process by selecting the top–ranking suppliers with strength in the industry during the period under review for carrying out strategic cooperation with the Group to hedge against price fluctuations together.

The Group prepares the budget at the beginning of each year based on the sales forecast, performs evaluation with reference to budget targets, determines standard costs of products based on the actual costs, and formulates applicable procedures and workflows for regulation purposes in order to implement cost control.

Financial Review

Turnover

For the six months ended 30 June 2018, the turnover of the Group was approximately RMB254.3 million, representing an increase of approximately 8.1% over the same period in 2017. Revenue from paper cigarette packages segment and social product paper packages segment accounted for approximately 94.6% and 5.4%, respectively. The increase in sales was primarily attributable to the increase in sales order mainly from the markets of Hunan, Hubei and Sichuan in China during the period.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2018:

	For the six months ended 30 June		
	2018	2017	Change (%)
	RMB'000	RMB'000	(approximate)
	(Unaudited)	(Unaudited)	
Paper cigarette packages segment	**240,480**	220,730	+8.9%
Social product paper package segment	**13,794**	14,500	-4.9%

Gross Profit

The Group's gross profit increased by approximately 15.5% from approximately RMB54.9 million for the six months ended 30 June 2017 to approximately RMB63.4 million for the six months ended 30 June 2018. The Group's gross profit margin increased by approximately 1.6% from approximately 23.3% to approximately 24.9% as compared with the same period in 2017. The increase in gross profit margin was primarily due to the increase in sale orders of paper cigarette packages with higher gross profit margin from the markets of Yunnan and Henan in China during the period.

Distribution Costs

For the six months ended 30 June 2018, distribution costs comprise: (i) delivery expenses for the transportation of the Group's products to customers; (ii) staff costs and benefits relating to the Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during the Group's normal course of business; (iv) travelling expenses of the staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's distribution costs increased by approximately 13.4% from approximately RMB17.8 million for the six months ended 30 June 2017 to approximately RMB20.2 million for the six months ended 30 June 2018. The increase of distribution costs was mainly due to the increase of expenses incurred in customer hospitality activities during the Group's marketing activities on expansion of new market in China during the period.

Administrative Expenses

For the six months ended 30 June 2018, administrative expenses consist of (i) staff costs and benefits relating to the Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses; (iv) entertainment expenses of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to the Group's administrative operations. The expenses increased by approximately 2.1% from approximately RMB27.1 million for the six months ended 30 June 2017 to approximately RMB27.6 million for the six months ended 30 June 2018.

Other Income

For the six months ended 30 June 2018, other income mainly consists of non-recurring government grant and change in fair value of financial liability at fair value through profit or loss. The Group's other income increased by approximately RMB9.0 million to approximately RMB9.3 million during the period. The increase in other income was mainly due to the recognition of fair value gain on convertibles notes of approximately RMB8.4 million during the period.

Other Losses (net)

For the six months ended 30 June 2018, net other losses mainly consists of net losses arising from disposal of property, plant and equipment. The Group's net other losses increased by approximately RMB0.5 million to approximately RMB1.2 million during the period.

Finance Costs (net)

For the six months ended 30 June 2018, net finance costs primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sells its note receivables to the banks and other financial institutions at a discount in exchange for immediate cash and bank fees and charges. The net finance costs decreased by approximately 4.6% from approximately RMB3.4 million for the six months ended 30 June 2017 to approximately RMB3.2 million for the six months ended 30 June 2018.

Income Tax Expense

The Group's income tax expense decreased by approximately 38.6% from approximately RMB3.3 million for the six months ended 30 June 2017 to approximately RMB2.0 million for the six months ended 30 June 2018. The decrease of income tax expense was mainly due to the withholdings income tax on dividends distributed from the PRC subsidiaries to non-PRC tax resident Group entities during the six months ended 30 June 2017 but no such tax expense was payable during the six months ended 30 June 2018.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company increased from approximately RMB1.0 million for the six months ended 30 June 2017 to approximately RMB16.1 million for the period ended 30 June 2018.

Trade and Other Receivables

Trade and other receivables decreased by approximately 6.8% from approximately RMB217.0 million as at 31 December 2017 to approximately RMB202.1 million as at 30 June 2018. The decrease was mainly due to the net effect of: (1) decrease of trade receivables from approximately RMB159.1 million as at 31 December 2017 to approximately RMB110.2 million as at 30 June 2018; and (2) increase of note receivables from approximately RMB25.3 million as at 31 December 2017 to approximately RMB67.3 million as at 30 June 2018.

Trade and Other Payables

Trade and other payables increased by approximately 12.0% from approximately RMB297.5 million as at 31 December 2017 to approximately RMB333.1 million as at 30 June 2018. The increase was mainly due to the net effect of: (1) increase of trade payables from approximately RMB152.4 million as at 31 December 2017 to approximately RMB177.4 million as at 30 June 2018; (2) increase of note payables from approximately RMB116.1 million as at 31 December 2017 to approximately RMB137.7 million as at 30 June 2018; and (3) decrease of taxes payable from approximately RMB6.6 million as at 31 December 2017 to approximately RMB1.5 million as at 30 June 2018.

