



東勝旅遊
ORIENT VICTORY TRAVEL

ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 265



东胜集团
ORIENT VICTORY GROUP

2020

INTERIM REPORT



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Shi Baodong (*Chairman and Chief Executive Officer*)
Mr. Mo Yueming
Mr. Zhao Huining

Non-executive Director

Ms. Song Sining

Independent Non-executive Directors

Mr. Dong Xiaojie
Mr. He Qi
Mr. Suei Feng-jih

Audit Committee

Mr. Suei Feng-jih (*Chairman*)
Mr. He Qi
Ms. Song Sining

Remuneration Committee

Mr. Dong Xiaojie (*Chairman*)
Mr. Shi Baodong
Mr. Suei Feng-jih

Nomination Committee

Mr. Shi Baodong (*Chairman*)
Mr. He Qi
Mr. Suei Feng-jih

Company Secretary

Mr. Ip Pui Sum

Auditor

KPMG
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance
8/F Prince's Building
10 Chater Road
Central
Hong Kong

CORPORATE INFORMATION

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
China Merchants Bank Co., Limited

Registered Office

P.O. Box 31119 Grand Pavilion Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Principal Place of Business in Hong Kong

1201B, 12/F
Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Hong Kong Share Registrar and Transfer Office

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

Stock Code

265

Website

<http://www.orientvictory.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Director(s)”) of Orient Victory Travel Group Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”), together with comparative figures for the corresponding period in 2019.

Business Strategy

Tourism industry remains as an important drive to the People’s Republic of China (the “PRC”) economy. According to the General Affairs of the 2019 Tourism Market* (二零一九年旅遊市場基本情況) issued by the China Tourism Academy* (中國旅遊研究院), gross domestic product of tourism industry in mainland (“Mainland China”) of the PRC represented approximately 11.05% of total gross domestic product in Mainland China, and revenue from overall tourism industry in Mainland China increased by approximately 11% as compared to that of 2018. However, as a result of the outbreak of the Novel Coronavirus (COVID-19) pandemic (the “Pandemic”) and the implementation of anti-pandemic measures for public health during the Period such as travel restrictions and temporary suspension of tourism activities and cultural spots, tourism industry and the Group’s tourism-related business have been inevitably affected. In particular, revenue from diversified tourism products and services businesses dropped from approximately HK\$121.2 million during the six months ended 30 June 2019 to approximately HK\$77.9 million during the Period, and revenue from tourism attractions under the integrated development businesses dropped from approximately HK\$28.9 million during the six months ended 30 June 2019 to approximately HK\$10.6 million during the Period.

During the Period, the Group had carried out, including but not limited to, the following measures to encounter the impact of the Pandemic to the Group:

- (i) implementing cost containment plans. The assets-light business model on diversified tourism products and services businesses enabled the Group to avoid excessive fixed costs during the Period. The Group had implemented cost control measures on other costs during the Period. In particular, wages, salaries and other benefits and pension scheme contributions incurred during the Period reduced by 8% as compared to the corresponding period of last year;
- (ii) continuously monitoring and strengthening the collection of receivables. During the Period, certain overdue balances were recovered, resulting reversal of impairment on receivables made in prior years of approximately HK\$3.3 million;
- (iii) facilitating businesses other than tourism-related businesses that are less affected by the Pandemic. The integrated development businesses served as the Group’s alternative business drive during the Period. Marketing, event planning and consulting services contributed revenue of approximately HK\$11.2 million (six months ended 30 June 2019: nil) to the Group, while the properties development business in New Zealand contributed revenue from sales of residential units of approximately HK\$12.9 million (six months ended 30 June 2019: nil) to the Group during the Period;
- (iv) dispose of the Group’s 49% equity interest in China Comfort Travel Group Company Limited* (中國康輝旅遊集團有限責任公司) (“China Comfort”), an associate of the Group, which was principally engaged in the tourism business and was loss-making during the four years ended 31 December 2019 and the Period. The disposal is expected to be completed by September 2020. Through the disposal, the Group’s financial status and results will be improved by receiving cash of approximately RMB352.3 million (equivalent to approximately HK\$386.0 million) and avoiding further losses and potential impairment derived from China Comfort thereafter; and

MANAGEMENT DISCUSSION AND ANALYSIS

- (v) promptly resumed the tourist attraction and cultural spot business of Hebei Tu Men Travel Development Limited* (河北土門旅遊開發有限公司) (“Tu Men Travel”), a subsidiary principally engaged in the operation and management of tourist attractions and cultural spots and owned a tourist attraction and cultural spot in Shijiazhuang, the PRC, in late March 2020 in a safe and adequate manner and at the consent of the local government. Adequate hygiene measures were carried out by the Group, including but not limited to: (1) monitoring the number, flow and social distancing of visitors; (2) implementing body temperature screenings for staff and visitors before entering the cultural spot; (3) requesting staff and visitors to wear proper surgical masks and providing staff with proper surgical masks; (4) providing regular staff training on environmental disinfection procedures and food safety; and (5) conducting regular disinfection procedures on the entire cultural spot.

The Pandemic had brought huge impact to the Group’s diversified tourism products and services businesses and the Group’s tourism attractions under the integrated development businesses during the Period. It is expected that the Pandemic will continue to impact the global tourism industry, and thus outbound travel and tourism businesses, being the Group’s main business focus of the diversified tourism products and services segment, will continue to be affected. Meanwhile, the travel and tourism industries in Mainland China are partially resumed after the end of the Period. Pursuant to the Notice of Facilitating the Further Resumption of Business of Tourism Companies* (關於推進旅遊企業擴大復工復業有關事項的通知) issued by the Ministry of Culture and Tourism of the PRC (中華人民共和國旅遊部) on 14 July 2020, inter-provinces tours, air-tickets and hotel businesses shall be able to partially resume at the consent of relevant local governments, while restriction on maximum number of visitors of tourist attractions is increased from 30% of the full capacity to 50% of the full capacity. The Group’s tourism attractions under the integrated development businesses are expected to be improved in the second half of 2020.

Despite the Pandemic, the tourism-related businesses are expected to be vigorous in a long run having considered the expected steady improvement of the PRC economy and the continuous improvement of people’s living standard. The Group will closely monitor the development of the Pandemic and the global tourism industry in order to enable the tourism-related businesses to be back on track in a safe and effective manner. Meanwhile, the Group will also continue to explore potential opportunities in the tourism-related industry, including but not limited to further acquisition and development of diversified tourism products and services businesses, tourism facilities spots and related properties and accommodations. The potential investments, if materialised, shall enable the Group to expand its tourism-related business vertically and horizontally as well as generate synergy effects on the existing businesses of the Group. The Group will continue to take prudent and cautious steps for its business development in order to improve the benefit of the Group and shareholders in this challenging business environment.

