香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code：308)

2022

INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Jiang Hong *(Chairman)*
Mr. Lo Sui On *(Vice Chairman)*
Mr. Chen Xianjun *(appointed as Executive Director and General Manager on 21 April 2022)*
Mr. Tang Yong
Mr. Fan Dongsheng *(resigned on 20 January 2022)*
Mr. Wu Qiang# *(re-designated as Non-Executive Director on 20 January 2022)*
Mr. Tsang Wai Hung#
Mr. Tse Cho Che Edward*
Mr. Zhang Xiaoke*
Mr. Huang Hui*
Mr. Chen Johnny*
Mr. Song Dawei*

Non-Executive Director
* Independent Non-Executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lai Siu Chung

AUDITORS

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

LEGAL ADVISORS

Jeffrey Mak Law Firm

PRINCIPAL BANKERS

Agricultural Bank of China Limited, Hong Kong Branch
Bank of China (Hong Kong) Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
Bank of Communications Co., Ltd., Hong Kong Branch
DBS Bank (Hong Kong) Limited

FINANCIAL CALENDAR AND INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR

Announcement of 2022 Interim Results	31 August 2022
Announcement of 2021 Final Results	30 March 2022
Announcement of 2021 Interim Results	31 August 2021
Announcement of 2020 Final Results	30 March 2021

DIVIDENDS

2022 Interim	Nil
2021 Final	Nil
2021 Interim	Nil
2020 Final	Nil

REGISTERED OFFICE

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

SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.irasia.com/listco/hk/ctii

STOCK CODE

308

LISTING DATE

11 November 1992

ISSUED SHARES

5,536,633,709 (as at 30 June 2022)

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 32 which comprises the consolidated statement of financial position of China Travel International Investment Hong Kong Limited (the "Company") as of 30 June 2022 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 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

31 August 2022

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
	Note	**HK$'000**	HK$'000
Revenue	6	**885,326**	1,031,622
Cost of sales		**(1,023,541)**	(974,592)
Gross (loss)/profit		**(138,215)**	57,030
Other income and gains, net	7(a)	**149,312**	326,367
Changes in fair value of investment properties		**(28,279)**	30,378
Selling and distribution costs		**(120,240)**	(215,383)
Administrative expenses		**(370,254)**	(383,693)
Operating loss	7	**(507,676)**	(185,301)
Finance income		**27,163**	32,685
Finance costs		**–**	–
Finance income, net	8	**27,163**	32,685
Share of profits less losses of joint ventures		**(5,534)**	(11,744)
Share of profits less losses of associates		**20,385**	24,272
Loss before taxation		**(465,662)**	(140,088)
Taxation	9	**3,377**	28,565
Loss for the period		**(462,285)**	(111,523)
Attributable to:			
Equity owners of the Company		**(285,102)**	5,219
Non-controlling interests		**(177,183)**	(116,742)
Loss for the period		**(462,285)**	(111,523)
(Loss)/earnings per share (HK cents)	11		
Basic (loss)/earnings per share		**(5.15)**	0.09
Diluted (loss)/earnings per share		**(5.15)**	0.09

The notes on pages 13 to 32 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Loss for the period	**(462,285)**	(111,523)
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss:		
Gain on property valuation, net of tax	**–**	761,586
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**1,029**	6,964
Items that may be reclassified subsequently to profit or loss:		
Release of reserves upon disposal of subsidiaries	**–**	(15,892)
Exchange differences on translation of foreign operations, net	**(472,706)**	133,841
Other comprehensive income for the period, net of tax	**(471,677)**	886,499
Total comprehensive income for the period	**(933,962)**	774,976
Attributable to:		
Equity owners of the Company	**(715,017)**	878,098
Non-controlling interests	**(218,945)**	(103,122)
Total comprehensive income for the period	**(933,962)**	774,976

