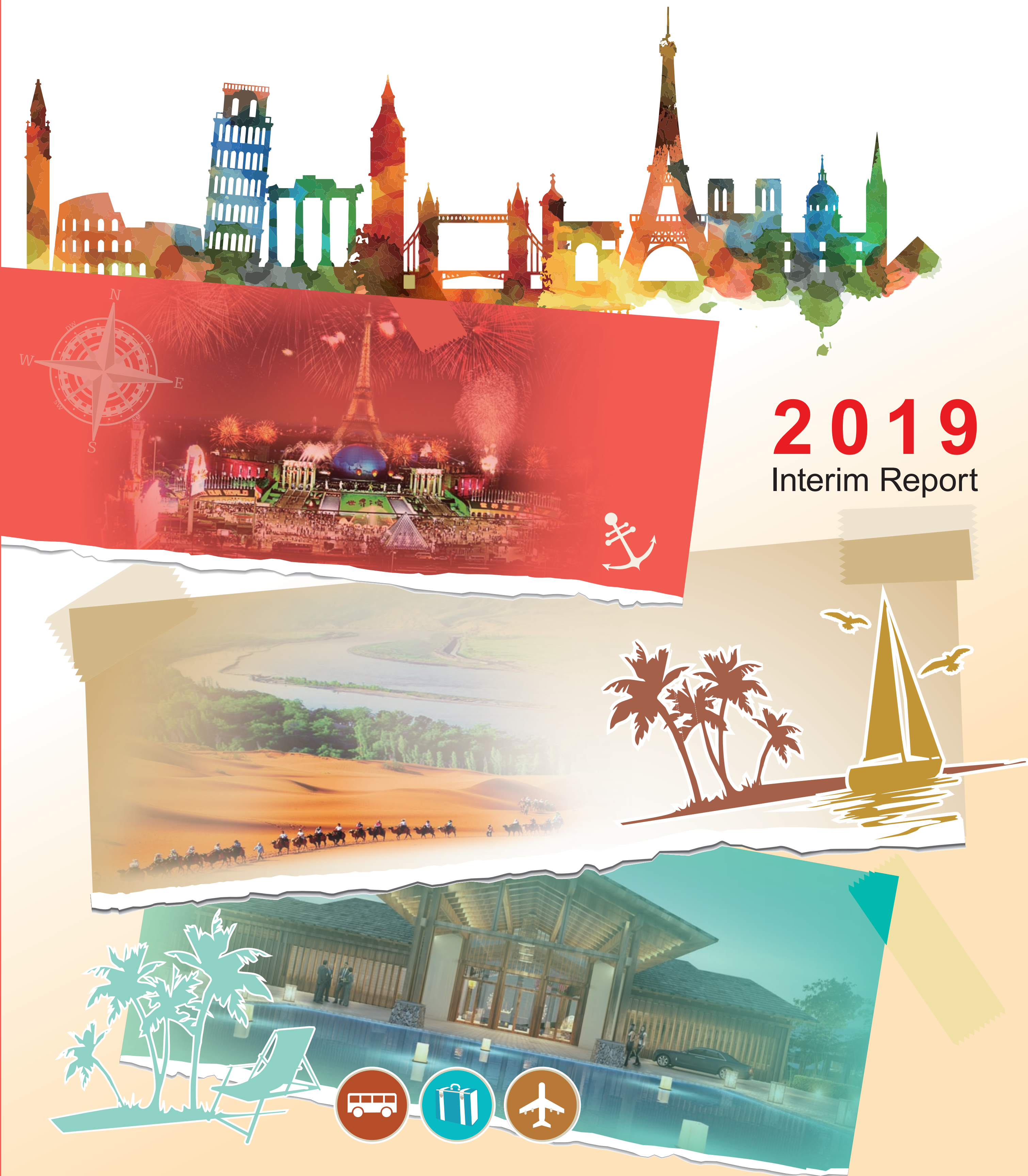
香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code：308)



2019

Interim Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Fu Zhuoyang *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Jiang Hong *(General Manager)*
Mr. Chen Xianjun
Mr. You Cheng
Mr. Yang Hao
Mr. Wu Qiang *(Executive Deputy General Manager)*
Mr. Tse Cho Che Edward*
Mr. Zhang Xiaoke*
Mr. Huang Hui*
Mr. Chen Johnny*
Mr. Song Dawei*

* *Independent Non-Executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

KPMG

LEGAL ADVISORS

Jeffrey Mak Law Firm

PRINCIPAL BANKERS

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

FINANCIAL CALENDAR

Announcement of 2019 interim results	30 August 2019
Closure of register of members	23 to 25 September 2019 (both dates inclusive)
Record date for 2019 interim dividend	25 September 2019
Payment of 2019 interim dividend	12 November 2019

REGISTERED OFFICE

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

SHARE REGISTRAR

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

COMPANY WEBSITE

www.irasia.com/listco/hk/ctii

STOCK CODE

308

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REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

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

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set on pages 5 to 42 which comprises the consolidated statement of financial position of China Travel International Investment Hong Kong Limited (the "Company") as of 30 June 2019 and the related consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2019

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June 2019 HK$'000	2018 HK$'000 (Note)
Revenue	7	**2,219,659**	2,077,670
Cost of sales		**(1,206,685)**	(1,123,132)
Gross profit		**1,012,974**	954,538
Other income and gains, net		**216,197**	87,395
Changes in fair value of investment properties		**51,193**	17,214
Selling and distribution costs		**(289,434)**	(280,589)
Administrative expenses		**(445,000)**	(443,254)
Operating profit	8	**545,930**	335,304
Finance income	9	**33,742**	42,469
Finance costs	9	**(9,204)**	(7,655)
Finance income, net	9	**24,538**	34,814
Share of profits less losses of			
– associates		**67,407**	201,864
Profit before taxation		**637,875**	571,982
Taxation	10	**(143,343)**	(123,723)
Profit for the period		**494,532**	448,259
Attributable to:			
Equity owners of the Company		**419,426**	379,173
Non-controlling interests		**75,106**	69,086
Profit for the period		**494,532**	448,259
Earnings per share for profit attributable to equity owners of the Company (HK cents)	12		
Basic earnings per share		**7.69**	6.96
Diluted earnings per share		**7.68**	6.93

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 3.

The notes on pages 13 to 42 are an integral part of this interim financial report. Details of dividends payable to equity owners of the Company are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
		(Note)
Profit for the period	**494,532**	448,259
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(105)**	(9,693)
Gain on property valuation, net of tax	**–**	26,936
Items that may be reclassified subsequently to profit or loss:		
Share of hedging reserve of an associate, net of tax	**4,897**	286
Exchange differences on translation of foreign operations, net	**(26,913)**	(101,494)
Other comprehensive income for the period, net of tax	**(22,121)**	(83,965)
Total comprehensive income for the period	**472,411**	364,294
Attributable to:		
Equity owners of the Company	**400,757**	301,425
Non-controlling interests	**71,654**	62,869
Total comprehensive income for the period	**472,411**	364,294

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 3.