Liquidity and Financial Resources

The Group recorded net current assets of approximately RMB178.3 million as at 30 June 2018, compared with net current assets of approximately RMB176.5 million as at 31 December 2017. The Group maintained a healthy liquidity position during the six months ended 30 June 2018. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the period.

As at 30 June 2018, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB170.4 million, compared with approximately RMB193.9 million as at 31 December 2017.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings (including convertible notes issued on 18 October 2017) were approximately RMB205.8 million as at 30 June 2018 (as at 31 December 2017: approximately RMB246.0 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi and Hong Kong dollars as at 30 June 2018 and 31 December 2017. The Group's interest-bearing borrowings of approximately RMB110.0 million and RMB95.8 million were repayable within 1 year and in the second to fifth years inclusive, respectively. The gearing ratio decreased from approximately 18.1% as at 31 December 2017 to approximately 12.3% as at 30 June 2018. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Total borrowings	**205,832**	245,963
Less: cash and cash equivalents	**(170,372)**	(193,938)
Net debt	**35,460**	52,025
Total equity	**253,074**	234,692
Total capital	**288,534**	286,717
Gearing ratio (%)	**12.3%**	18.1%

It is the policy of the Group to adopt a consistently prudent financial management strategy, hence sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the six months ended 30 June 2018, the Group's total capital expenditure amounted to approximately RMB0.5 million (for the six months ended 30 June 2017: RMB5.7 million), which was mainly used in purchase of plant and machineries.

Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

Charge of Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Land use rights	**20,301**	20,569
Property, plant and equipment	**96,652**	102,693
Trade receivables	**82,439**	114,623
Pledged bank deposits	**88,332**	58,145
	287,724	296,030

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2018.

Future plans for material investment or capital assets

As set out in the announcement of the Company dated 21 August 2018, Hubei Golden Three Gorges, a non-wholly owned subsidiary of the Company, through the tender, successfully won the bidding, and entered into the tender confirmation with Yichang Land and Resources Bureau, in respect of the land use right of one parcel of land located at West Side, Hua Xi Road, Yichang Free Trade Zone* (宜昌自貿片區花溪路西側), at a consideration of RMB34.64 million on 21 August 2018. It is currently contemplated that the land will primarily be used to develop a printing factory for design, printing and sales of paper packages. It is expected that the sources of funding would involve fund raising or loans, and its internal resources of the Group. Save for the foregoing, there was no plan authorized by the Board for material investments or additions of capital assets as at the date of this report.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (as at 31 December 2017: nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in Renminbi, the functional currency of the Group, and the major receivables and payables are denominated in Renminbi. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the six months ended 30 June 2018.

Issue of Convertible Notes

In order to strengthen capital base and financial position for the future development of the Group, on 15 September 2017, the Company entered into the placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which the Company conditionally agreed to issue, and the Placing Agent conditionally agreed to procure placees, on a best efforts basis, to subscribe for convertible notes with the principal amount of up to HK$120,000,000 (the "Convertible Notes") at a consideration equal to the aggregate principal amount of the Convertible Notes, and at the initial conversion price of HK$2.025 per share (the "Conversion Price").

Completion of the placing of Convertible Notes took place on 18 October 2017 pursuant to which the Convertible Notes in the principal amount of HK$120,000,000 were issued to not less than six placees. Further details of the placing of the Convertible Notes are set out in the announcements of the Company dated 17 September 2017, 26 September 2017, 4 October 2017 and 18 October 2017.

With respect to the Convertible Notes in the principal sum of HK$120,000,000 at the Conversion Price, a maximum of 59,259,259 shares will be allotted and issued upon full conversion of the Convertible Notes, representing approximately 19.75% of the existing issued share capital of the Company as at the date of this report, and approximately 16.49% of the issued share capital of the Company as enlarged by the allotment and issue of new shares. If fully converted, the shareholding of China Civil Aviation (Cayman) Investment Group Limited, the controlling shareholder of the Company, will be diluted from approximately 65.20% to approximately 54.45%.

Based on the cash position of the Group, it is anticipated that, if none of the Convertible Notes is converted, the Group will be able to meet its redemption obligations under the Convertible Notes as at the end of the period under review.

As mentioned in the announcement of the Company dated 18 October 2017, the net proceeds from the Placing, after the deduction of related expenses, are approximately HK$117.0 million. The net proceeds from the Placing are intended to be used as to approximately not more than 20% for general working capital of the Group, and as to approximately not less than 80% for the Group's development purposes in order to expand into new areas including asset management and hospitality related businesses.

As at the date of this report, the net proceeds from the placing of the Convertible Notes of approximately HK$4.7 million had been applied by the Group as general working capital of the Group, which is consistent with the aforementioned intended use of proceeds. The remaining proceeds in the amount of approximately HK$112.3 million remain unutilised as at the date of this report.