Taking into account the full recovery time for global tourism industry is highly uncertain, with an aim to broadening the Group’s income sources which in turn improve the financial performance of the Group and achieve better return for the shareholders during the current unfavourable environment, the Group has been exploring new income stream in the PRC since late July 2020. While developing the existing businesses (i.e. diversified tourism products and services businesses and integrated development businesses) and projects, leveraging on the business network of the Directors, the Group is able to explore the feasibility of other business fields with stable domestic demand feature such as the provision of products and services relating to property management, healthcare and education businesses. For property management services, the Group will seek opportunity to carry on property management and rental services. In view that certain Directors including Mr. Shi Baodong (“Mr. Shi”) possess extensive experience in property development and management in the PRC, and that a team of experienced staff, if formed, will be led by the relevant Directors, the Board considers that the Group is capable of operating the new business. In respect of education-related business, the Group recruited a team specialising in education business in 2019 and, on a trial basis, completed certain number of relatively small-scale educational consulting services such as educational camps, educational training, schools cooperation, etc., with revenue of approximately HK\$5.1 million recognised for the year ended 31 December 2019. Looking forward, the Group will strengthen its business focus on education-related business in order to broaden the revenue stream of the Group so as to cope with the change in business environment, and will prudently explore potentially profitable investments and acquisitions in relation to property management business, healthcare business and education-related business, in order to improve the benefit of the Group and its shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Diversified Tourism Products and Services Businesses

Principal subsidiaries of the Group engaged in diversified tourism products and services businesses comprised (i) Four Seas Tours Limited (四海旅行社有限公司), which engaged in the sale of air-ticket and provision of other travel related services in Hong Kong; and (ii) Dongsheng (Beijing) International Travel Co., Limited* (東勝(北京)國際旅行社有限公司) and Beijing Jinlv Shidai Tourism Co. Limited* (北京金旅時代旅行社有限公司) (“Jinlv Shidai”), which engaged in the sales of air tickets and provision of outbound tourism-related services in the PRC.

Revenue from diversified tourism products and services businesses reduced from approximately HK\$121.2 million during the six months ended 30 June 2019 to approximately HK\$77.9 million during the Period. As a result of the Pandemic and the anti-pandemic measures, global travel and tourism activities were basically suspended during the Period. Majority of the Group’s revenue from diversified tourism products and services businesses derived from January 2020.

Integrated Development Businesses

The Group has been operating in the integrated development businesses since the acquisition of the entire interest in a piece of land located at corner Miller Rise, Bankside Road, Millwater Parkway, Silverdale, Auckland, New Zealand with an aggregate area of approximately 15,742 square metre in 2017. The Group plans to develop the piece of land in certain phases and the first phase as self-serviced and residential units was completed and its demonstration unit has been available for potential buyers since the fourth quarter of 2019. Four units were sold and revenue of approximately HK\$12.9 million from the sales of properties was recognised during the Period. It is expected that development of the second phase would be commenced after the sales of the first phase of residential zone.

On the other hand, Tu Men Travel, which was principally engaged in the operation and management of tourist attractions and cultural spots and owned a tourist attraction and cultural spot in Shijiazhuang, the PRC, contributed revenue of approximately HK\$10.6 million (six months ended 30 June 2019: approximately HK\$28.9 million) to the Group during the Period. As a result of the Pandemic, the tourist attraction and cultural spot was temporarily suspended in late January 2020 and reopened in late March 2020 with restriction on number of visitors, resulting a decrease in revenue during the Period as compared to the corresponding period of last year.

The Group also engaged in the developments of tourism-related accommodation facilities in the PRC and during the Period, certain pieces of land in Zhangjiakou, the PRC, and Shijiazhuang, the PRC, are under planning and preliminary development stage.

In addition, in 2019, the Group recruited a team of talents who were equipped with experience of corporate image building, brand management, marketing, event planning and public relations and communication, and entered into the business of providing marketing, event planning and consultancy services. Revenue of approximately HK\$11.2 million (six months ended 30 June 2019: nil) was recognised during the Period.

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Investment Holding Business

Investment holding business of the Group represented the Group's 49% equity interest in China Comfort, an associate of the Group, which engages in the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. In the view that China Comfort recorded consolidated net losses for the four years ended 31 December 2016, 2017, 2018 and 2019 and that, during the year ended 31 December 2016, China Comfort had recorded a significant impairment on intangible assets, it was resolved by the Board during the Period to proceed with the disposal (the "Disposal") of the Group's 49% equity interest in China Comfort with a view to improving the Group's financial status and reducing the risk of having further losses and impairment derived from China Comfort. In addition, the Company is of the view that through the Disposal, the Company will be able to optimise and adjust its asset structure to increase the liquidity of assets, improve the efficiency of the use of the Company's assets and gain certain benefits therefrom.

Pursuant to an equity transfer agreement dated 26 March 2020 entered into between Shenzhen Dongsheng Huamei Cultural Travel Company Limited* (深圳東勝華美文化旅遊有限公司) ("Dongsheng Huamei"), an indirect wholly-owned subsidiary of the Company, and Orient Victory Cultural Tourism Group Co., Limited* (東勝文化旅遊集團有限公司) ("OVCT"), a company incorporated in the PRC and is owned as to 98% by Mr. Shi, Dongsheng Huamei agreed to dispose of 49% equity interest in China Comfort to OVCT for cash consideration of RMB320.0 million (equivalent to approximately HK\$350.6 million). In addition, OVCT shall settle the outstanding shareholder's loans owing by China Comfort to Dongsheng Huamei in the aggregate sum of RMB32,340,000 (equivalent to approximately HK\$35,429,000) as at 26 March 2020 on behalf of China Comfort after completion of the Disposal.

The Disposal constitutes a very substantial disposal and connected transaction of the Company pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and is subject to reporting, announcement, circular and independent shareholders' approval requirement under Chapter 14 and Chapter 14A of the Listing Rules. All the conditions precedent for completion of the Disposal including independent shareholders' approval was fulfilled on 15 July 2020, and the Disposal is expected to be completed by September 2020. Details of the Disposal are set out in the Company's announcements dated 26 March 2020 and 31 July 2020, and the Company's circular dated 24 June 2020. Based on the unaudited consolidated net assets attributable to the 49% equity interest in China Comfort recognised in the condensed consolidated financial statements of the Company for the Period of approximately RMB296.3 million (equivalent to approximately HK\$324.6 million), gain on disposal of interest in an associate (net of expenses directly attributable to the Disposal) of approximately RMB21.7 million (equivalent to approximately HK\$23.8 million) is expected to be recognised by the Group in the second half of 2020.