The notes on pages 13 to 42 are an integral part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 – unaudited

	Note	30 June 2019 HK$'000	31 December 2018 HK$'000 (Note)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**10,312,649**	8,025,958
Investment properties	14	**1,813,216**	1,794,236
Prepaid land lease payments		**–**	2,171,581
Goodwill		**1,323,828**	1,323,828
Other intangible assets		**201,305**	203,066
Interests in associates		**1,248,384**	1,273,537
Other financial assets		**38,314**	40,129
Prepayments and other receivables		**85,357**	103,032
Deferred tax assets		**49,922**	51,446
Total non-current assets		**15,072,975**	14,986,813
Current assets			
Inventories		**17,264**	18,925
Properties under development		**1,950,174**	1,683,262
Completed properties held for sale		**32,018**	57,837
Trade receivables	15	**114,052**	145,498
Deposits, prepayments and other receivables	16	**742,066**	732,566
Loan to a fellow subsidiary		**157,000**	157,363
Amounts due from holding companies		**21,794**	26,162
Amounts due from fellow subsidiaries		**71,554**	40,193
Tax recoverable		**71,958**	50,997
Financial assets at fair value through profit or loss	17	**791,750**	942,993
Pledged time deposits	18	**18,284**	46,884
Cash and bank balances	18	**2,291,775**	2,602,282
Assets of disposal group classified as held for sale	25	**401,694**	–
Total current assets		**6,681,383**	6,504,962
Total assets		**21,754,358**	21,491,775
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,120,420**	9,119,836
Reserves		**7,294,229**	6,893,631
		16,414,649	16,013,467
Non-controlling interests		**1,169,711**	1,098,557
Total equity		**17,584,360**	17,112,024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 – unaudited

	Note	**30 June 2019 HK$'000**	31 December 2018 HK$'000 (Note)
LIABILITIES			
Non-current liabilities			
Deferred income		**698,026**	689,725
Lease liabilities		**243,597**	–
Bank and other borrowings	20	**–**	337
Deferred tax liabilities		**613,125**	569,590
Total non-current liabilities		**1,554,748**	1,259,652
Current liabilities			
Trade payables	19	**184,972**	333,402
Other payables and accruals		**1,804,526**	2,301,532
Loans from a holding company		**78,439**	78,749
Amounts due to holding companies		**1,321**	1,232
Amounts due to fellow subsidiaries		**9,746**	7,871
Lease liabilities		**24,960**	–
Tax payables		**154,918**	150,404
Bank and other borrowings	20	**3,957**	246,909
Liabilities of disposal group classified as held for sale	25	**352,411**	–
Total current liabilities		**2,615,250**	3,120,099
Total liabilities		**4,169,998**	4,379,751
Total equity and liabilities		**21,754,358**	21,491,775

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 3.

The notes on pages 13 to 42 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited

	Attributable to equity owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	9,119,836	121,683	6,771,948	16,013,467	1,098,557	17,112,024
Comprehensive income						
Profit for the period	–	–	419,426	419,426	75,106	494,532
Other comprehensive income for the period:						
Item that will not be reclassified subsequently to or loss:						
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	–	(2,163)	–	(2,163)	2,058	(105)
Items that may be reclassified subsequently to profit or loss:						
Share of hedging reserve of an associate, net of tax	–	4,897	–	4,897	–	4,897
Exchange differences on translation of foreign operations, net	–	(21,403)	–	(21,403)	(5,510)	(26,913)
Total other comprehensive income for the period, net of tax	–	(18,669)	–	(18,669)	(3,452)	(22,121)
Total comprehensive income for the period	–	(18,669)	419,426	400,757	71,654	472,411
Transactions with owners						
Equity-settled share option arrangement	–	3,702	–	3,702	–	3,702
Exercise of share options	584	(159)	–	425	–	425
Forfeiture of share options	–	(3,702)	–	(3,702)	–	(3,702)
Dividends paid to non-controlling shareholders	–	–	–	–	(500)	(500)
Total transactions with owners for the period	584	(159)	–	425	(500)	(75)
At 30 June 2019	9,120,420	102,855	7,191,374	16,414,649	1,169,711	17,584,360

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 3.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited

	Attributable to equity owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	9,102,708	556,150	6,553,771	16,212,629	1,181,217	17,393,846
Impact on initial application of HKFRS 9	–	29,429	–	29,429	3,186	32,615
Adjusted balance at 1 January 2018	9,102,708	585,579	6,553,771	16,242,058	1,184,403	17,426,461
Comprehensive income						
Profit for the period	–	–	379,173	379,173	69,086	448,259
Other comprehensive income for the period:						
Items that will not be reclassified subsequently to profit or loss:						
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	–	(8,808)	–	(8,808)	(885)	(9,693)
Gain on property revaluation, net of tax	–	26,936	–	26,936	–	26,936
Items that may be reclassified subsequently to profit or loss:						
Share of hedging reserve of an associate, net of tax	–	286	–	286	–	286
Exchange differences on translation of foreign operations, net	–	(96,162)	–	(96,162)	(5,332)	(101,494)
Total other comprehensive income for the period, net of tax	–	(77,748)	–	(77,748)	(6,217)	(83,965)
Total comprehensive income for the period	–	(77,748)	379,173	301,425	62,869	364,294
Transactions with owners						
Equity-settled share option arrangement	–	13,186	–	13,186	–	13,186
Exercise of share options	12,991	(3,542)	–	9,449	–	9,449
Forfeiture of share options	–	(846)	–	(846)	–	(846)
Dividends paid to non-controlling shareholders	–	–	–	–	(149,373)	(149,373)
2017 final dividend paid	–	–	(299,978)	(299,978)	–	(299,978)
Total transactions with owners for the period	12,991	8,798	(299,978)	(278,189)	(149,373)	(427,562)
At 30 June 2018	9,115,699	516,629	6,632,966	16,265,294	1,097,899	17,363,193

The notes on pages 13 to 42 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
		(Note)
Cash flows from operating activities		
Cash generated from operations	**144,125**	232,644
Income tax paid	**(117,960)**	(125,282)
Net cash generated from operating activities	**26,165**	107,362
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**8,817**	12,607
Finance income received	**23,386**	35,932
Income received from financial assets at fair value through profit or loss	**–**	31,225
Dividends received from associates and joint ventures	**116,302**	22,091
Purchases of property, plant and equipment and prepaid land lease payments	**(174,172)**	(444,339)
Capital contribution to an associate	**–**	(14,233)
Additions to financial assets at fair value through profit or loss	**(1,340,720)**	(1,390,294)
Proceeds upon maturity of financial assets at fair value through profit or loss	**1,506,536**	1,442,873
Decrease/(increase) in time deposits with original maturity of more than three months when acquired	**896,099**	(8,018)
Decrease in pledged time deposits	**24,136**	(4,787)
Others	**(97)**	–
Net cash generated from/(used in) investing activities	**1,060,287**	(316,943)
Cash flows from financing activities		
Share option exercised	**425**	9,449
Finance cost paid	**(2,240)**	(7,655)
Capital element of lease rentals paid	**(17,826)**	–
Interest element of lease rentals paid	**(6,964)**	–
Dividends paid to non-controlling shareholders	**(500)**	–
Dividends paid	**–**	(237,622)
(Repayment of)/proceeds of new bank and other borrowings, net	**(242,379)**	706,830
Net cash (used in)/generated from financing activities	**(269,484)**	471,002

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
		(Note)
Net increase in cash and cash equivalents	**816,968**	261,421
Cash and cash equivalents at 1 January	**1,101,901**	2,505,392
Effect of foreign exchange rate changes, net	**(10,468)**	(27,636)
Cash and cash equivalents at 30 June	**1,908,401**	2,739,177
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**2,291,775**	3,519,397
Reclassified to assets of disposal group classified as held for sale	**175,612**	–
Deposits with maturity of more than three months	**(558,986)**	(780,220)
Cash and cash equivalents	**1,908,401**	2,739,177

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Please refer to note 3.

The notes on pages 13 to 42 are an integral part of this interim financial report.

1 CORPORATE INFORMATION

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

– Tourist attraction and related operations

– Travel agency, travel document and related operations

– Hotel operations

– Passenger transportation operations

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was authorised for issue on 30 August 2019.

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

The financial information relating to the financial year ended 31 December 2018 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA. The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted in the annual financial statements for the year ended 31 December 2018, except for the new HKFRSs and amendments to HKFRSs that are effective for the financial year ending 31 December 2019.

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

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases,* and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land, buildings, equipment and motor vehicles.