Human Resources and Remuneration

As at 30 June 2018, the Group employed 834 employees (as compared with 788 employees as at 31 December 2017) with total staff cost of approximately RMB41.6 million incurred for the six months ended 30 June 2018 (as compared with approximately RMB49.6 million for the same period of 2017). The Group's remuneration packages are generally structured with reference to market terms and individual performance. The Company adopted a share option scheme as incentive to its Directors and eligible employees. In relation to staff training, the Group also provides different types of programs for staff to improve their skills, develop their respective expertise and showcase their potentials.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

Future Outlook

Looking forward, China is anticipated to maintain stable economic growth and undergo a transformation and upgrade in the tobacco industry. In preparation for the traditional peak season of tobacco in the second half of the year, the Group will step up its efforts in sales and marketing, proactively participate in the upcoming tender competitions, as well as go all out to acquire new customers and orders.

The industry will pursue its primary goal of structure optimization to maintain steady sales growth. In the future, while engaging in the traditional cigarette packaging business, the Group will expand into designing e-cigarette packaging according to the needs of various tobacco customers in new business development projects. Meanwhile, to satisfy the growing demand from the middle to high-end cigarette market, the Group will further strengthen its brand awareness and accelerate business growth through product upgrade and innovation. Besides, the Group will leverage its proven strength of middle to high-end handmade tobacco packaging capabilities to drive business growth in the future. Moreover, the Group will implement appropriate sales and marketing strategies catering to the ever-changing market and the demand shift into the middle to high-end products.

The Group will strengthen its development strategy and gradually diversify its business from the cigarette industry and expand into new areas including asset management and hospitality related businesses. The Group believes that it will strategically transform itself into flexible operations, reinforce its leading position in the industry, and deliver sustainable and profitable growth for its shareholders.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of the Associated Corporations

As at 30 June 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company (the "Shares")

Name	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding *(Note 2)*
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation *(Note 1)*	29,398,000	9.80%

(ii) Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding
Mr. Yang [1]	Spearhead Leader Limited ("Spearhead Leader")	Beneficial owner	1	100%

Note:

1. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 29,398,000 Shares held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.

2. Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2018.

Other members of our Group

Name of subsidiary	Name of shareholder	Approximate percentage of shareholding
Hubei Golden Three Gorges Printing Industry Co., Ltd.	Hubei Three Gorges Tabacco Co., Ltd.	17.14%

Save as disclosed herein, as at 30 June 2018, none of the Directors and chief executives of the Company, or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code notified to the Company and the Stock Exchange.

Interests of Substantial Shareholders in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 30 June 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholders	Capacity/Nature of interest	No. of ordinary shares held/ interested	Approximate percentage of shareholding *(note 4)*
Spearhead Leader	Beneficial owner	29,398,000	9.80%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse *(Note 1)*	29,398,000	9.80%
China Civil Aviation (Cayman) Investment Group Limited ("CCA")	Beneficial owner *(Note 2)*	195,602,000	65.20%
China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司) ("CCA Investment")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
Hainan Cihang Charity Foundation, Inc. ("Cihang Inc.")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
Hainan Province Cihang Foundation (海南省慈航公益基金會) ("Cihang Foundation")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
Hainan Traffic Administration Holding Co. Ltd. (海南交管控股有限公司) ("Hainan Traffic")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%

Name of shareholders	Capacity/Nature of interest	No. of ordinary shares held/ interested	Approximate percentage of shareholding *(note 4)*
HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空(香港)控股有限公司) ("HNA Aviation HK")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
HNA Group Co., Ltd. (海航集團有限公司) ("HNA Group")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
Sheng Tang Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司) ("ST Development")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
海航旅遊集團有限公司 ("HNA Tourism")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
HNA Aviation Group Co., Ltd.* (海航航空集團有限公司) ("HNA Aviation")	Interest of controlled corporations *(Note 2)*	195,602,000	65.20%
Huarong International Financial Holdings Limited ("Huarong International")	Security interest *(Note 3)*	195,602,000	65.20%
China Huarong Asset Management Co., Ltd.(中國華融資產管理股份有限公司) ("China Huarong")	Security interest *(Note 3)*	195,602,000	65.20%

Notes:

1. Ms. Cai is the spouse of Mr. Yang. Accordingly, Ms. Cai is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Yang is interested in for the purpose of the SFO.

2. As at 30 June 2018, CCA beneficially holds 195,602,000 Shares. Each of CCA Investment, Cihang Inc., Cihang Foundation, Hainan Traffic, HNA Aviation HK, HNA Group, ST Development, HNA Tourism and HNA Aviation is deemed, or taken to be interested in the shares held by CCA for the purpose of the SFO and by reason of interests of controlled corporations.

3. Each of Huarong International and China Huarong is deemed, or taken to be interested in the shares of the Company for the purpose of the SFO and by reason of having security interests over shares of the Company.

4. Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2018.