As a result of the Pandemic and the implementation of anti-pandemic measures for public health, sales volume of the business of China Comfort had been adversely affected. Although China Comfort adopted cost control measures since the Pandemic, consolidated net loss of approximately HK\$26.1 million was recorded during the Period, representing an increase of 7% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

Operating Performance

a. Continuing operations

Analysis by nature of revenue:

	For the six months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Diversified tourism products and services:				
Sales of air tickets	77,821	69.1	119,134	79.4
Sales of diversified tourism products, provision of travel and other related services and commission income	89	0.1	2,038	1.3
Sub-total	77,910	69.2	121,172	80.7
Integrated development businesses:				
Sales of products and service income from tourism attractions	10,611	9.4	28,887	19.3
Sales of residential units	12,938	11.5	-	-
Marketing, event planning and consulting services	11,189	9.9	-	-
Sub-total	34,738	30.8	28,887	19.3
Total	112,648	100.0	150,059	100.0

The Group recorded revenue of approximately HK\$112.6 million (six months ended 30 June 2019: approximately HK\$150.1 million) for the Period, representing a decrease of approximately 25% as compared to the corresponding period of last year. As a result of the Pandemic, global travel and tourism activities were temporarily suspended since late January 2020. Despite the growth of the Group's diversified tourism products and services derived from the tourism businesses in the PRC in January 2020 as compared to that of January 2019, the Group's revenue from diversified tourism products and services dropped by 36% to approximately HK\$77.9 million (six months ended 30 June 2019: approximately HK\$121.2 million) during the Period as compared with the corresponding period of last year.

The Group's integrated development businesses served as a revenue drive during the Period. Despite the drop of sales of products and service income from tourism attractions as a result of the Pandemic, the growth of the sales of residential units in New Zealand and marketing, event planning and consulting services led to an increase in the Group's revenue from integrated development businesses during the Period. Further details of these business performance are set out in section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis".

Gross profit

The Group recorded gross profit of approximately HK\$9.1 million (six months ended 30 June 2019: approximately HK\$14.9 million) for the Period, representing a decrease of approximately 39% as compared to the corresponding period of last year, which was primarily attributable to the decrease in revenue during the Period as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Period

Loss for the Period from continuing operations of approximately HK\$32.0 million (six months ended 30 June 2019: approximately HK\$25.3 million) represented an increase of approximately 26% as compared to the corresponding period of last year, which was primarily attributable to the decrease in gross profit as compared to the corresponding period of last year.

b. Discontinued operation

The Group had disposed of its entire interests in licensed corporations which carry the Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the Securities Future Ordinances (Chapter 571 of the Laws of Hong Kong) during the six months ended 30 June 2019. No revenue was generated from the financial services business during the six months ended 30 June 2019.

Asset Structure

As at 30 June 2020 and 31 December 2019, the Group's assets mainly included other property, plant and equipment, investment properties, intangible assets, goodwill, interest in an associate, inventories, trade receivables, prepayments, deposits and other receivables, and restricted bank deposits and cash and cash equivalents, details of which are set out below:

- i. Other property, plant and equipment of approximately HK\$123.3 million (31 December 2019: approximately HK\$132.2 million) as at 30 June 2020 mainly represented properties and other equipment of the tourist attraction and cultural spot owned by Tu Men Travel with a net carrying amount of approximately HK\$120.1 million (31 December 2019: approximately HK\$125.2 million). The decrease was mainly attributable to the depreciation charged during the Period.
- ii. Investment properties of approximately HK\$155.6 million (31 December 2019: approximately HK\$159.4 million) as at 30 June 2020 represented fair values of land under development located in the PRC and New Zealand owned by the Group.
- iii. Intangible assets of approximately HK\$5.3 million (31 December 2019: approximately HK\$7.8 million) as at 30 June 2020 consisted of travel licences, software and other intangible assets. The decrease was mainly attributable to the amortisation charged during the Period.
- iv. Goodwill of approximately HK\$15.3 million (31 December 2019: approximately HK\$15.3 million) as at 30 June 2020 were derived from the acquisition of Tu Men Travel and Jinlv Shidai in prior years.
- v. Interest in an associate of approximately HK\$324.6 million (31 December 2019: approximately HK\$343.5 million) as at 30 June 2020 were mainly attributable to the intangible assets, including trademark and distribution network, owned by China Comfort. The decrease was mainly attributable to the share of loss of China Comfort recognised during the Period. Further details of which are set out in the section headed "Investment Holding Business" under "Business Review" in "Management Discussion and Analysis".
- vi. Inventories of approximately HK\$240.0 million (31 December 2019: approximately HK\$193.4 million) as at 30 June 2020 mainly represented the properties and certain pieces of land under development in New Zealand and the PRC of approximately HK\$41.0 million (31 December 2019: approximately HK\$51.8 million) and approximately HK\$198.1 million (31 December 2019: approximately HK\$141.2 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

- vii. Trade receivables of approximately HK\$30.7 million (31 December 2019: approximately HK\$53.9 million) as at 30 June 2020 were mainly attributable to the diversified tourism products and services segment with an aggregate amount of approximately HK\$27.6 million (31 December 2019: approximately HK\$43.1 million). The decrease was mainly attributable to the combined effect of the collection of trade receivables and the decrease in revenue from diversified tourism products and services segment during the Period.
- viii. Prepayments, deposits and other receivables of approximately HK\$67.9 million (31 December 2019: approximately HK\$162.2 million) as at 30 June 2020 mainly represented a loan to China Comfort of approximately HK\$35.4 million (31 December 2019: approximately HK\$36.1 million). The decrease in prepayments, deposits and other receivables was mainly due to the transfer of the prepayment on a piece of land in the PRC of approximately HK\$61.7 million to inventories during the Period upon obtaining the certificate of land use right effective from 7 February 2020.
- ix. Restricted bank deposits and cash and cash equivalents were approximately HK\$53.3 million (31 December 2019: approximately HK\$120.9 million). The decrease was mainly attributable to the settlement of amounts due to related parties under other payables and accruals during the Period.