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

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

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

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.0%-4.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in financial statements as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	**406,872**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(11,552)**
– leases of low-value assets	**(74)**
	395,246
Less: total future interest expenses	**(98,609)**
Total lease liabilities recognised at 1 January 2019	**296,637**

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

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

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	HK$'000	HK$'000	HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	8,025,958	2,493,238	10,519,196
Prepaid land lease payments	2,171,581	(2,171,581)	–
Total non-current assets	14,986,813	321,657	15,308,470
Deposits, prepayments and other receivables	732,566	(25,020)	707,546
Current assets	6,504,962	(25,020)	6,479,942
Lease liabilities (current)	–	34,076	34,076
Current liabilities	3,120,099	34,076	3,154,175
Net current assets	3,384,863	(59,096)	3,325,767
Total assets less current liabilities	18,371,676	262,561	18,634,237
Lease liabilities (non-current)	–	262,561	262,561
Total non-current liabilities	1,259,652	262,561	1,522,213
Net assets	17,112,024	–	17,112,024

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 HK$'000	At 1 January 2019 HK$'000
Included in "Property, plant and equipment":		
Ownership interests in leasehold land held for own use, carried at amortised cost	**2,215,873**	2,196,601
Other properties leased for own use, carried at depreciated cost	**280,415**	296,637
	2,496,288	2,493,238
Reclassified to assets of disposal group classified as held for sale	**(14,448)**	–
	2,481,840	2,493,238

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**34,939**	**47,753**	34,076	47,452
After 1 year but within 2 years	**25,527**	**37,027**	28,306	40,360
After 2 years but within 5 years	**52,892**	**81,785**	54,984	85,300
After 5 years	**169,755**	**208,184**	179,271	222,134
	248,174	**326,996**	262,561	347,794
	283,113	**374,749**	296,637	395,246
Less: total future interest expenses		**(91,636)**		(98,609)
Reclassified to liabilities of disposal group classified as held for sale		**(14,556)**		–
Present value of lease liabilities		**268,557**		296,637
Representing:				
Current portion		**24,960**		34,076
Non-current portion		**243,597**		262,561
		268,557		296,637

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Operating profit	545,930	34,042	(38,266)	541,706	335,304
Finance costs	(9,204)	6,964	–	(2,240)	(7,655)
Profit before taxation	637,875	41,006	(38,266)	640,615	571,982
Profit for the period	494,532	40,344	(38,266)	496,610	448,259
Reportable segment profit for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
– Tourist attraction and related operations	215,676	28,421	(26,513)	217,584	149,176
– Travel agency, travel document and related operations	94,595	6,046	(5,938)	94,703	89,056
– Hotel operations	79,821	3,632	(3,632)	79,821	72,495
– Passenger transportations	4,188	2,245	(2,183)	4,250	74,607
– Corporate and others	(15,364)	–	–	(15,364)	(18,081)
– Total	378,916	40,344	(38,266)	380,994	367,253

3 ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) HK$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	144,125	(24,790)	119,335	232,644
Net cash generated from operating activities	26,165	(24,790)	1,375	107,362
Capital element of lease rentals paid	(17,826)	17,826	–	–
Interest element of lease rentals paid	(6,964)	6,964	–	–
Net cash (used in)/generated from financing activities	(269,484)	24,790	(244,694)	471,002

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

5.2 Fair value estimation

5.2.1 Management analyses financial instruments and investment properties carried at fair value, by valuation method. The following hierarchy is used for determining and disclosing their fair values.

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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

Assets

	As at 30 June 2019			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	–	791,750	–	791,750
Other financial assets	–	–	38,314	38,314
	–	791,750	38,314	830,064

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value estimation (Continued)

	As at 31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	942,993	–	942,993
Other financial assets	–	–	40,129	40,129
	–	942,993	40,129	983,122

During the period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2018: Nil).

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

The fair values of financial assets at fair value through profit or loss are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the financial assets at fair value through profit or loss (30 June 2019: 2.025%-4.49%; 31 December 2018: 3.2%-4.5%). The fair values are within level 2 of the fair value hierarchy.

There were no changes in valuation techniques during the period.

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

The fair value of unlisted equity securities is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% (31 December 2018: 1%) would have increased/decreased the Group's other comprehensive income by HK$497,000 (31 December 2018: HK$525,000).

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

	2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Unlisted equity securities:		
At 1 January	**40,129**	67,210
Net unrealised gains or losses recognised in other comprehensive income during the period	**(105)**	(9,693)
Related tax	**(469)**	(1,083)
Currency translation differences	**(1,241)**	(53)
At 30 June	**38,314**	56,381

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value estimation (Continued)

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

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

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**920,600**	910,000
Outside Hong Kong:		
– Commercial properties	**921,216**	884,236
	1,841,816	1,794,236
Reclassified to assets of disposal group classified as held for sale	**(28,600)**	–
	1,813,216	1,794,236

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

The Group measures its investment properties at fair value. The investment properties were revalued at 30 June 2019 by RHL Appraisal Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK$1,841,816,000 (2018: HK$1,794,263,000), including investment properties reclassified to assets of disposal group classified as for sale amounted to HK$28,600,000 (see note 25). For all investment properties, their current use equates to the highest and best use.

The Group assigns a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value estimation (Continued)

At each financial period/year end the team:

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

The fair value of investment properties are determined by direct comparison approach, on the market basis assuming sale with immediate vacant possession and taking reference to their respective existing states and comparable sales evidence. The valuations take into account the characteristics of the properties including the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristics will result in a higher fair value measurement.

5.2.3 The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 30 June 2019.

6 OPERATING SEGMENT INFORMATION

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

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

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

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

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

6 OPERATING SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2019 (unaudited)

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	919,510	645,589	401,151	253,409	2,219,659	–	2,219,659
Inter-segment revenue	19,513	1,438	968	1,002	22,921	8,260	31,181
	939,023	647,027	402,119	254,411	2,242,580	8,260	2,250,840
Elimination of inter-segment revenue					(22,921)	(8,260)	(31,181)
Revenue					2,219,659	–	2,219,659
Segment results	215,676	94,595	79,821	4,188	394,280	(15,364)	378,916
Non-controlling interests							75,106
Segment operating results before non-controlling interests							454,022
Changes in fair value of investment properties, net of tax							40,716
Net loss on disposal of property, plant and equipment, net of tax							(206)
Profit for the period							494,532

6 OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2018 (unaudited)

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	886,874	580,567	384,764	225,465	2,077,670	–	2,077,670
Inter-segment revenue	2,537	851	1,115	497	5,000	7,642	12,642
	889,411	581,418	385,879	225,962	2,082,670	7,642	2,090,312
Elimination of inter-segment revenue					(5,000)	(7,642)	(12,642)
Revenue					2,077,670	–	2,077,670
Segment results	149,176	89,056	72,495	74,607	385,334	(18,081)	367,253
Non-controlling interests							69,086
Segment operating results before non-controlling interests							436,339
Changes in fair value of investment properties, net of tax							15,517
Others							(3,597)
Profit for the period							448,259

7 REVENUE

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

Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Tourist attraction and related income	**801,770**	795,399
– Tour, travel agency, travel document and related income	**645,589**	580,567
– Hotel income	**398,169**	378,991
– Passenger transportation income	**253,409**	225,465
– Property sales income	**53,565**	17,387
– Consultancy and service income	**33,023**	48,680
	2,185,525	2,046,489
Revenue from other sources		
– Rental income	**34,134**	31,181
	2,219,659	2,077,670

8 OPERATING PROFIT

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Staff costs	**656,456**	652,688
Depreciation	**286,178**	203,758
Amortisation of prepaid land lease payments	**–**	9,672
Amortisation of other intangible assets	**1,513**	1,601
Minimum lease payments under operating leases:		
Land and buildings	**9,134**	34,306
Plant and machinery and motor vehicles	**291**	8,023
Gross rental income	**(19,370)**	(22,285)
Foreign exchange differences, net	**(384)**	(6,605)
Government grants	**(3,522)**	(5,925)
Income from financial assets at fair value through profit or loss	**(17,875)**	(31,416)
Net loss on disposal of property, plant and equipment	**206**	3,597

9 FINANCE INCOME, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income:		
Bank deposits and entrustment loans	**33,742**	42,469
Finance income	**33,742**	42,469
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(2,240)**	(7,655)
Interest on lease liabilities	**(6,964)**	–
Finance costs	**(9,204)**	(7,655)
Finance income, net	**24,538**	34,814

10 TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 to consolidated income statement represents:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current taxation		
Hong Kong	**30,420**	30,889
Mainland China and other territories	**67,728**	88,994
Deferred taxation	**45,195**	3,840
	143,343	123,723

The share hedging reserve of an associate as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$968,000 (2018: HK$57,000).

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 of HK$469,000 (2018: HK$1,083,000).

The gain on property revaluation as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect of HK$Nil (2018: HK$4,775,000).