* *For identification purpose only*

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a shareholders' resolution passed on 6 June 2014. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30,000,000 shares, being 10% of the shares of the Company in issue on the listing date of the Company (ie. 27 June 2014), without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's issued share capital in aggregate or with an aggregate value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The subscription price of share in respect of options granted under the Share Option Scheme shall be solely determined by the Board, but may not be less than the higher of (i) the Stock Exchange's closing price of the Company's shares on the date of the grant of the share options which must be a business day; (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share of the Company.

The Share Option Scheme will remain in force for a period of ten years commencing on the adoption date (i.e. 6 June 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No options were granted, exercised, cancelled or lapsed and there were no outstanding options under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the prospectus of the Company dated 17 June 2014.

Competing Business and Conflicts of Interests

None of the Directors, management, controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules, is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group during the period under review and up to the date of this report.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2018.

Corporate Governance

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Corporate Governance Code") as its own code on corporate governance and had complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2018.

Audit Committee and Review of Interim Results

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the primary duties of reviewing and providing supervision on the financial reporting process, internal controls and risk management systems of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Gong Jinjun.

The interim financial results of the Group for the six months ended 30 June 2018 are unaudited but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The Audit Committee has also reviewed this report.

The results for the current interim period have been reviewed by the auditors of the Company, PricewaterhouseCoopers in Hong Kong, 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.

CHANGES OF INFORMATION OF DIRECTORS

There is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2017 of the Company and up to the date of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of Tourism International Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 19 to 44, which comprises the condensed consolidated balance sheet of Tourism International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34") issued by the HKICPA. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review 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 interim financial information consists of making inquiries, 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 Unaudited RMB'000	2017 Unaudited RMB'000
Revenue	*6*	**254,274**	235,230
Cost of sales	*9*	**(190,838)**	(180,329)
Gross profit		**63,436**	54,901
Distribution costs	*9*	**(20,207)**	(17,824)
Administrative expenses	*9*	**(27,631)**	(27,059)
Net impairment losses on financial assets		**(26)**	–
Other income	*7*	**9,288**	337
Other losses (net)	*8*	**(1,249)**	(746)
Operating profit		**23,611**	9,609
Finance income		**649**	450
Finance costs		**(3,877)**	(3,834)
Finance costs (net)		**(3,228)**	(3,384)
Profit before income tax		**20,383**	6,225
Income tax expense	*10*	**(2,048)**	(3,337)
Profit for the period		**18,335**	2,888
Profit attributable to:			
— Owners of the Company		**16,051**	952
— Non-controlling interests		**2,284**	1,936
Profit for the period		**18,335**	2,888
Items that may not be reclassified to profit or loss			
Currency translation differences		**47**	(286)
Total comprehensive income for the period		**18,382**	2,602
Total comprehensive income for the period attributable to:			
— Owners of the Company		**16,098**	666
— Non-controlling interests		**2,284**	1,936
Total comprehensive income for the period		**18,382**	2,602
Earnings per share attributable to owners of the Company			
— Basic earnings per share	*11*	**0.054**	0.003
— Diluted earnings per share	*11*	**0.021**	0.003

The notes on pages 24 to 44 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
ASSETS			
Non-current assets			
Land use rights	*13*	**21,186**	21,488
Property, plant and equipment	*13*	**130,048**	138,783
Deferred income tax assets		**3,766**	3,909
Other non-current assets	*14*	**15,608**	–
		170,608	164,180
Current assets			
Inventories	*16*	**162,236**	148,429
Trade and other receivables	*15*	**202,117**	216,976
Restricted cash	*17*	**88,332**	58,145
Cash and cash equivalents	*17*	**170,372**	193,938
		623,057	617,488
Total assets		**793,665**	781,668
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*18*	**2,382**	2,382
Other reserves		**164,553**	164,506
Retained profits		**43,381**	27,330
		210,316	194,218
Non-controlling interests		**42,758**	40,474
Total equity		**253,074**	234,692

	Note	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Convertible notes	*19*	**95,832**	105,973
Current liabilities			
Trade and other payables	*21*	**333,092**	297,486
Income tax payable		**1,667**	3,527
Borrowings	*20*	**110,000**	139,990
		444,759	441,003
Total liabilities		**540,591**	546,976
Total equity and liabilities		**793,665**	781,668

The notes on pages 24 to 44 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited					
	Attributable to the owners of the Company					
	Share capital RMB'000	**Other reserves** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2018	2,382	164,506	27,330	194,218	40,474	234,692
Profit for the period	–	–	16,051	16,051	2,284	18,335
Other comprehensive income	–	47	–	47	–	47
Balance at 30 June 2018	2,382	164,553	43,381	210,316	42,758	253,074
Balance at 1 January 2017	2,382	160,472	28,972	191,826	38,764	230,590
Profit for the period	–	–	952	952	1,936	2,888
Other comprehensive loss	–	(286)	–	(286)	–	(286)
Dividend declared by a subsidiary	–	–	–	–	(2,284)	(2,284)
Balance at 30 June 2017	2,382	160,186	29,924	192,492	38,416	230,908