Liability Structure

As at 30 June 2020 and 31 December 2019, liabilities of the Group mainly included trade payables, other payables and accruals and borrowings, details of which are set out below:

- i. Trade payables of approximately HK\$10.3 million (31 December 2019: approximately HK\$40.3 million) as at 30 June 2020 were mainly attributable to the diversified tourism products and services segment with an aggregate amount of approximately HK\$5.5 million (31 December 2019: approximately HK\$26.7 million). The decrease was mainly attributable to the combined effect of the settlement of trade payables and the decrease in cost of sales and services from diversified tourism products and services segment during the Period.
- ii. Other payables and accruals of approximately HK\$184.3 million (31 December 2019: approximately HK\$278.2 million) as at 30 June 2020 mainly represented amounts due to related parties of approximately HK\$14.1 million (31 December 2019: approximately HK\$125.5 million), consideration payable regarding the acquisition of Tu Men Travel of approximately HK\$40.1 million (31 December 2019: approximately HK\$40.9 million), land and construction costs payable of approximately HK\$25.4 million (31 December 2019: approximately HK\$39.5 million) and deposit for the Disposal of approximately HK\$35.1 million (31 December 2019: nil). The decrease was mainly attributable to the settlement of amounts due to related parties during the Period.
- iii. Short-term borrowings were approximately HK\$10.8 million (31 December 2019: approximately HK\$17.9 million) as at 30 June 2020, details of which are set out in section headed “Liquidity and Financial Resources” of this report.
- iv. Long-term borrowings were approximately HK\$110.0 million (31 December 2019: approximately HK\$109.4 million) as at 30 June 2020, details of which are set out in section headed “Liquidity and Financial Resources” of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. During the Period, the Group's operations and investments have continued to be mainly supported by internal resources and borrowings. Besides, the receipt of deposit for the Disposal of RMB32.0 million in March 2020 provided extra funding to the Group. As at 30 June 2020, the aggregated amount of cash and cash equivalents and restricted bank deposit of the Group were approximately HK\$53.3 million (31 December 2019: approximately HK\$120.9 million), representing a decrease of approximately 56% as compared to 31 December 2019.

As at 30 June 2020, short-term borrowings of the Group of approximately HK\$10.8 million (31 December 2019: approximately HK\$17.9 million) were denominated in New Zealand Dollars and borrowings from a bank in New Zealand, which were secured as detailed in the section headed "Pledge of Assets" of this report, bearing average effective interest rate of 4.0% per annum during the Period, and repayable within a year.

Long-term borrowings of the Group of approximately HK\$110.0 million (31 December 2019: approximately HK\$109.4 million) were denominated in RMB and borrowings from non-controlling shareholders of a subsidiary of the Group, which were unsecured, interest-free and repayable after one year.

As at 30 June 2020, the Group had a current ratio of approximately 1.68 (31 December 2019: approximately 1.49), and the gearing ratio was approximately 10.4% (31 December 2019: approximately 1.4%) (calculated by dividing net debt (defined as short-term borrowings and long-term borrowings, net of cash and cash equivalents) by total equity).

Foreign Exchange Exposure

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Period, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Capital Commitment

As at 30 June 2020, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of approximately HK\$514.6 million in aggregate (31 December 2019: approximately HK\$536.4 million).

Material Acquisition, Investment and Disposal

Apart from the Disposal of China Comfort as detailed in the section headed "Investment Holding Business" under "Business Review" in "Management Discussion and Analysis", the Group had no significant investments, material acquisition and disposal of subsidiaries and associated companies during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledged of Assets

As at 30 June 2020 and 31 December 2019, the Group pledged the entire equity interest in Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited* (深圳東勝華譽商業管理有限公司), an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the perpetual convertible securities issued on 30 March 2016 with an aggregate principal amount of approximately HK\$70.0 million, details of which are set out in the Company's announcement dated 30 March 2016 and the Company's circular dated 29 January 2016. In addition, the Group's bank borrowings were secured by the Group's lands and properties located in New Zealand, and guaranteed by Mr. Shi (a controlling shareholder of the Company) and the Group's subsidiary in New Zealand.

Material Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

Use of Net Proceeds

Issue of 2016 October PCS and Shares under the open offer

The net proceeds from the issue of offered shares with an alternative of unlisted perpetual convertible securities and under an open offer in October 2016 amounted to approximately HK\$291.62 million (after deducting the related cost and expenses). As at 30 June 2020, the Group had utilised all the net proceeds. For the purpose of allowing the Company to better utilise its financial resources in a more efficient manner and strengthen its future development, approximately HK\$209.21 million was reallocated for the acquisition of asset(s) with potential appreciation so as to enhance the asset value of the Group. For details, please refer to the announcement of the Company dated 9 March 2020 in relation to change in use of proceeds from open offer (the "Reallocated Proceeds"). Other than the Reallocated Proceeds, the net proceeds were utilised as intended.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group had utilised all the net proceeds, details of which are set out below:

Net proceeds raised HK\$'000	Intended use of the net proceeds	Actual use of the net proceeds	HK\$'000
291,623	i. Make initial capital injection to a fund to be established by a joint venture company and subscription price of 40% equity interest;	Pay the subscription price for 40% shares in a joint venture company;	7,800
	ii. General working capital;	i. First, second and fifth distribution to the holders of 2016 October PCS;	23,817
		ii. Used as intended;	8,599
	iii. Setup a wholly-owned licensed corporation;	Has not been used yet;	n/a
	iv. 6% distribution reserve of 2016 March PCS; and	6% distribution reserve of 2016 March PCS;	10,200
	v. If possible, acquire assets with potential appreciation.	i. Partial payment of the consideration for the acquisition of 40% equity interest and shareholder loan in Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司) (“Dakun Zhifang”);	20,524
		ii. Payment of the shareholder loan for the investment in tourism-related projects by Dakun Zhifang;	80,954
		iii. Partial payment of the consideration for the acquisition of 55% equity interest in Tu Men Travel and 75% equity interest in Hebei Yidao Town Real Estate Development Limited* (河北驛道小鎮房地產開發有限公司);	11,410
		iv. Payment for the acquisition of a piece of land and relevant construction costs; and	69,064
		v. Payment for the acquisition of a piece of land by Dakun Zhifang.	59,255
			291,623

MANAGEMENT DISCUSSION AND ANALYSIS

Number and Remuneration of Employees

As at 30 June 2020, the total number of employees of the Group was approximately 180 (30 June 2019: approximately 200). Staff costs (including Directors' emoluments) of approximately HK\$16.0 million was incurred during the Period (six months ended 30 June 2019: approximately HK\$17.4 million).

In addition to salary, other fringe benefits such as medical insurance and mandatory provident fund schemes for employees, are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment to their salaries comparable to that of the market. Individual employees may also receive a discretionary bonus at the end of each year based on their individual performance.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2019: nil).