11 DIVIDENDS

The Board recommends the payment of an interim dividend of HK3 cents per ordinary share (2018: HK3 cents) for the six months ended 30 June 2019 payable in cash with a script dividend alternative to shareholders on the register of members on 25 September 2019.

The interim dividend has not been recognised as a liability in the interim financial report. It will be recognised in shareholder's equity in the year ending 31 December 2019.

12 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Basic

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Profit attributable to equity owners of the Company (HK$'000)	**419,426**	379,173
Weighted average number of ordinary shares in issue	**5,456,082,033**	5,451,572,464
Basic earnings per share (HK cents)	**7.69**	6.96

Diluted

Diluted earnings per share for the six months ended 30 June 2019 and 2018 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share option is the only category of dilutive potential ordinary shares of the Group. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options together with the position of the fair value of the share options measured at the grant date, which is attributable to future periods. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Profit attributable to equity owners of the Company (HK$'000)	**419,426**	379,173
Weighted average number of ordinary shares in issue	**5,456,082,033**	5,451,572,464
Adjustments for:		
– Share options	**1,690,818**	22,398,952
Weighted average number of ordinary shares for diluted earnings per share	**5,457,772,851**	5,473,971,416
Diluted earnings per share (HK cents)	**7.68**	6.93

13 PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2019, additions of items of property, plant and equipment amounted to HK$178,912,000 (2018: HK$276,647,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK$9,023,000 (2018: HK$16,206,000).

Upon effective of HKFRS 16, the Group recognised right-of-use assets amounted to HK$2,493,238,000 at 1 January 2019.

14 INVESTMENT PROPERTIES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
At fair value		
At the beginning of the period/year	**1,794,236**	1,754,106
Changes in fair value recognised in income statement	**51,193**	26,542
Gain on property valuation recognised in other comprehensive income	**–**	31,711
Transfer from property, plant and equipment and prepaid land lease payments	**–**	19,104
Reclassified to assets of disposal group classified as held for sale	**(28,600)**	–
Currency translation differences	**(3,613)**	(37,227)
At the end of the period/year	**1,813,216**	1,794,236

15 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 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 3 months	**92,647**	129,952
Over 3 months to 6 months	**13,991**	10,161
Over 6 months to 12 months	**6,905**	3,898
Over 1 year to 2 years	**274**	947
Over 2 years	**235**	540
	114,052	145,498

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 30 June 2019, the balances included entrustment loans as provided to the non-controlling shareholders of Shenzhen Splendid China Development Co., Ltd.("Splendid China") and Shenzhen The World Miniature Co., Ltd. ("Window of the World") respectively, which are the Group's 51%-owned subsidiaries. These entrustment loans of RMB273 million (31 December 2018: RMB274 million) are unsecured, repayable by the non-controlling shareholders upon one month notice from the Group, and bear interest at the 1-year People's Bank of China ("PBOC") Benchmark Lending Rate.

At 30 June 2019, the balances included an amount due from a non-controlling shareholder of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. ("CTS (Dengfeng)") a 51% owned subsidiary of the Company, of RMB11 million (31 December 2018: RMB16 million), which was unsecured and interest-free.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the period ended 30 June 2019, the Group subscribed RMB denominated principal-protected with floating yields investments issued and managed by banks in the PRC. The principals amount to RMB690 million (equivalent to approximately HK$784 million) and the estimated yields are 2.025%-4.49% per annum. The Group received proceeds of RMB1,288,001,000 (equivalent to approximately HK$1,488,662,000) upon maturity.

18 CASH AND BANK BALANCES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Cash and bank balances	**965,468**	910,822
Time deposits	**1,344,591**	1,738,344
	2,310,059	2,649,166
Less: pledged time deposits	**(18,284)**	(46,884)
	2,291,775	2,602,282
Cash and bank balances in the consolidated statement of financial position	**2,291,775**	2,602,282
Add: cash and bank balances reclassified to assets of disposal group classified as held for sale	**175,612**	–
Less: Deposits with maturity of more than three months	**(558,986)**	(1,500,381)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**1,908,401**	1,101,901

19 TRADE PAYABLES

At 30 June 2019, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 3 months	**130,495**	270,474
Over 3 months to 6 months	**17,500**	13,078
Over 6 months to 12 months	**9,105**	15,871
Over 1 year to 2 years	**13,811**	9,559
Over 2 years	**14,061**	24,420
	184,972	333,402

20 BANK AND OTHER BORROWINGS

Movements in borrowings are analysed as follows:

	2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
As at 1 January	**247,246**	98,455
Borrowings	**–**	1,135,031
Repayments	**(242,379)**	(428,201)
Reclassified to liabilities of disposal group classified as held for sale	**(910)**	–
Currency translation differences	**–**	(882)
As at 30 June	**3,957**	804,403
Less: Non-current portion	**–**	(902)
Current portion	**3,957**	803,501

The bank and other borrowings as at 30 June 2019 is interest-free (2018: 1.5%-4.75% per annum).

21 PLEDGE OF ASSETS

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Bank deposits		
Pledged for credit facilities granted by suppliers to the Group's certain subsidiaries	**20,994**	45,342
Pledged for bank guarantees given in lieu of utility and rental deposits	**2,019**	2,017
	23,013	47,359
Buildings		
Pledged for credit facilities granted by suppliers to the Group's certain subsidiaries	**1,438**	1,460
	24,451	48,819

22 CONTINGENT LIABILITIES

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

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Performance bond given to a customer for due performance of a sales contract	**300**	300

23 COMMITMENTS

At 30 June 2019, the Group had the following significant capital commitments:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Property project, land and buildings:		
Contracted, but not provided for	**409,085**	242,691
Plant and equipment and motor vehicles:		
Contracted, but not provided for	**346,311**	29,089
Authorised, but not contracted for	**–**	387,230
Scenic spots:		
Contracted, but not provided for	**84,326**	416,734
Unpaid capital contribution to an associate:		
Contracted, but not provided for	**19,894**	19,973

24 RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

	Note	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Travel-related income from	(a)		
– immediate holding company#*		**144,540**	117,244
– fellow subsidiaries*		**17,767**	5,923
– associates		**22,259**	29,188
– other related parties*		**912**	6
Hotel-related income from	(a)		
– immediate holding company		**410**	750
– fellow subsidiaries		**905**	729
Management income from	(b)		
– fellow subsidiaries*		**26,844**	2,651
– associates		**3,300**	5,157
– a non-controlling shareholder		**15,602**	22,846
Rental income from	(c)		
– fellow subsidiaries*		**1,724**	3,056
– an associate		**22,091**	21,490
– a non-controlling shareholder		**1,469**	1,459
– a related party		**1,671**	1,655
Interest income from a loan to			
– a fellow subsidiary		**4,239**	3,495
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		**(43,318)**	(30,149)
– associates		**(1,000)**	(746)
– other related parties*		**(2,967)**	(3,365)
Management expenses paid to	(b)		
– fellow subsidiaries*		**(1,046)**	(4,380)

24 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

	Note	Six months ended 30 June	
		2019	2018
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Rental expenses paid to	(c)		
– immediate holding company*		**(7,530)**	(7,422)
– fellow subsidiaries*		**(454)**	(1,629)
– an associate		**(1,083)**	(1,053)
– a non-controlling shareholder		**(2,460)**	(1,323)
– other related parties		**(11,700)**	(11,882)
Other operating expenses paid to			
– a related party		**(12,519)**	(12,978)

\# The travel permit administration income was determined in accordance with the terms of an agency agreement entered into between the parties and was charged at 45% of the gross fee revenue from travel permit applications.

* These related party transactions contain connected transactions or continuing connected transactions as defined in Chapter 14A of the "Listing Rules". The amounts disclosed above include certain income/expenses which are exempted from the announcements and reporting requirements as they are below de minimis threshold under the Listing Rule 14A.76(1).

Notes:

(a) Travel-related and hotel-related income and expenses are entered into in the normal course of business based on terms mutually agreed by the parties.

(b) Management income and expense are charged at rates in accordance with relevant contracts.

(c) Rental income and expenses are charged in accordance with respective tenancy agreements.