The notes on pages 24 to 44 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		57,550	12,036
Interest received		649	308
Interest paid		(3,542)	(3,327)
Income tax paid		(3,765)	(4,496)
Net cash generated from operating activities		50,892	4,521
Cash flows from investing activities			
Purchase of property, plant and equipment		(492)	(778)
Prepayments for property, plant and equipment		(15,608)	–
Proceeds from disposal of property, plant and equipment		294	343
Net cash used in investing activities		(15,806)	(435)
Cash flows from financing activities			
Proceeds from borrowings		80,000	149,990
Repayments of borrowings		(109,990)	(140,000)
Changes in restricted cash pledged for borrowings		(30,187)	(8,991)
Net cash (used in)/generated from financing activities		(60,177)	999
Net (decrease)/increase in cash and cash equivalents		(25,091)	5,085
Effect of foreign exchange rate changes		1,525	430
Cash and cash equivalents at beginning of the period		193,938	58,199
Cash and cash equivalents at end of the period	*17*	170,372	63,714

The notes on pages 24 to 44 are an integral part of these condensed consolidated interim financial information.

1 General information

Tourism International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013. The Company was formerly known as Jia Yao Holdings Limited and the name of the Company was changed to its current name on 12 January 2018.

The Company and its subsidiaries (together, the "Group") are engaged in the design, printing and sales of paper cigarette packages and social product paper packages in Hubei Province, the People's Republic of China (the "PRC").

The Company's registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1–1001, Cayman Islands, and the address of the principal place of business is No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, the PRC.

The Company's ordinary shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

These condensed consolidated interim financial information are presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated. These condensed consolidated interim financial information set out on pages 19 to 44 have been approved for issue by the Company's board of directors (the "Board") on 30 August 2018.

These condensed consolidated interim financial information have not been audited.

2 Basis of preparation

These condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, and any public announcements made by the Group during the interim reporting period.

3 Accounting policies

Except as described in note 3(a), the accounting policies applied are consistent with those of the consolidated financial information for the year ended 31 December 2017, as described in those annual consolidated financial statements.

(a) New and amended standards adopted by the Group

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on the Group's financial information and the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15.

3 Accounting policies *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15 with a date of transition of January 1, 2018. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS "11 Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

(i) HKFRS 9 - Financial Instruments

Impact on the financial information of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 9 was generally adopted without restating any comparative information. The adoption of HKFRS 9 in the current period does not result in any impact on the amounts reported in the condensed consolidated interim financial information and/or disclosures set out in the condensed consolidated interim financial information except that, the Group has adopted the accounting policies on financial instruments with effect from 1 January 2018.

Summary of significant accounting policies

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

3 Accounting policies *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(i) HKFRS 9 - Financial Instruments *(Continued)*

Measurement *(continued)*

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 Accounting policies *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(i) HKFRS 9 - Financial Instruments *(Continued)*

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) HKFRS 15 - Revenue from Contracts with Customers

Impact on the financial information of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 15 was generally adopted without restating any comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the condensed consolidated interim financial information set out in the condensed consolidated interim financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in no impact to the financial statements as the timing of revenue recognition on sale of goods is unchanged.

Thus there was no impact on the Company's condensed consolidated interim financial information of financial position as of 30 June 2018.

Summary of significant accounting policies

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 Accounting policies *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(ii) HKFRS 15 - Revenue from Contracts with Customers *(Continued)*

Sales of goods

Revenue from the sales of goods is recognised when the Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery normally does not occur until the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contracts, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group collects cash from the customers through banks. Cash collected from the customers before product delivery is recognized as contract liabilities.

(b) Impact of standards issued but not yet applied by the Group

The following new standards have been issued but are not effective for the financial year beginning January 1, 2019. They are relevant to the operations of the Group but have not been early adopted:

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS	Annual Improvement to HKFRS 2015-2017 Cycle	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation.

HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

3 Accounting policies *(Continued)*

(b) Impact of standards issued but not yet applied by the Group *(Continued)*

HKFRS 16, Leases *(Continued)*

Impact
The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, The Group's future aggregate minimum lease payments under non-cancellable operating leases is approximately RMB6,653,000, among which less than one year is RMB1,014,000, more than one year and less than five years is RMB3,923,000 and more than five years is RMB1,716,000. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortization and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right of use assets and lease liabilities.

Date of adoption by Group
Mandatory for financial years commencing on or after 1 January 2019. Management expects the adoption would not significant affect the Group's financial position and performance after considering the amount of the future minimum lease payments for the lease contracts held as of 30 June 2018.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, 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 annual consolidated financial statements for the year ended 31 December 2017.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do 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 consolidated financial statements for the year ended 31 December 2017.