The notes on pages 13 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2022 HK$'000	At 31 December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**9,152,637**	9,238,280
Investment properties	13	**2,648,856**	2,736,691
Prepaid land lease payments		**455,585**	474,545
Goodwill		**1,355,294**	1,348,456
Other intangible assets		**117,557**	112,734
Interests in associates		**1,422,768**	1,444,625
Interests in joint ventures		**226,316**	240,627
Derivative financial instrument	16	**49,474**	41,591
Other financial assets		**32,566**	31,648
Prepayments and other receivables		**496,180**	524,486
Deferred tax assets		**346,834**	327,061
Total non-current assets		**16,304,067**	16,520,744
Current assets			
Inventories		**182,410**	185,540
Properties under development		**3,744,746**	4,281,760
Completed properties held for sale		**740,185**	610,543
Trade receivables	14	**101,898**	95,350
Deposits, prepayments and other receivables	15	**571,443**	496,195
Loan to fellow subsidiaries		**245,560**	256,849
Amounts due from holding companies		**12,406**	5,180
Amounts due from fellow subsidiaries		**304,486**	271,778
Tax recoverable		**59**	–
Pledged time deposits		**9,545**	9,967
Cash and bank balances	17	**2,799,402**	3,074,492
Assets held for sale	24	**23,135**	–
Total current assets		**8,735,275**	9,287,654
Total assets		**25,039,342**	25,808,398
Equity attributable to equity owners of the Company			
Share capital		**9,222,295**	9,222,295
Reserves		**7,396,389**	8,111,406
		16,618,684	17,333,701
Non-controlling interests		**1,631,021**	1,787,539
Total equity		**18,249,705**	19,121,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	**At 30 June 2022 HK$'000**	At 31 December 2021 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income		**667,769**	701,131
Lease liabilities		**253,246**	235,959
Bank and other borrowings	19	**213,759**	195,347
Deferred tax liabilities		**649,287**	685,379
Total non-current liabilities		**1,784,061**	1,817,816
Current liabilities			
Trade payables	18	**585,287**	686,508
Other payables and accruals		**3,209,955**	3,505,888
Loans from a holding company		**548,416**	84,393
Amounts due to holding companies		**9,261**	1,166
Amounts due to fellow subsidiaries		**33,340**	25,351
Lease liabilities		**25,506**	47,519
Tax payables		**177,546**	184,980
Bank and other borrowings	19	**416,265**	333,537
Total current liabilities		**5,005,576**	4,869,342
Total liabilities		**6,789,637**	6,687,158
Total equity and liabilities		**25,039,342**	25,808,398

The notes on pages 13 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	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 2022	9,222,295	1,284,828	6,826,578	17,333,701	1,787,539	19,121,240
Comprehensive income						
Loss for the period	–	–	(285,102)	(285,102)	(177,183)	(462,285)
Other comprehensive income for the period:						
Item 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)	–	1,549	–	1,549	(520)	1,029
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations, net	–	(431,464)	–	(431,464)	(41,242)	(472,706)
Total other comprehensive income for the period, net of tax	–	(429,915)	–	(429,915)	(41,762)	(471,677)
Total comprehensive income for the period	–	(429,915)	(285,102)	(715,017)	(218,945)	(933,962)
Transactions with owners						
Transfer from retained earnings	–	847	(847)	–	–	–
Acquisition of subsidiaries	–	–	–	–	65,321	65,321
Dividends paid to non-controlling shareholders	–	–	–	–	(2,894)	(2,894)
Total transactions with owners for the period	–	847	(847)	–	62,427	62,427
At 30 June 2022	9,222,295	855,760	6,540,629	16,618,684	1,631,021	18,249,705