(b) Significant balances with related parties

(i) On 26 May 2017, China National Travel Service Group Corporation Limited ("China CTS"), as lender, entered into the Loan Agreement with CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. ("Shapotou"), as borrower, for a term of three years commencing from 26 May 2017 and with repayable on demand clause, pursuant to which China CTS has agreed to provide a loan of RMB30,000,000 to Shapotou. The interest rate shall be the fixed rate 1.2% per annum. As at 30 June 2019, the arrangement remained effective with RMB30,000,000 withdrawn.

(ii) On 24 May 2017, China CTS, as lender, entered into the Loan Agreement with CTS (Anji) Tourism Development Company Limited ("Anji"), as borrower, for a term of three years commencing from 24 May 2017 and with repayable on demand clause, pursuant to which China CTS has agreed to provide a loan of RMB39,000,000 to Anji. The interest rate shall be the fixed rate 1.2% per annum. As at 30 June 2019, the arrangement remained effective with RMB39,000,000 withdrawn.

24 RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties (continued)

(iii) On 19 May 2017, the Company, as lender, entered into the Loan Agreement with China Travel Financial Investment Holdings Co., Ltd. ("CTS Finance Investment"), as borrower, for a term of one year commencing from 19 May 2017 and ending on 18 May 2018, pursuant to which the Company has agreed to provide a loan of USD20,000,000 to CTS Finance Investment. On 18 May 2018, the Company entered into an extension agreement with CTS Finance Investment to extend the loan maturity date to 17 May 2019. On 17 May 2019, CTS Finance Investment repaid the principle and accrued interests of the previous loan to the Company. On 17 May 2019, the Company entered into a new agreement with CTS Finance Investment to provide a loan of US$20,000,000 commencing from 17 May 2019 and ending on 16 May 2020. Under these agreements, the interest rate shall be the six month US$ LIBOR plus 2.6% per annum, which will be fixed at the loan drawdown date and re-fixed on the date falling 6 months from the loan drawdown date. As at 30 June 2019, the arrangement remained effective with US$20,000,000 withdrawn.

(iv) On 29 September 2016, a 1-year (extendable for up to two years beyond the initial term) entrustment loan arrangement of RMB300 million was entered into between Window of the World and Splendid China, 51% owned subsidiaries of the Company, Shenzhen Overseas Chinese Town Co., Ltd., a state-owned enterprise, and a bank. The interest rate is 1 year Benchmark Lending Rate set by PBOC. As at 30 June 2019, the arrangement remained effective with RMB240 million withdrawn. The balance is included in deposits, prepayments and other receivables.

(v) On 14 January 2016, the Company and China National Travel Service (HK) Finance Company Limited ("CTS Finance") entered into the 2016 financial services framework agreement in respect of the provision of (i) deposit services, (ii) the comprehensive credit line services, (iii) the entrustment loan services; and (iv) the cross-border RMB cash pooling services by CTS Finance for a term commenced from 14 January 2016 and ending on 31 December 2018. The Company entered into the 2018 Financial Services Framework Agreement with CTS Finance on 8 November 2018 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2019 and ending on 31 December 2021, where CTS Finance will continue to provide services thereunder to the Group. As at 30 June 2019, the related deposit balance was RMB486,539,000.

(vi) On 24 August 2017, the Company entered into a share transfer agreement with China International Travel Service Group Corporation ("CITS Corporation"), pursuant to which the Company agreed to dispose of and CITS Corporation agreed to acquire the 5% registered capital of Shapotou (the "Target Company") for a consideration of RMB38,173,300. On the same date, the Company and CITS Corporation entered into a concert party agreement, pursuant to which CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the company after the completion of the disposal, and the financial results and financial positions of the Target Company will continue to be consolidated into the financial statements of the Group.

(c) Transaction with the PRC government related entity

On 4 January 2010, Henan Province Songshan Scenic Spot Management Committee entered into a franchise agreement pursuant to which CTS (Dengfeng) will be authorised to exclusively manage and operate the ticket sales, sales proceeds collection and the car parks of the Shaolin Scenic Spot, Zhong Yue Scenic Spot and Song Yang Scenic Spot under the Songshan Scenic Spot from 25 December 2009 for a term of 40 years and Songshan Management received franchise fee in exchange.

25 DISPOSAL GROUP

On 9 August 2019, Alton Services Limited ("Alton"), a wholly-owned subsidiary of the Company, entered into an agreement ("the Agreement") in relation to the sale of its entire equity interest in China Travel (HK & Macau Tour) Management Hong Kong Limited and its wholly-owned subsidiaries (together "China Travel (HK & Macau Tour) group"), for a consideration of HK$5,130,000 to China Travel Service Co., Ltd., a fellow subsidiary of the Company.

Pursuant to the Agreement, Alton will undergo a reorganisation by including entities that are relevant to the Group's travel agency business under China Travel (HK & Macau Tour) Management Hong Kong Limited prior to the completion of the disposal (the "Reorganisation"). The assets and liabilities of China Travel (HK & Macau Tour) group, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale.

At 30 June 2019, the major classes of assets and liabilities of disposal group classified as held for sale are as follows:

	2019 HK$'000 (unaudited)
Assets of disposal group classified as held for sale	
Property, plant and equipment	**36,303**
Investment properties	**28,600**
Trade receivables	**76,254**
Deposits, prepayments and other receivables	**70,639**
Cash and bank balances	**175,612**
Others	**14,286**
	401,694
Liabilities of disposal group classified as held for sale	
Trade payables	**167,978**
Other payables and accruals	**168,233**
Lease liabilities	**14,556**
Others	**1,644**
	352,411

RESULTS OVERVIEW

In the first half of 2019, the Group's consolidated revenue was HK$2,220 million, representing a 7% increase compared with the same period last year. Profit before taxation was HK$638 million, representing a 12% increase compared with the same period last year. Profit attributable to shareholders was HK$419 million, representing a 11% increase compared with the same period last year. The increase in profit attributable to shareholders was mainly attributable to the increase in profit from the supplementary tourist attraction operations segment.

The Group's financial position remained stable and healthy, with strong investing and financing capabilities. As of 30 June 2019, total assets were HK$21,754 million, a 1% increase compared with the end of last year; the equity attributable to shareholders was HK$16,415 million, a 3% increase compared with the end of last year; cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,532 million, a 12% decrease compared with the end of last year, of which cash and bank balances amounted to HK$2,292 million and deducting loans from a holding company and bank loans and other borrowings of HK$82 million; net cash was HK$2,210 million, a 3% decrease compared with the end of last year.

DIVIDEND

The Board recommended the payment of an interim dividend of HK3 cents per share (2018: HK3 cents) for the six months ended 30 June 2019 to be payable in cash with a scrip dividend alternative to receive new and fully paid shares in lieu of cash. The interim dividend is to be paid to our shareholders on or about 12 November 2019. The dividend payout ratio is 39%.

CORE PRINCIPAL OPERATIONS AND OPERATIONAL FIGURES

(I) The Group's travel destination operations mainly include:

City hotels	Five hotels in Hong Kong and Macau Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**") CTS H.K. Metropark Hotels Management Company Limited
Theme parks	Shenzhen The World Miniature Co., Ltd. ("**Window of the World**") Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**")
Natural and cultural scenic spots	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("**Songshan Scenic Spot**") CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd ("**Shapotou Scenic Spot**") Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**") Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**")
Leisure resorts	China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd ("**Zhuhai OSR**") Xianyang Ocean Spring Resort Co., Ltd ("**Xianyang OSR**") Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("**Evergrande OSR**") CTS (Anji) Tourism Development Company Limited ("**Anji Company**")
Non-controlling scenic spot investments	Huangshan Yuping Cable Car Company Limited Huangshan Taiping Cable Car Co., Ltd. Changsha Colorful World Company Limited Changchun Jingyuetan Youle Co., Ltd.
Supplementary tourist attraction operations	China Heaven Creation International Performing Arts Co., Ltd. ("**Heaven Creation Company**") China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. ("**China Travel Zhiye**") CTS Scenery (Beijing) Tourism Management Limited ("**Management Company**")

In the first half of 2019, total revenue of the Group's travel destination operations was HK$1,321 million, a 4% increase compared with the same period last year; and attributable profit was HK$295 million, a 33% increase compared with the same period last year.