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

5 Financial risk management and financial instruments *(Continued)*

5.2 Liquidity risk

Compared to 2017 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

6 Revenue and segment information

Segment information

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operation decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Paper cigarette packages — design, printing and sale of paper cigarette packages
Social product paper packages — design, printing and sale of social product paper packages (e.g. packages for alcohol, medicines and food)

Revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the condensed consolidated statement of comprehensive income.

The segment results for the six months ended 30 June 2018:

	Six months ended 30 June 2018		
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	240,480	13,794	254,274
Gross profit	63,113	323	63,436
Distribution costs	(19,125)	(1,082)	(20,207)
Segment results	43,988	(759)	43,229
Administrative expenses			(27,631)
Net impairment losses on financial assets			(26)
Other income			9,288
Other losses (net)			(1,249)
Finance costs (net)			(3,228)
Profit before income tax			20,383

6 Revenue and segment information *(Continued)*

Revenue *(Continued)*
The segment results for the six months ended 30 June 2017:

	Six months ended 30 June 2017		
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	220,730	14,500	235,230
Gross profit	53,614	1,287	54,901
Distribution costs	(16,962)	(862)	(17,824)
Segment results	36,652	425	37,077
Administrative expenses			(27,059)
Other income			337
Other losses (net)			(746)
Finance costs (net)			(3,384)
Profit before income tax			6,225

Segment assets and liabilities
The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown as follows:

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Mainland China	**166,833**	160,248
Hong Kong	**9**	23
	166,842	160,271

7 Other income

	Six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Change in fair value of financial liability at fair value through profit or loss *(Note 19)*	**8,385**	–
Government grants	**840**	323
Others	**63**	14
	9,288	337

8 Other losses (net)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	**612**	766
Others	**637**	(20)
	1,249	746

9 Expense by nature

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Operating profit for the period has been arrived at after charging:		
Staff costs:		
Directors' emoluments	**372**	580
Salaries and other benefits	**38,419**	43,162
Contributions to retirement benefits scheme, excluding those of Directors	**2,810**	5,812
	41,601	49,554
Cost of inventories	**157,784**	139,446
Depreciation of property, plant and equipment	**8,321**	9,937
Transportation cost	**9,296**	8,135
Energy and water expense	**6,093**	4,437
Social entertainment expense	**5,710**	3,161
Professional service expense	**1,944**	1,649
Maintenance expense	**1,060**	1,459
Operating lease rentals in respect of rented premises	**706**	1,187
Amortisation of land use rights	**302**	302
Other operating expenses	**5,859**	5,945
	197,075	175,658
Total expense and losses	**238,676**	225,212

10 Income tax expense

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax (note i)	**1,905**	1,207
Deferred income tax		
— Deferred tax assets	**143**	(1,717)
— Deferred tax liabilities (note ii)	**–**	3,847
Income tax expense	**2,048**	3,337

(i) PRC corporate income tax

The Company is not subject to any taxation in the Cayman Islands.

Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% (2017: 16.5%). Hong Kong profits tax has not been provided for subsidiaries incorporated in Hong Kong as these subsidiaries did not have estimated assessable profit for the period.

Hubei Golden Three Gorges Printing Industry Co., Ltd. ("Hubei Golden Three Gorges"), a subsidiary of the Company, was established in the PRC and has been recognised as the High New Tech Enterprises in 2015. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law") for High New Tech Enterprises, Hubei Golden Three Gorges is subject to a reduced corporate income tax rate of 15% in 2018 (2017: 15%).

Dangyang Golden Three Gorges Printing Industry Co., Ltd., another subsidiary of the Company established in the PRC, is subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2017: 25%).

(ii) PRC withholding income tax

Under relevant tax laws and regulations, dividends distributed from the Company's subsidiaries established in the PRC (the "PRC subsidiaries") to non-PRC tax resident Group entities shall be subject to the withholding income tax at 10%. The Group plans to use the unremitted earnings of the PRC subsidiaries up to 30 June 2018 and 2017 for reinvestment. No PRC withholding income tax was provided for unremitted earnings of the PRC subsidiaries as at 30 June 2018 and 2017.

11 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	**16,051**	952
Weighted average number of ordinary shares in issue ('000)	**300,000**	300,000
Basic earnings per share (RMB)	**0.054**	0.003

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

For the six months ended 30 June 2018, the Company has only one category of dilutive potential ordinary shares, the convertible notes, which are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the change in fair value of convertible notes (for the six months ended 30 June 2017: nil).