Event after the Reporting Period

Impact of the coronavirus outbreak

The Pandemic has brought additional uncertainty to the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the Pandemic to the Group's businesses and has put in place contingency measures, including but not limited to, negotiating with suppliers, service providers and customers to postpone selling tourism-related products and services, implementing cost containment plans, continuously monitoring and strengthening the collection of receivables, facilitating businesses other than tourism-related businesses that are less affected by the Pandemic, monitoring the Group's cash flows and promptly resuming the tourist attraction and cultural spot business in a safe and adequate manner. Further details of the impact of the Pandemic to the Group's operation during the Period and the contingency measures are set out in sections head "Business Strategy", "Business Review" and "Financial Analysis" under "Management Discussion and Analysis".

It is expected that the Group's diversified tourism products and services businesses and tourist attraction and cultural sport business will continue to be affected by the Pandemic in the second half of 2020. Given the full recovery time for global tourism industry is highly uncertain, the Group will continue to take measures, including but not limited to, controlling its operating costs, monitoring its cash flows, paying close attention to the development of the Pandemic to its operations and continuously assessing its impact to the Group's financial statements, prudently facilitating and seeking other business opportunities and adequately adjusting its business plans, to protect the Group's benefits and interests in this challenging business environment and be well prepared for the business opportunities.

* *for identification purpose only*

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the Period, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debenture

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of director	Capacity	Number of Shares/ underlying shares of the Company held	Approximate percentage of shareholding in the Company (Note 3)
Mr. Shi	Interest in a controlled corporation	10,005,851,816 (Note 1)	77.43%
	Beneficial owner	130,239,145 (Note 2)	1.01%
Mr. Dong Xiaojie	Beneficial owner	2,014,285	0.02%

Notes:

1. Mr. Shi holds 100% equity interest in Orient Victory Real Estate Group Holdings Limited ("OVRE") and is deemed to be interested in the 10,005,851,816 shares of the Company held by OVRE under the SFO. The interests include the holding of (i) 7,814,362,880 Shares; (ii) the perpetual convertible securities issued in March 2016 (the "2016 March PCS") convertible into 128,771,155 Shares; and (iii) the perpetual convertible securities issued in October 2016 (the "2016 October PCS") convertible into 2,062,717,781 Shares.
2. Mr. Shi beneficially owns 130,239,145 Shares as at 30 June 2020.
3. The approximate percentage was calculated based on 12,922,075,516 Shares in issue as at 30 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company has or is deemed to have any long or short position in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, to the best knowledge of the Directors, the following entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying shares of the Company held	Approximate percentage of shareholding in the Company (Note 5)
OVRE (Note 1)	Beneficial owner	10,005,851,816	77.43%
Outstanding Global Holdings Limited ("OGH") (Note 2)	Beneficial owner	436,375,000	3.38%
	Person having a security interest in shares of the Company	6,064,898,713	46.93%
Chance Talent Management Limited ("CTM") (Note 3)	Person having a security interest in shares and perpetual convertible securities of the Company	6,193,669,868	47.93%
Haitong International Investment Fund SPC – Fund 1 SP ("Haitong Fund") (Note 4)	Person having a security interest in shares and perpetual convertible securities of the Company	2,812,957,781	21.77%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. OVRE is wholly-owned by Mr. Shi. The interests include the holding of (i) 7,814,362,880 Shares; (ii) the 2016 March PCS convertible into 128,771,155 Shares; and (iii) the 2016 October PCS convertible into 2,062,717,781 Shares.
2. OGH is wholly-owned by China Huarong International Holdings Limited which is wholly-owned by China Huarong Asset Management Co., Ltd. The 6,501,273,713 Shares, in aggregate, comprise (i) 6,064,898,713 Shares pledged by OVRE; and (ii) 436,375,000 Shares beneficially held by OGH.
3. CTM is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). The 6,193,669,868 shares of the Company, in aggregate, comprise (i) 6,064,898,713 Shares pledged by OVRE; and (ii) the 2016 March PCS convertible into 128,771,155 Shares pledged by OVRE to CTM.
4. Haitong Fund is an open-ended exempted segregated portfolio company. The 2,812,957,781 shares of the Company held by Haitong Fund comprise (i) 784,240,000 Shares pledged by OVRE; and (ii) the 2016 October PCS convertible into 2,028,717,781 Shares pledged by OVRE to Haitong Fund.
5. The approximate percentage was calculated based on 12,922,075,516 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short positions in the Shares or underlying shares of the Company which would require to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

At the general meeting of the Company held on 5 June 2012, the shareholders approved the adoption of a new share option scheme (the “2012 Option Scheme”) and became effective on 11 June 2012. No share option has been granted under the 2012 Option Scheme since its adoption.

Compliance with the Corporate Governance Code

The Company has complied with the code provisions as set out in the “Corporate Governance Code and Corporate Governance Report” (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the Period except for deviations from code provisions A.2.1 and A.6.7 of CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Shi during the Period, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company. Save as the deviation from the code provision A.2.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code during the Period and, where appropriate, the applicable recommended best practices of the CG Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The code provision A.6.7 of the CG Code requires that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Song Sining, Mr. Dong Xiaojie and Mr. He Qi were unable to attend the extra-ordinary general meeting of the Company held on 31 January 2020 due to other important engagements. In addition, Mr. Dong Xiaojie was unable to attend the annual general meeting of the Company held on 30 June 2020 due to other important engagement.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors.

Specific enquiries have been made with all the Directors, who have confirmed that they complied with the required standards as set out in the Model Code throughout the Period.

Audit Committee and Review of Interim Results

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises two independent non-executive Directors, namely Mr. Swei Feng-jih (being the chairman) and Mr. He Qi, and a non-executive Director, namely, Ms. Song Sining. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal control of the Group. The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

Appreciation

The Board would like to express its sincere thanks to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the Period.