In the first half of the year, revenue of the Group's hotel operations was HK$401 million, a 4% increase compared with the same period last year; and attributable profit was HK$80 million, a 10% increase compared with the same period last year. The average occupancy rate of the five hotels in Hong Kong and Macau and Beijing Metropark Hotel increased, while the average room rate of certain hotels decreased compared with the same period last year.

Revenue of theme parks was HK$404 million, a 1% decrease compared with the same period last year; and attributable profit was HK$67 million, a 6% decrease compared with the same period last year. Window of the World and Splendid China continued to enrich their products and expand their business. Splendid China recorded a slight decrease in the revenue of its management and consultation business compared with the same period last year. The theme park business remained the major revenue and profit contributor to the Group's scenic spots business.

Revenue of natural and cultural scenic spots was HK$244 million, a 10% increase compared with the same period last year; and attributable profit was HK$12 million, a 310% increase from the same period last year. Songshan Scenic Spot recorded a decrease in its revenue and attributable profit due to ticket price reduction and declined per capita consumption compared with the same period last year. Shapotou Scenic Spot introduced discount tickets, driving an increase in the number of visitors as well as average per capita consumption, which resulted in a 30% increase in revenue compared with the same period last year, achieving a decrease in losses compared with same period last year. Huashan Scenic Spot commenced operation in November 2018 and recorded a revenue contribution and suffered a slight loss during the period. Detian Scenic Spot was established in the first half of the year and recorded a revenue and profit contribution during the period.

Revenue of leisure resort destinations was HK$235 million, a 12% increase compared with the same period last year; and attributable profit was HK$26 million, a 49% decrease compared with the same period last year. The increase in revenue was mainly attributable to the increase in revenue recognised from the Zhuhai OSR real estate project during the period. The decrease in attributable profit was mainly due to the decreased profit recognised from the real estate project by the associate, Evergrande OSR. Due to the significant increase in the number of visitors and the increase in room revenue, the hotel business of Anji Company recorded a substantial increase of 23% in revenue compared with the same period last year, achieving decreased losses compared with the same period last year. The tourism segment of Zhuhai OSR recorded increased losses compared with the same period last year. Xianyang OSR recorded decreased revenue and increased losses compared with the same period last year due to the termination of contract with a regular major customer.

Attributable profit from non-controlling scenic spot investments was HK$18 million, a 17% decrease compared with the same period last year.

Despite Heaven Creation Company recording a decrease in revenue compared with the same period last year, it achieved a decrease in losses compared with same period last year due to a decrease in costs and expenses. China Travel Zhiye and Management Company were officially opened last year to provide tourism planning, management services and other related businesses, broadening the Group's source of revenue.

(II) Travel Agency, Travel Document and Related Operations

The Company's travel agency, travel document and related operations comprise travel agency business (China Travel Service (Hong Kong) Limited and overseas travel agencies) and travel document business.

In the first half of 2019, revenue of the Group's travel agency, travel document and related operations was HK$646 million, an 11% increase compared with the same period last year; and attributable profit was HK$95 million, a 6% increase compared with the same period last year. The increase in revenue and profit was largely due to an increase in the business volume under the travel document operations.

(III) Passenger Transportation Operations

In the first half of 2019, revenue of the Group's passenger transportation operations was HK$253 million, a 12% increase compared with the same period last year; and attributable profit was HK$4.19 million, a 94% decrease compared with the same period last year.

Revenue and profit of China Travel Tours Transportation Services Hong Kong Limited increased by 12% and decreased by 17%, respectively, compared with the same period last year. The increase in revenue was mainly attributable to the increase in the number of visitors attracted by Hong Kong-Zhuhai-Macao Bridge and the addition of new routes. However, the profit decreased due to the increase in the cost of car rental, labor and vehicle maintenance.

Attributable loss from our associate, Shun Tak-China Travel Shipping Investments Limited, was recorded for the period, due to the decrease in number of passengers following the opening of Hong Kong-Zhuhai-Macao Bridge.

DEVELOPMENT STRATEGIES

With its mission of "creating a new travel destination and leading a new lifestyle for mass tourism" and its strategic positioning of becoming "a first-class tourist destination investment and operation service provider", the Group is committed to controlling core resources and integrated construction with a focus on the development of travel destinations and forming an exclusive tourism whole industry chain operation services capability such as travel destination investment and operation, supplementary tourism services and industry-wide tourism think tank services.

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations. For Splendid China, we will focus on facilitating the implementation of the large waterwheel, sightseeing car and wetland zone projects, and strengthening promotion among major customers and developing channels of cooperation. Zhuhai OSR will strengthen the "Ocean Spring" brand and make use of the complementary and interactive effect between travel and real estate by upgrading existing products and developing new real estate business. Xianyang OSR will seek sources of business and group traveller customers and optimise their customer structure. Zhuhai OSR and Xianyang OSR will prepare to launch sales of real estate projects in the second half of the year to ensure the attainment of sales targets. During the period, Anji Company won the bid for residential use land in the phase II resort area of its project, which is conducive to the resort area's general operation and will encourage future sales. Anji Company will strengthen product innovation and channel development and promote the benign interaction between existing and new products to increase sales. Songshan Scenic Spot will accelerate implementation of the San Huang Zhai cable car and glass suspension bridge projects. Shapotou Scenic Spot will promote development of the Star Hotel project and develop a new "scenic spot + characteristic hotel" tourism model. Detian Scenic Spot will initiate bidding for designers and constructors as soon as practicable following optimisation of the concept plan for the night tour experience product "Night Detian". The Group will continue to enhance its development of light asset businesses such as China Travel Zhiye and Management Company to expand market share, increase brand awareness and improve profitability.

The Group will develop new business and create new growth engines by acquiring strategic quality scenic spot resources. It will focus on regions rich in tourism resources and tourists, and quality scenic spots with a potential for expansion and appreciation, and will explore breakthroughs in overseas market planning. During the period, the Group undertook in-depth studies on major travel destinations associated with the "Belt and Road Initiative", engaged in field research of the investment environment in Maldives, and conducted business negotiations with relevant parties in Maldives and other early research. The Group will strive to make a breakthrough with its presence in the Guangdong-Hong Kong-Macao Bay Area market, consolidate its market share in the Yangtze River Delta, and facilitate implementation of its planned projects.

The Group is actively studying the revitalization and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unleashing value. In particular, the Group completed procedures for a land premium payment for the land parcel at Hung Hom on which Hip Kee Godown (No. 3) is located, owned by the Group, in the second half of 2018. The parcel's change to hotel use has been approved by the government, and has significantly increased the parcel's value and development potential. A market survey and other preliminary work for the Hip Kee Godown (No. 3) hotel project have been essentially completed, and we will strive to commence demolition and construction contractor tender by the end of the year.

The Group will continue its progress towards informatisation. Starting from the three major areas of enhancing customer experience, digital operation and smart operation, it will accelerate its digital transformation to strengthen its future core competitiveness.

The Group will continue to strengthen the functional capacities of its headquarters, recruit high calibre talent, intensify its control and business synergies, improve existing rules and systems, continue to optimise workflow, and strengthen production safety system, so as to ensure its healthy and sustainable development.

BUSINESS PROSPECTS

In the second half of the year, the Group will continue down its path of integrating existing business and planning for new business, optimising management structure, and concrete optimisation of resources, staff, business, platforms and management. With building core competitiveness and increasing market influence as its fundamental goals, the Group will enhance its operation and management capability and improve the standard of its products and services.

On 1 March 2019, the Company and Daxin County People's Government of Chongzuo City, Guangxi entered into a cooperation agreement, pursuant to which the Company will make an investment in Daxin County with a total planned amount of approximately RMB1.45 billion. This includes certain construction, renovation and improvement works in the core area of the Detian Waterfall Scenic Spot, Detian town hotel and a tourism real estate project. The Company established Detian Scenic Spot – a vehicle for investing in the Detian Tourism Project and carrying out operations in the Detian Waterfall Scenic Spot – in the first half of the year. It recorded revenue and share of profit of HK$27 million and HK$12 million respectively during the period. Tourism resources in Daxin County are abundant with great development potential. Participation in the Detian Tourism Project is in line with the Group's strategic direction and will help to fundamentally strengthen its cultural scenic spot business, increase its market influence and bring in revenue, starting a new chapter in the Company's development of travel destinations.