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	**16,051**	952
Less: Change in fair value of convertible notes (RMB'000)	**(8,385)**	-
Profit used to determine diluted earnings per share (RMB'000)	**7,666**	952
Weighted average number of ordinary shares in issue ('000)	**300,000**	300,000
Adjustments for convertible notes ('000)	**59,259**	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	**359,259**	300,000
Diluted earnings per share (RMB)	**0.021**	0.003

12 Dividend

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

13 Land use rights and property, plant and equipment

	Land use rights RMB'000	Property, plant and equipment RMB'000
Six months ended 30 June 2018 (unaudited)		
Net book value		
Opening net book amount as at 1 January 2018	**21,488**	**138,783**
Additions	**–**	**492**
Disposals	**–**	**(906)**
Depreciation and amortisation	**(302)**	**(8,321)**
Closing net book amount as at 30 June 2018	**21,186**	**130,048**
Six months ended 30 June 2017 (unaudited)		
Net book value		
Opening net book amount as at 1 January 2017	22,098	167,241
Additions	–	5,678
Disposals	–	(1,107)
Depreciation and amortisation	(302)	(9,937)
Closing net book amount as at 30 June 2017	21,796	161,875

As at 30 June 2018, land use rights and plant and equipment with net book value of RMB116,953,000 (as at 31 December 2017: RMB123,262,000) (Note 22) have been pledged as securities for the Group's bank borrowings of RMB110,000,000 (as at 31 December 2017: RMB139,990,000) (Note 20).

14 Other non-current assets

Other non-current assets represent the prepayments for machineries.

15 Trade and other receivables

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Trade receivables	110,342	159,159
Less: allowance for doubtful debts	(128)	(101)
	110,214	159,058
Note receivables	67,296	25,273
Deposits paid	14,054	15,204
Advance to employees	7,136	13,394
Payments in advance	3,333	3,571
Others	84	476
	91,903	57,918
Total trade and other receivables	202,117	216,976

As at 30 June 2018, trade receivables with net book value of RMB82,439,000 (as at 31 December 2017: RMB114,623,000)(Note 22) have been pledged as securities for the Group's bank borrowings of RMB110,000,000 (as at 31 December 2017: RMB139,990,000) (Note 20).

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
0 to 90 days	95,934	149,991
91 to 180 days	10,912	1,002
181 to 360 days	2,767	4,731
Over 360 days	729	3,435
	110,342	159,159

15 Trade and other receivables *(Continued)*

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information. The loss allowance provision is determined as follows:

	Current	Up to 1 year past due	Over 1 year past due	Total
As at 30 June 2018 (unaudited)				
Expected loss rate	**–**	**0.10%**	**61.76%**	**0.12%**
Gross carrying amount (RMB'000)	**87,008**	**23,164**	**170**	**110,342**
Loss allowance provision (RMB'000)	**–**	**(23)**	**(105)**	**(128)**
As at 31 December 2017 (unaudited)				
Expected loss rate	–	0.16%	96.00%	0.06%
Gross carrying amount (RMB'000)	125,980	33,127	52	159,159
Loss allowance provision (RMB'000)	–	(53)	(48)	(101)

16 Inventories

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Raw materials and packaging materials	**51,600**	61,714
Finished goods	**104,376**	71,790
Work in progress	**8,005**	17,190
Provision for Inventory	**(1,745)**	(2,265)
	162,236	148,429

17 Cash and cash equivalents and restricted cash

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Cash at bank and on hand	258,704	252,083
Less: Restricted cash	(88,332)	(58,145)
Cash and cash equivalents	170,372	193,928

As at 30 June 2018, Hubei Golden Three Gorges, a subsidiary of the Group, pledged deposits of RMB88,332,000 (as at 31 December 2017: RMB58,145,000) (Note 22) at bank as collateral for issuance of note payables (Note 21).

18 Share capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	
		HKD'000	RMB'000
Authorised:			
Ordinary shares of HKD0.01 each			
As at 31 December 2017 and 30 June 2018	2,000,000,000	20,000	15,880
Issued and fully paid:			
Ordinary shares of HKD0.01 each			
As at 31 December 2017 and 30 June 2018	300,000,000	3,000	2,382

19 Convertible notes

On 15 September 2017, the Company entered into a placing agreement of convertible notes and completed an issuance of convertible notes with a coupon rate of 4.8% per annum at a total principal value of HKD120,000,000 on 18 October 2017. The maturity date is 18 October 2019.

According to the terms and conditions of the convertible notes, the convertible notes can be converted into the Company's shares at the noteholder's option from the day following 180 days after the date of issue to the fourteenth day prior to and exclusive of the maturity date at their principal amount. The prevailling conversion price is HKD2.025 per share. Any principal amount that remains outstanding upon maturity date shall be redeemed.

The convertible notes are initially recognised as a financial liability at fair value and measured at fair value through profit and loss at 30 June 2018. The fair value of convertible notes is HKD117,700,000 (equivalent to approximately RMB99,238,000) as at 30 June 2018.