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

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

The notes on pages 13 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022	2021
		HK$'000	HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations		**(306,752)**	763,813
Income tax (paid)/refunded		**(58,137)**	197
Net cash (used in)/generated from operating activities		**(364,889)**	764,010
Cash flows from investing activities			
Disposal of subsidiaries, net of cash		**–**	(7,685)
Acquisition of a subsidiary, net of cash		**46,639**	–
Acquisition of an associate		**–**	(468,529)
Proceeds from disposal of property, plant and equipment		**–**	10,252
Finance income received		**26,798**	34,426
Dividends received from an associate		**–**	6,232
Purchases of property, plant and equipment and prepaid land lease payments		**(388,522)**	(417,782)
Additions of other financial assets		**–**	(2,239)
Additions to financial assets at fair value through profit or loss		**–**	(527,302)
Proceeds upon maturity of financial assets at fair value through profit or loss		**–**	587,742
Proceeds from loan to fellow subsidiaries		**–**	132,873
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**8,314**	(105,108)
Decrease in pledged time deposits		**–**	1,485
Net cash used in investing activities		**(306,771)**	(755,635)
Cash flows from financing activities			
Finance cost paid		**(9,017)**	(3,711)
Capital element of lease rentals paid		**(26,517)**	(29,516)
Interest element of lease rentals paid		**(5,147)**	(5,739)
Dividends paid to non-controlling shareholders		**(2,894)**	–
Proceeds of new bank and other borrowings		**161,760**	297,778
Repayment of bank and other borrowings		**(45,736)**	(71,319)
Advance from/(repayment to) a holding company		**489,237**	(234,000)
Net cash generated from/(used in) financing activities		**561,686**	(46,507)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
	Note	**HK$'000**	HK$'000
Net decrease in cash and cash equivalents		**(109,974)**	(38,132)
Cash and cash equivalents at 1 January		**3,061,548**	3,051,978
Effect of foreign exchange rate changes, net		**(156,499)**	26,207
Cash and cash equivalents at 30 June	17	**2,795,075**	3,040,053
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**2,799,402**	3,172,929
Deposits with maturity of more than three months		**(4,327)**	(132,876)
Cash and cash equivalents	17	**2,795,075**	3,040,053

The notes on pages 13 to 32 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report of China Travel International Investment Hong Kong Limited (the "Company", together with its subsidiaries, the "Group") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 31 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 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 Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors of the Company is included on page 4.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation

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

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

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

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

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

Assets

	As at 30 June 2022			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Investment properties	**–**	**–**	**2,648,856**	**2,648,856**
Derivative financial instrument	**–**	**–**	**49,474**	**49,474**
Other financial assets	**–**	**–**	**32,566**	**32,566**
	–	**–**	**2,730,896**	**2,730,896**

	As at 31 December 2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Investment properties	–	–	2,736,691	2,736,691
Derivative financial instrument	–	–	41,591	41,591
Other financial assets	–	–	31,648	31,648
	–	–	2,809,930	2,809,930

During the period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2021: Nil).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

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

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

(i) Unlisted equity securities

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 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% (31 December 2021: 1%) would have increased/decreased the Group's other comprehensive income by HK$420,000 (31 December 2021: HK$408,000).

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

	2022 **HK$'000** **(unaudited)**	2021 HK$'000 (unaudited)
Unlisted equity securities:		
At 1 January	**31,648**	27,395
Net unrealised gains recognised in other comprehensive income during the period	**1,029**	6,964
Additions	**–**	2,239
Related tax	**120**	645
Currency translation differences	**(231)**	321
At 30 June	**32,566**	37,564

Any gains 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.

(ii) Derivative financial instrument

The fair value of derivative financial assets is determined using the Black-Scholes Option Pricing Model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2022, it is estimated that with the volatility by 1% (31 December 2021: 1%) would have increased/decreased the Group's loss before tax by HK$499,000 (31 December 2021: profit before tax by HK$624,000).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

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

(ii) Derivative financial instrument (Continued)

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

	2022 HK$'000 (unaudited)	2021 HK$'000 (unaudited)
Derivative financial assets:		
At 1 January	**41,591**	–
Net unrealised gains recognised in profit and loss during the period	**7,524**	–
Related tax	**2,509**	–
Currency translation differences	**(2,150)**	–
At 30 June	**49,474**	–

The gains arising from the remeasurement of derivative financial assets are presented in the "Other income and gains, net" line item in the consolidated income statement.