By order of the Board
Orient Victory Travel Group Company Limited

Shi Baodong
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020
(expressed in Hong Kong dollars (“\$”))

	Notes	For the six months ended 30 June	
		2020 (unaudited) \$'000	2019 (unaudited) \$'000
Continuing operations:			
Revenue	4	112,648	150,059
Cost of sales and services		(103,515)	(135,175)
Gross profit		9,133	14,884
Other income		291	1,645
Selling, general and administrative expenses		(26,113)	(27,902)
Share of losses of associates		(12,774)	(11,992)
Loss from operations		(29,463)	(23,365)
Finance costs	5(a)	(2,922)	(1,946)
Loss before taxation	5	(32,385)	(25,311)
Income tax	6	377	–
Loss for the period from continuing operations		(32,008)	(25,311)
Discontinued operation:			
Loss for the period from discontinued operation		–	(1,063)
Loss for the period		(32,008)	(26,374)
Attributable to:			
Equity owners of the Company			
– continuing operations		(24,564)	(23,543)
– discontinued operation		–	(1,063)
		(24,564)	(24,606)
Non-controlling interests			
– continuing operations		(7,444)	(1,768)
		(7,444)	(1,768)
Loss for the period		(32,008)	(26,374)
Basic and diluted loss per share	7	(HK0.23 cents)	(HK0.29 cents)

The notes on pages 26 to 38 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020
(expressed in \$)

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Loss for the period	(32,008)	(26,374)
Other comprehensive income for the period (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- exchange differences on translation of financial statements of foreign operations	(15,290)	(2,228)
	(15,290)	(2,228)
Total comprehensive income for the period	(47,298)	(28,602)
Attributable to:		
Equity owners of the Company		
- continuing operations	(38,551)	(25,139)
- discontinued operation	-	(1,063)
	(38,551)	(26,202)
Non-controlling interests		
- continuing operations	(8,747)	(2,400)
	(8,747)	(2,400)
Total comprehensive income for the period	(47,298)	(28,602)

The notes on pages 26 to 38 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020
(expressed in \$)

	Notes	At 30 June 2020 (unaudited) \$'000	At 31 December 2019 (audited) \$'000
Non-current assets			
Investment properties		155,553	159,358
Other property, plant and equipment		123,281	132,170
		278,834	291,528
Intangible assets		5,298	7,813
Goodwill		15,252	15,298
Interest in an associate		324,635	343,518
Deferred tax assets		2,436	2,396
		626,455	660,553
Current assets			
Inventories		239,959	193,362
Trade receivables	9	30,685	53,875
Prepayments, deposits and other receivables		67,933	162,205
Restricted bank deposits		760	3,123
Cash and cash equivalents		52,504	117,807
		391,841	530,372
Current liabilities			
Trade payables	10	10,331	40,338
Contract liabilities		24,870	15,229
Other payables and accruals		184,325	278,177
Short-term borrowings	11	10,783	17,935
Lease liabilities		1,769	3,918
Provisions		960	976
		233,038	356,573
Net current assets		158,803	173,799
Total assets less current liabilities		785,258	834,352

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020
(expressed in \$)

	Notes	At 30 June 2020 (unaudited) \$'000	At 31 December 2019 (audited) \$'000
Non-current liabilities			
Long-term borrowings	11	109,955	109,387
Lease liabilities		366	1,907
Deferred tax liabilities		12,668	13,429
Provisions		3,405	3,467
		126,394	128,190
NET ASSETS		658,864	706,162
CAPITAL AND RESERVES			
Share capital	12	64,610	64,610
Perpetual convertible securities	13	296,274	296,274
Reserves		207,156	245,707
Total equity attributable to equity owners of the Company		568,040	606,591
Non-controlling interests		90,824	99,571
TOTAL EQUITY		658,864	706,162

Approved and authorised for issue by the board of directors on 28 August 2020.

Shi Baodong
Chairman

Mo Yueming
Director

The notes on pages 26 to 38 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020
(expressed in \$)

	Attributable to equity owners of the Company					Total (unaudited) \$'000	Non- controlling interests (unaudited) \$'000	Total equity (unaudited) \$'000
	Share capital (unaudited) \$'000	Share premium (unaudited) \$'000	Perpetual convertible securities (unaudited) \$'000	Exchange reserves (unaudited) \$'000	Accumulated losses (unaudited) \$'000			
Balance at 1 January 2019	63,750	611,206	396,274	(20,031)	(307,599)	743,600	40,860	784,460
Changes in equity for the six months ended 30 June 2019:								
Loss for the period	-	-	-	-	(24,606)	(24,606)	(1,768)	(26,374)
Other comprehensive income	-	-	-	(1,596)	-	(1,596)	(632)	(2,228)
Total comprehensive income	-	-	-	(1,596)	(24,606)	(26,202)	(2,400)	(28,602)
Issuance of new shares	860	23,850	-	-	-	24,710	-	24,710
Redemption of perpetual convertible securities	-	-	(100,000)	-	-	(100,000)	-	(100,000)
Distributions to holders of perpetual convertible securities	-	-	-	-	(13,037)	(13,037)	-	(13,037)
Acquisition of subsidiaries	-	-	-	-	-	-	46,828	46,828
	860	23,850	(100,000)	-	(13,037)	(88,327)	46,828	(41,499)
Balance at 30 June 2019	64,610	635,056	296,274	(21,627)	(345,242)	629,071	85,288	714,359

The notes on pages 26 to 38 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020
(expressed in \$)

	Attributable to equity owners of the Company						Non- controlling interests (unaudited) \$'000	Total equity (unaudited) \$'000			
	Share capital (unaudited) \$'000	Share premium (unaudited) \$'000	Perpetual convertible securities (unaudited) \$'000	Exchange reserves (unaudited) \$'000	Accumulated losses (unaudited) \$'000	Total (unaudited) \$'000					
	Balance at 1 January 2020	64,610	635,230	296,274	(34,790)	(354,733)			606,591	99,571	706,162
	Changes in equity for the six months ended 30 June 2020:										
Loss for the period	-	-	-	-	(24,564)	(24,564)	(7,444)	(32,008)			
Other comprehensive income	-	-	-	(13,987)	-	(13,987)	(1,303)	(15,290)			
Total comprehensive income	-	-	-	(13,987)	(24,564)	(38,551)	(8,747)	(47,298)			
Balance at 30 June 2020	64,610	635,230	296,274	(48,777)	(379,297)	568,040	90,824	658,864			

The notes on pages 26 to 38 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020
(expressed in \$)

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Net cash generated from/(used in) operating activities	20,651	(63,653)
Net cash generated from investing activities	37,711	42,710
Net cash used in financing activities	(121,102)	(81,562)
Net decrease in cash and cash equivalents	(62,740)	(102,505)
Cash and cash equivalents at 1 January	117,807	188,873
Effect of foreign exchange rate changes	(2,563)	(2,246)
Cash and cash equivalents at 30 June	52,504	84,122

The notes on pages 26 to 38 form part of these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

1 Corporate information

The Company is an exempted limited company incorporated in the Cayman Islands. The registered office of the Company is located at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's shares are listed on the Main Board of the Stock Exchange.

During the Period, the Group is principally engaged in the diversified tourism products and services businesses, integrated development businesses and investment holding business.

2 Basis of preparation

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 28 August 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

None of these amendments 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 these interim financial statements. Other than these amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

4 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in the provision of diversified tourism products and services businesses, integrated development businesses, and investment holding business. Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
- Sales of air tickets	77,821	119,134
- Sales of diversified tourism products, provision of travel and other related services and commission income	89	2,038
- Sales of products and service income from tourism attractions	10,611	28,887
- Sales of residential units	12,938	-
- Marketing, event planning and consulting services	11,189	-
	112,648	150,059

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(ii) respectively.