19 Convertible notes *(Continued)*

The convertible notes recognised in the condensed consolidated balance sheet were as follows:

	2018 RMB'000
As at 1 January 2018	105,973
Interest payable (Note 21)	989
Fair value as at 1 January 2018	106,962
Fair value change recognized (Note 7)	(8,385)
Exchange reserves	661
Fair value as at 30 June 2018	99,238
Interest payable (Note 21)	(3,406)
As at 30 June 2018	95,832

(i) Valuation inputs and relationships to fair value

Description	Fair value RMB'000	Unobservable inputs	30 June 2018 Range of inputs	Relationship of unobservable inputs to fair value
Convertible notes	99,238	Volatility	36.977%	Increased volatility factor (+5%) would increase fair value by RMB2,108,000; lower volatility factor (-5%) would decrease fair value by RMB1,180,000
		Stock price	HKD1.62	Increased stock price factor (+HKD0.1) would increase fair value by RMB2,529,000; lower stock price factor (-HKD0.1) would decrease fair value by RMB1,433,000
		Discount Rate	12.639%	Increased discount rate factor (+1%) would decrease fair value by RMB843,000; lower discount rate factor (-1%) would increase fair value by RMB927,000

19 Convertible notes *(Continued)*

(i) Valuation inputs and relationships to fair value *(Continued)*

31 December 2017				
Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Convertible notes	106,962	Volatility	33.35%	Increased volatility factor (+5%) would increase fair value by RMB1,764,000; lower volatility factor (-5%) would decrease fair value by RMB1,764,000
		Stock price	HKD2.04	Increased stock price factor (+HKD0.1) would increase fair value by RMB4,410,000; lower stock price factor (-HKD0.1) would decrease fair value by RMB2,646,000
		Discount Rate	12.52%	Increased discount rate factor (+1%) would decrease fair value by RMB882,000; lower discount rate factor (-1%) would increase fair value by RMB882,000

(ii) Valuation processes

The management of the Group involved an independent valuer that performs the valuations of convertible notes required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held independently.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- The stock prices are based on the closing stock price of the Company as at the date of valuation.
- The expected volatility rates are estimated based on the historical price volatilities of the Company and also with the reference to historical price volatilities of comparable companies.
- Discount rates for convertible notes are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

20 Borrowings

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Secured short-term bank borrowings	**110,000**	139,990

As at 30 June 2018, short-term bank borrowings of RMB110,000,000 (as at 31 December 2017: RMB139,990,000) of the Group are secured by the pledge of the trade receivables (Note 15), land use rights and property, plant and equipment (Note 13) of the Group.

The effective interest rates on the Group's borrowings were as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
Fixed-rate borrowings	**5.84%**	5.19%

21 Trade and other payables

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Trade payables	**177,410**	152,369
Note payables	**137,700**	116,100
Salary payables	**6,301**	9,502
Taxes payable	**1,513**	6,648
Interest payable of convertible notes	**3,406**	989
Dividend payables to non-controlling interests	**2,284**	2,284
Payable to the immediate holding company *(Note 24(b))*	**2,484**	2,463
Others	**1,994**	7,131
	155,682	145,117
Total trade and other payables	**333,092**	297,486

21 Trade and other payables *(Continued)*

The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Up to 6 months	**157,055**	139,465
6 months to 1 year	**18,427**	11,155
1 year to 2 years	**1,928**	1,749
	177,410	152,369

22 Pledge of assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	Note	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Property, plant and equipment	*13*	**96,652**	102,693
Pledged bank deposits	*17*	**88,332**	58,145
Trade receivables	*15*	**82,439**	114,623
Land use rights	*13*	**20,301**	20,569
		287,724	296,030

23 Commitment

Operating lease commitments — the Group as lessee

	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
Within one year	**1,014**	1,014
Later than 1 year and no later than 5 years	**3,923**	3,923
Later than 5 years	**1,716**	2,207
	6,653	7,144

24 Related-party transactions

The Company's immediate holding company is China Civil Aviation (Cayman) Investment Group Limited ("CCA"), which acquired 65.20% shares of the Company in issue on 30 December 2016 and its ultimate holding company is HNA Group Co., Ltd. Hubei Three Gorges Tobacco Co., Ltd. ("Hubei Three Gorges") is a non-controlling interests shareholder of the Group, which holds 17.14% share of Hubei Golden Three Gorges, a subsidiary of the Company, and has significant influence on Hubei Golden Three Gorges.

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

Name of related party	Relation
CCA	Immediate holding company
Hubei Three Gorges	Non-controlling shareholder

(a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

(i) Key management compensation

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	RMB'000
Key management compensation	**372**	580

(b) Balances with the immediate holding company

The Group has the following balances with the immediate holding company as at 30 June 2018 and 31 December 2017:

(i) Payables to the immediate holding company (Note 21)

	As at 30 June	As at 31 December
	2018	2017
	Unaudited	Audited
	RMB'000	RMB'000
CCA	**2,484**	2,463

The payables bear no interest and are repayable on demand.

25 SUBSEQUENT EVENT

On 21 August 2018, Hubei Golden Three Gorges, a non-wholly owned subsidiary of the Company, through the tender, has successfully won the bidding, and entered into the tender confirmation with Yichang Land and Resources Bureau, in respect of the land use right of one parcel of land located at West Side, Hua Xi Road, Yichang Free Trade Zone* (宜昌自貿片區花溪路西側), at a consideration of RMB34.64 million. Further details of the bidding are set out in the announcement of the Company dated 21 August 2018.