During the first half of the year, the Company entered into a supplemental agreement with Evergrande Real Estate Group Limited to terminate cooperation in respect of all land parcels other than Land Parcel A of The Zhuhai OSR Phase 2 Project. Since the signing of a management services master agreement with China National Travel Service Group Corporation Limited ("**China CTS**") late last year, through providing management services, the Group has benefited from the quality tourism resources of China CTS, achieved synergy, maximised asset returns, and strengthened interaction between the Group's travel destination operations and tourism real estate business. This has endowed the Group with sufficient resources and advantages to independently develop The Zhuhai OSR Phase 2 Project and is beneficial to the Group's long-term development. For details, please refer to the announcement of the Company dated 20 June 2019.

On 9 August 2019, the Group entered into an asset and equity transfer agreement with China Travel Service Co., Ltd., ("**CTS Head Office**"), a subsidiary of China CTS, pursuant to which the Group will sell its business and assets relating to travel agency to CTS Head Office at a consideration of HK$5.13 million following internal reorganisation. Withdrawing from non-advantageous businesses will enable the Group to improve its existing asset structure and increase property income. At the same time, after streamlining the business structure, the Group will be able to focus on developing core businesses with better profit potential and further clarify strategic positioning. For details, please refer to the announcement of the Company dated 9 August 2019.

Currently, the domestic and foreign situations are complex and fluctuating, and trade frictions between China and the United States have affected the global industrial structure and financial stability. However, the fundamentals of China's economic development remain sound. China's GDP grew by 6.3% year-on-year in the first half of the year. The Chinese government has widely reduced taxes, and has adopted or will adopt a series of major measures beneficial to China's opening up to the world. The PRC economy has recorded steady growth and showed positive momentum in general. In the first quarter of 2019, the global tourism industry recorded an average growth of 4%, and the PRC tourism economy operation composite index rose over the same period last year. The tourism industry's development trend remains strong. Though recent complicated circumstances in Hong Kong have affected the Group's travel agency, hotel and passenger transportation operations there, the Group will adopt effective measures to actively cope with challenges. The Group believes that the impacts are temporary, and Hong Kong's tourism industry will regain a stable, positive momentum. The Group's overall business fundamentals remain steady and healthy. It possesses adequate funds and the capability to invest and develop. The Company is optimistic for its future prospects. With the right development strategies, the Company will overcome the difficulties posed by the external environment, solve its existing internal problems, complete various work tasks, facilitate in-depth reform and integrated development, and lay a solid foundation for achieving its strategic objectives and creating better returns for all shareholders.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2019, the Group had 7,860 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from the retirement benefit and in-house training programmes, discretionary bonuses and share options are awarded to certain employees according to assessments of their individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As at 30 June 2019, the cash and bank balances of the Group amounted to HK$2,292 million, whereas the bank and other borrowings and loans from a holding company amounted to HK$82 million. The debt-to-capital ratio was 16% and the debt includes bank and other borrowings, trade and other payables, loans from a holding company and amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As at 30 June 2019, the Group's bank deposits of approximately HK$23 million (31 December 2018: HK$47 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As at 30 June 2019, certain of the Group's buildings with net carrying amounts of HK$1,438,000 (31 December 2018: HK$1,460,000) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisitions and disposal of subsidiaries, associated and joint ventures for the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. The Group will only consider any potential investments which are in the interests of the Company and the shareholders as a whole. Save is disclosed in the section "BUSINESS PROSPECTS" under the "MANAGEMENT'S DISCUSSION AND ANALYSIS" section above, no agreement for material investment has been conducted as at the date of this report.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2018: HK$0.3 million).

SIGNIFICANT INVESTMENTS HELD

To utilize the Group's idle funds more efficiently without affecting operating cash while ensuring fund safety, the Group used some of the idle funds to subscribe for RMB denominated wealth management products. As at 30 June 2019, the wealth management products held by the Group amounted to a total of RMB696 million (equivalent to HK$792 million). During the period, the income from financial assets at fair value through profit or loss was approximately HK$18 million. The movements of the subscribed wealth management products during the period were as follows:

	1 January 2019 HK$'000	Subscribed during the period HK$'000	Recovered during the period HK$'000	Exchange difference HK$'000	Income receivable from financial assets at fair value through profit or loss HK$'000	30 June 2019 HK$'000	Tenor (Month)	Expected annualized yields (%)
Issuers								
With agreed maturity date								
China Resources Bank of Zhuhai Co., Ltd.	388,969	–	(392,970)	4,001	–	–	4-6	4.1-4.2
Ping An Bank Co., Ltd.	–	381,412	–	(6,267)	2,048	377,193	3	3.75-3.8
China Construction Bank Corporation	28,548	–	(28,895)	347	–	–	0.2	3.25
China Merchant Bank Co., Ltd.*	361,408	127,137	(358,296)	(5,201)	1,372	126,420	3-9	3.85-4.49
China Citic Bank	148,803	144,474	(294,727)	1,450	–	–	3-4	3.95-4.15
Bank of China	–	572,118	(340,959)	(3,798)	3,693	231,054	0.5-6	2.025-3.9
Without agreed maturity date								
Bank of Communications Co., Ltd.	15,265	115,579	(72,815)	(1,190)	244	57,083	N/A	2.90
	942,993	**1,340,720**	**(1,488,662)**	**(10,658)**	**7,357**	**791,750**		

* Issues have no early termination rights

The key terms for the wealth management products above are:

(i) Type of return: Principal-protected with floating yields.

(ii) Payment of principal and income: The principal and the earned income of the wealth management products will be received one-off within 1-3 business days subsequent to the agreed maturity date or confirmed redemption date.

(iii) Terms of redemption: During the agreed holding period, subscribers have no rights to redeem the products. For products without agreed maturity date, subscribers can perform the redemption on the business days.

(iv) Early termination rights: Subscribers are not entitled to terminate such products early. Unless otherwise specified, issuers are entitled to early termination. In case of early termination, issuers shall settle the one-off payment of the principal and the earned income of the wealth management products within 2-3 business days subsequent to the termination day.

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2019, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares			Interests in underlying shares pursuant to share options	Aggregate interests	% of the issued share capital as at 30 June 2019
	Corporate interest	Personal interest	Family interest			
Mr. Fu Zhuoyang	–	–	–	768,000	768,000	0.01%
Mr. Lo Sui On	–	600,000	–	770,000	1,370,000	0.03%
Mr. Jiang Hong	–	–	–	800,000	800,000	0.01%
Mr. You Cheng	–	450,000	–	–	450,000	0.01%
Mr. Wu Qiang (Note 1)	–	600,000	–	1,340,000	1,940,000	0.04%

Note 1: Mr. Wu Qiang was appointed as an Executive Director and Executive Deputy General Manager of the Company on 8 March 2019.

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

On 4 May 2012, the Company has passed the resolutions in a shareholders' meeting for the termination of the share option scheme adopted on 3 June 2002 (the "**2002 Share Option Scheme**") and the adoption of a new share option scheme (the "**2012 Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Outstanding share options granted under the 2002 Share Option Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the 2002 Share Option Scheme.

The 2002 Share Option Scheme

Details of the movement in the share options granted under the 2002 Share Option Scheme during the six months ended 30 June 2019 are set out below:

	Number of share options							
Name or category of participant	Balance as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Balance as at 30 June 2019	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Directors								
Fu Zhuoyang	768,000	–	–	–	768,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Lo Sui On	770,000	–	–	–	770,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Jiang Hong	800,000	–	–	–	800,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Sub-Total	2,338,000	–	–	–	2,338,000			
Other employees in aggregate	11,048,000	–	(250,000)	–	10,798,000	18 June 2010	18 June 2012 to 17 June 2020	1.70
Grand Total	13,386,000	–	(250,000)	–	13,136,000			

Note 1: The vesting period of the share options is from the date of grant until the commencement of the exercise period. The options are exercisable in the following manner subject to the achievement of certain performance targets:

The proportion of options exercisable	Exercise period
First 30% of the share options	18 June 2012 to 17 June 2020
Second 30% of the share options	18 June 2013 to 17 June 2020
Remaining 40% of the share options	18 June 2014 to 17 June 2020

Note 2: No further share options can be granted under the 2002 Share Option Scheme since its termination on 4 May 2012. The total number of shares of the Company which may be issued upon exercise of all share options granted and yet to be exercised under the 2002 Share Option Scheme as at 30 June 2019 was 13,136,000 shares, representing 0.24% of the total number of issued shares of the Company as at the date of this interim report.