As the Group mainly engages in retail and service businesses, the Directors consider that the Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's revenue for the Period and six months ended 30 June 2019.

(b) Segment reporting

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

Continuing reportable segments:

- The diversified tourism products and services segment, which comprises the sale of air tickets and other tourism products, provision of travel related and other services principally to corporate clients.
- The integrated development segment, which involves the development and operation of tourism and cultural attractions, sales of products, properties for lease business and for sale, and other services.
- The investment holding segment, which involves equity investment activities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

Discontinued reportable segment:

- The financial services segment, which mainly involves the provision of advisory services on corporate finance, securities and asset management.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. For continuing reportable segments, the adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities with the exception of cash and cash equivalents and restricted bank deposits which are managed centrally.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Period and six months ended 30 June 2019 is set out below.

	For the six months ended 30 June										
	Continuing operations								Discontinued operation		
	Diversified tourism products and services		Integrated development		Investment holding		Sub-total		Financial services	Total	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000	2020 (unaudited) \$'000	2019 (unaudited) \$'000	2020 (unaudited) \$'000	2019 (unaudited) \$'000	2020 (unaudited) \$'000	2019 (unaudited) \$'000	2019 (unaudited) \$'000	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Disaggregated by timing of revenue recognition:											
- Point in time	77,910	121,172	34,738	28,887	-	-	112,648	150,059	-	112,648	150,059
- Over time	-	-	-	-	-	-	-	-	-	-	-
Revenue from external customers	77,910	121,172	34,738	28,887	-	-	112,648	150,059	-	112,648	150,059
Segment results	(6,325)	(6,205)	(5,034)	(1,920)	(18,104)	(15,240)	(29,463)	(23,365)	(1,063)	(29,463)	(24,428)
Finance costs							(2,922)	(1,946)	-	(2,922)	(1,946)
Loss before taxation							(32,385)	(25,311)	(1,063)	(32,385)	(26,374)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Diversified tourism products and services		Integrated development		Investment holding		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	63,788	78,749	537,989	606,297	363,255	384,949	965,032	1,069,995
Corporate and other unallocated assets							53,264	120,930
Total assets							1,018,296	1,190,925
Segment and total liabilities	43,096	66,734	257,465	313,646	58,871	104,383	359,432	484,763

(ii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's assets. The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations, in the case of investment properties, other property, plant and equipment, intangible assets, deferred tax assets and current assets, and the location of operations, in the case of goodwill and interest in an associate except for the associate's intangible assets in distribution network which is separately allocated based on the location receiving the substantial benefits.

	Revenue from external customers (Continuing operations)		Non-current assets		Current assets		Total assets	
	For the six months ended 30 June		30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Hong Kong (place of domicile)	22,985	113,365	327,285	349,908	22,398	45,630	349,683	395,538
Mainland China	76,725	36,694	270,312	280,367	325,040	428,805	595,352	709,172
New Zealand	12,938	-	28,858	30,278	44,403	55,937	73,261	86,215
	112,648	150,059	626,455	660,553	391,841	530,372	1,018,296	1,190,925

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

5 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Interest on bank loans	245	–
Interest on lease liabilities	81	96
Finance costs in connection with interest-free loan from non-controlling shareholders of a subsidiary	2,527	1,278
Net foreign exchange loss	69	572
	2,922	1,946

(b) Other items

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Wages, salaries and other benefits and pension scheme contributions	15,986	17,447
Cost of inventories sold	44,144	109,891
Amortisation cost of intangible assets	2,348	11
Depreciation charge		
– owned property, plant and equipment	3,546	2,395
– right-of-use assets	1,854	947
Impairment losses/(reversal of impairment losses) on receivables, net		
– trade receivables	1,039	–
– prepayments, deposits and other receivables	(3,269)	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

6 Income tax in the condensed consolidated statement of profit or loss

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Current – Mainland China	(46)	–
Current – New Zealand	(291)	–
Deferred taxation	714	–
Total tax credit/(charge) for the period	377	–

Notes:

- (i) Provision for Hong Kong Profit Tax for the Period is calculated at 16.5% (six months ended 30 June 2019: 16.5%) of the estimated assessable profits for the Period. The Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax during the Period (six months ended 30 June 2019: nil).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) Pursuant to the rules and regulations of the PRC, the Group’s subsidiaries established in Mainland China are subject to PRC Corporate Income Tax at the statutory rate of 25% during the Period (six months ended 30 June 2019: 25%).
- (iv) Pursuant to the rules and regulations of the New Zealand, the Group’s subsidiaries established in the New Zealand are subject to the Business Income Tax at the statutory rate of 28% during the Period (six months ended 30 June 2019: 28%).

7 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company and the weighted average ordinary shares in issue during the Period, calculated as follows:

(i) Loss for the purpose of calculating basic loss per share

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Loss attributable to the equity owners of the Company	24,564	24,606
Distribution paid to the holders of perpetual convertible securities	–	13,037
Accrued distribution to the holders of perpetual convertible securities	5,155	–
Loss for the purpose of calculating basic loss per share	29,719	37,643

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

7 Loss per share (*continued*)

(a) Basic loss per share (*continued*)

(ii) Weighted average number of ordinary shares

	For the six months ended 30 June	
	2020 (unaudited) '000	2019 (unaudited) '000
Issued ordinary shares at 1 January	12,922,075	12,749,925
Effect of issuance of new shares	–	61,814
Weighted average number of ordinary shares at 30 June (basic)	12,922,075	12,811,739

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding for the Period and six months ended 30 June 2019. The effect of the deemed conversion of the perpetual convertible securities was not included in the calculation of diluted loss per share as they are anti-dilutive during the Period and six months ended 30 June 2019.

8 Interim dividend

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2019: nil).

9 Trade receivables

	30 June	31 December
	2020 (unaudited) \$'000	2019 (audited) \$'000
Trade receivables	33,143	55,338
Less: loss allowance	(2,458)	(1,463)
	30,685	53,875

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

9 Trade receivables (*continued*)

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (unaudited) \$'000	31 December 2019 (audited) \$'000
Within 90 days	3,044	52,040
91 to 180 days	13,126	1,306
181 to 365 days	14,515	170
Over 365 days	–	359
	30,685	53,875

Trade receivables are due within 14 to 90 days (31 December 2019: 14 to 90 days) from the date of billing.

10 Trade payables

As at the end of reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2020 (unaudited) \$'000	31 December 2019 (audited) \$'000
Within 90 days	2,772	39,742
91 to 180 days	2,623	65
181 to 365 days	4,582	531
Over 365 days	354	–
	10,331	40,338

Included in trade payables are payables of \$68,000 (31 December 2019: \$22,236,000) due to a non-controlling equity shareholder of a subsidiary which are repayable within 40 days from the date of billing.

All trade payables are expected to be settled within one year or are repayable on demand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

11 Borrowings

The analysis of the Group's borrowings is as follows:

	30 June 2020 (unaudited) \$'000	31 December 2019 (audited) \$'000
Short-term – Bank loans (note (i))	10,783	17,935
Long-term – Other borrowings from non-controlling shareholders of a subsidiary (note (ii))	109,955	109,387

Notes:

- (i) As at 30 June 2020 and 31 December 2019, the Group's bank loans were secured by the Group's lands and properties located in New Zealand, and guaranteed by Mr. Shi (a controlling shareholder of the Company) and the Group's subsidiary in New Zealand.
- (ii) On 22 October 2018, pursuant to the agreement entered into between the Group and other equity holders of Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司) ("Dakun Zhifang"), other equity holders provided long-term loans of RMB106,650,000 (equivalent to \$121,431,000) in aggregate to Dakun Zhifang. The loans are unsecured, non-interest bearing and repayable on 21 October 2021. The loans were initially recognised at its fair value of \$105,650,000 in aggregate and subsequently measured at amortised cost using the effective interest method. The fair values of the loans were determined by their present values with reference to the market interest rate of loans with similar terms.

12 Share capital

	30 June 2020		31 December 2019	
	Number of ordinary shares (unaudited) '000	(unaudited) \$'000	Number of ordinary shares (audited) '000	(audited) \$'000
Authorised:				
Ordinary share at \$0.005 each	20,000,000	100,000	20,000,000	100,000
Issued and fully paid:				
Ordinary share at \$0.005 each	12,922,075	64,610	12,922,075	64,610

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
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13 Perpetual Convertible Securities

On 30 March 2016, the Company issued perpetual convertible securities in an aggregate principal amount of \$170,000,000 (the “2016 March PCS”). The net proceeds of \$155,668,000 were recorded as equity. The Group pledged the entire equity interest in Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited, an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the 2016 March PCS.

On 24 October 2016, the Company issued perpetual convertible securities in an aggregate principal amount of \$264,867,000 (the “2016 October PCS”, together with the 2016 March PCS, the “PCS”). The amount of \$240,888,000 were recorded as equity.

The PCS have no fixed maturity dates. The Company may at its option redeem in whole or in part of the PCS. The PCS are convertible at the option of the holders into ordinary shares in the Company on a one-to-one ratio at the conversion price of \$0.5436 and \$0.128 per ordinary share of the Company for the 2016 March PCS and the 2016 October PCS, respectively.

Distributions at a rate of 6% per annum shall be payable on the PCS semi-annually and may be deferred at the sole discretion of the Company unless compulsory distribution payment events (including a discretionary dividend to ordinary shareholders of the Company or repaying any securities of lower rank or early redemption of securities prior to its stated maturity) has occurred.

On 20 May 2019, 183,958,793 units of the 2016 March PCS have been redeemed by the Company at the total amount of \$100,000,000. At 30 June 2020 and 31 December 2019, there were 128,771,155 units of the 2016 March PCS in an aggregate principal amount of \$70,000,000 outstanding.

In March and April 2019, the Company has paid distributions of \$13,037,000 to holders of the PCS.

On 9 March 2020 and 9 September 2019, the Company announced to cancel the distributions of \$7,937,000 and \$7,950,000, respectively, to the holders of the 2016 October PCS, which had been scheduled to be made on 24 April 2020 and 24 October 2019, respectively, at the distribution rate of 6% per annum.

In respect of the distributions of \$2,135,000 and \$2,112,000 to the holder of 2016 March PCS which had been scheduled to be made on 30 September 2019 and 30 March 2020 respectively at the distribution rate of 6% per annum, the Company has postponed such distributions to 30 September 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

14 Capital Commitments

As at 30 June 2020, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of \$514,600,000 in aggregate (31 December 2019: \$536,388,000).

15 Material Related Party Transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	For the six months ended 30 June	
	2020 (unaudited) \$'000	2019 (unaudited) \$'000
Short-term employee benefits	1,995	2,517
Post-employment benefits	17	18
	2,012	2,535

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

15 Material Related Party Transactions (*continued*)

(b) Other related party transactions

The Group had the following material transactions with related parties during the six months ended 30 June 2020 and 2019:

	Notes	For the six months ended 30 June	
		2020 (unaudited) \$'000	2019 (unaudited) \$'000
<i>Transactions with companies controlled by the ultimate controlling shareholder of the Company:</i>			
Borrowings obtained from related parties	(i)	–	19,991
(Decrease)/increase in advances from related parties	(i)	(111,369)	144,310
Interest-free loan obtained from a non-controlling shareholder of Dakun Zhifang	(i)	–	72,610
Finance costs in connection with interest-free loan from a non-controlling shareholder of Dakun Zhifang	(i)	1,685	852
Marketing, event planning and consulting services	(ii)	2,700	–
Other service income	(i)	–	44
<i>Transactions with non-controlling shareholders of subsidiaries:</i>			
Purchase of air tickets	(ii)	20,640	105,506
Management service fee	(ii)	120	600
Net proceeds from air tickets and travel related services sold	(i)	6	37
Interest-free loan obtained from a non-controlling shareholder of Dakun Zhifang	(i)	–	36,305
Finance costs in connection with interest-free loan from a non-controlling shareholder of Dakun Zhifang	(i)	842	426
<i>Transactions with associates:</i>			
Finance income in connection with interest-free loan to an associate		–	1,465
Loans to associates		–	37,920

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020
(expressed in \$ unless otherwise indicated)

15 Material Related Party Transactions (*continued*)

(b) Other related party transactions (*continued*)

Notes:

- (i) These related party transactions constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (iii) During the six months ended 30 June 2019, the Group disposed of its 100% equity interest in Orient Victory International Financial Company Limited to Mr. Shi, the controlling shareholder of the Company. The transaction constitutes a connected transaction as defined under Chapter 14A of the Listing Rules.

16 Fair Value Measurement of Financial Instruments

Management has assessed that the fair value of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and short-term borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Long-term borrowings and lease liabilities have been measured at fair value at initial recognition and subsequently measured at amortised cost using the effective interest method. Management has assessed that the fair value of long-term borrowings and lease liabilities approximate to the carrying amount.

* *for identification purpose only*