The 2012 Share Option Scheme

Details of the movement in the share options granted under the 2012 Share Option Scheme during the six months ended 30 June 2019 are set out below.

Name or category of participant	Number of share options: Balance as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Reclassified during the period	Balance as at 30 June 2019	Date of grant	Exercise period (Note 1)	Exercise price (HK$)
Director									
Wu Qiang (Note 2)	–	–	–	–	1,340,000	1,340,000	15 September 2016	15 September 2018 to 14 September 2021	2.304
Sub-Total	–	–	–	–	1,340,000	1,340,000			
Other employees in aggregate	58,504,400	–	–	(4,489,000)	(1,340,000)	52,675,400	15 September 2016	15 September 2018 to 14 September 2021	2.304
	5,896,000	–	–	(134,000)	–	5,762,000	30 December 2016	30 December 2018 to 29 December 2021	2.304
Sub-Total	64,400,400	–	–	(4,623,000)	(1,340,000)	58,437,400			
Grand Total	64,400,400	–	–	(4,623,000)	–	59,777,400			

Note 1: The vesting period of the share options is from the date of grant until the commencement of the exercise period. The options are exercisable in the following manner subject to the achievement of certain performance targets:

Date of Grant	The proportion of options exercisable	Exercise period
15 September 2016	First 33% of the share options	15 September 2018 to 14 September 2021
	Second 33% of the share options	15 September 2019 to 14 September 2021
	Remaining 34% of the share options	15 September 2020 to 14 September 2021
30 December 2016	First 33% of the share options	30 December 2018 to 29 December 2021
	Second 33% of the share options	30 December 2019 to 29 December 2021
	Remaining 34% of the share options	30 December 2020 to 29 December 2021

Note 2: Mr. Wu Qiang was appointed as an Executive Director and Executive Deputy General Manager of the Company on 8 March 2019.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of the 2012 Share Option Scheme. As at 30 June 2019, the number of shares of the Company available for issue in respect thereof was 567,779,152 shares, representing 10.41% of the total number of issued shares of the Company as at the date of this interim report.

Save as disclosed above, as at 30 June 2019, none of the Directors or the Company's Chief Executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or any interests which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the following shareholders (other than Directors or Chief Executive of the Company) had interests, directly or indirectly, and short positions in the shares and underlying shares of the Company which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO:

Long position in the ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at 30 June 2019
China National Travel Service Group Corporation Limited ("**China CTS**")	Interest of controlled corporation (Note 1)	3,276,164,728	60.05%
China Travel Service (Holdings) Hong Kong Limited ("**CTS (Holdings)**")	Interest of controlled corporation and beneficial owner (Notes 1 and 2)	3,276,164,728	60.05%
Hongkong New Travel Investments Ltd. (formerly known as Alliance Power Resources Ltd.)	Beneficial owner (Note 2)	1,109,952,705	20.34%
CTS Asset Management (I) Limited	Interest of controlled corporation (Note 2)	1,109,952,705	20.34%
CNIC Corporation Limited (formerly known as GUOXIN International Investment Corporation Limited)	Interest of controlled corporation (Note 3)	1,115,340,456	20.44%
Ryden Holdings Company Limited	Interest of controlled corporation (Note 3)	1,115,340,456	20.44%
中國華馨投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.44%
博遠投資有限公司	Interest of controlled corporation (Note 3)	1,115,340,456	20.44%

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

Note 2: Of these 3,276,164,728 shares, 2,145,512,023 shares are held directly by CTS (Holdings). 20,700,000 shares are directly held by Foden International Limited, a wholly-owned subsidiary of CTS (Holdings). 1,109,952,705 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Note 3: 1,109,952,705 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 60% by CTS Asset Management (I) Limited and 40% by Ryden Holdings Company Limited. Ryden Holdings Company Limited is 100% directly owned by CNIC Corporation Limited, which is 90% directly owned by 博遠投資有限公司, a 100%-owned subsidiary of 中國華馨投資有限公司. Ryden Holdings Company Limited, CNIC Corporation Limited,博遠投資有限公司 and 中國華馨投資有限公司 are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 30 June 2019, the Directors are not aware of any other person who had any interest, directly or indirectly, or short position in the shares, underlying shares or debentures of the Company recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 4 July 2011, the Company entered into a facility agreement with a bank for an uncommitted revolving term loan facility of HK$300,000,000.

On 20 July 2011, China Travel Service (Hong Kong) Limited, as borrower, and the Company, as guarantor, entered into a facility agreement with a bank for an uncommitted facility of HK$300,000,000. The term of the credit facility has been extended from 30 June 2016 to such other date at the bank's absolute discretion and is subject to the bank's periodic review.

On 25 July 2018, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor, entered into a facility agreement with a bank for a committed revolving loan of HK$300,000,000. The final maturity date of the credit facility is 25 July 2019.

Pursuant to the aforesaid facility agreements, CTS (Holdings), the controlling shareholder of the Company, is required, at all times, to be the largest shareholder of the Company with at least 40% direct or indirect equity interest throughout the life of the credit facilities. Breach of this specific performance obligation will constitute an event of default. Upon occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 25 June 2013, the Company, as borrower, entered into a facility agreement with a bank (the "Bank") for an uncommitted revolving credit facility to the extent of HK$100,000,000. Pursuant to the aforesaid facility agreements, the Company undertakes with the Bank that CTS (Holdings) shall hold, directly or indirectly, not less than 50% of the issued share capital of the Company.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2018 Annual Report are set out below:

Name of Director	Changes
Jiang Hong	Appointed as a director of Shun Tak – China Travel Shipping Investments Limited, an associate of the Company, with effect from 30 May 2019.
Tse Cho Che Edward	Ceased to act as an independent non-executive director of Shanghai Pharmaceuticals Holdings Co., Ltd. with effect from 27 June 2019.

CORPORATE GOVERNANCE

The Group is committed to maintain high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholder 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 2019, the Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

– Code Provision A.4.1 specifies that Non-Executive Directors should be appointed for a specific term, subject to re-election. Although the Company's Non-Executive Directors do not have a specific term of appointment, pursuant to the Company's articles of association (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that such requirements are sufficient to meet the underlying objective and spirit of the relevant Code Provisions.

– Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Mr. Jiang Hong, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui and Mr. Chen Johnny, the Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the

Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

– Code Provision E.1.2 specifies that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board of the Company has not attended the Company's annual general meeting held on 30 May 2019 because of other business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

DIVIDEND

The Board has declared an interim dividend of HK3 cents per share (2018: HK3 cents) for the six months ended 30 June 2019, payable in cash with a scrip dividend alternative to receive new and fully paid shares in lieu of cash. 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 Wednesday, 25 September 2019. The interim dividend will be paid on or about 12 November 2019.

The scrip dividend alternative is conditional upon the Listing Committee of the Stock Exchange's granting the listing of, and permission to deal in, new shares of the Company to be issued pursuant thereto. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the 5 consecutive trading days prior to and including 25 September 2019. Full details of the scrip dividend alternative will be set out in a circular which is expected to be sent to the shareholders of the Company together with a form of election (if applicable) on or around 9 October 2019. Dividend warrants and/or new shares certificates will be posted to the shareholders of the Company on or about 12 November 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 23 September 2019 to Wednesday, 25 September 2019 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 September 2019.

REVIEW OF INTERIM FINANCIAL REPORT

The unaudited condensed consolidated interim financial report of the Group for the six months ended 30 June 2019 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial report for the six months ended 30 June 2019 has not been audited but has been reviewed by the Company's external auditors, KPMG.

By order of the Board

Fu Zhuoyang
Chairman

Hong Kong, 30 August 2019