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

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Recurring fair value measurements		
Hong Kong:		
– Commercial properties	**1,791,800**	1,815,900
Outside Hong Kong:		
– Commercial properties	**857,056**	920,791
	2,648,856	2,736,691

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 2022 by RHL Appraisal Ltd., independent professionally qualified valuers, at HK$2,648,856,000 (2021: HK$2,736,691,000). For all investment properties, their current use equates to the highest and best use.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

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

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.

At each financial period/year end the team:

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

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

4.2.3 The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 30 June 2022.

5 OPERATING SEGMENT INFORMATION

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

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

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

5 OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

Six months ended 30 June 2022 (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	582,818	40,401	223,131	25,498	871,848	13,478	885,326
Inter-segment revenue	398	2,183	632	60	3,273	1,200	4,473
	583,216	42,584	223,763	25,558	875,121	14,678	889,799
Elimination of inter-segment revenue					(3,273)	(1,200)	(4,473)
Revenue					871,848	13,478	885,326
Segment results	(69,064)	(26,780)	6,108	(100,261)	(189,997)	(76,211)	(266,208)
Non-controlling interests							(177,183)
Segment operating results before non-controlling interests							(443,391)
Changes in fair value of investment properties, net of tax							(26,747)
Gain on changes in fair value of derivative financial instrument, net of tax							7,524
Net gain on disposal of property, plant and equipment, net of tax							329
Loss for the period							(462,285)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2021 (unaudited)

	Tourist attraction and related operations HK$'000	Travel agency, travel document and related operations HK$'000	Hotel operations HK$'000	Passenger transportation operations HK$'000	Total of reportable segments HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	714,750	61,285	204,540	41,115	1,021,690	9,932	1,031,622
Inter-segment revenue	254	15	615	56	940	–	940
	715,004	61,300	205,155	41,171	1,022,630	9,932	1,032,562
Elimination of inter-segment revenue					(940)	–	(940)
Revenue					1,021,690	9,932	1,031,622
Segment results	(25,733)	(39,388)	(19,486)	(122,497)	(207,104)	(43,673)	(250,777)
Non-controlling interests							(116,742)
Segment operating results before non-controlling interests							(367,519)
Changes in fair value of investment properties, net of tax							29,869
Gain on disposal of subsidiaries							229,135
Net loss on disposal of property, plant and equipment, net of tax							(3,008)
Loss for the period							(111,523)

6 REVENUE

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

(a) Disaggregation of revenue

	Six months ended 30 June	
	2022	2021
	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	**249,684**	699,859
– Tour, travel agency, travel document and related income	**40,417**	51,559
– Hotel income	**210,380**	168,441
– Passenger transportation income	**25,502**	41,115
– Property sales income	**297,581**	–
– Consultancy and service income	**14,671**	24,823
	838,235	985,797
Revenue from other sources		
– Gross rental income from investment properties		
– Lease payments that are fixed or depend on an index or a rate	**47,091**	45,825
	885,326	1,031,622

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

As at 30 June 2022, there were no aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts (2021: HK$Nil).

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

7 OPERATING LOSS

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(a) Other income and gains, net		
Gain on disposal of subsidiaries	**–**	(229,135)
Rental income on investment properties, net	**(15,491)**	(11,409)
Foreign exchange differences, net	**(16,702)**	(3,476)
Government grants	**(31,978)**	(5,785)
Management fee income	**(34,474)**	(35,291)
Income from financial assets at fair value through profit or loss	**–**	(3,542)
Gain on changes in fair value of derivative financial instrument	**(10,033)**	–
(Gain)/loss on disposal of property, plant and equipment, net	**(658)**	4,582
Other	**(39,976)**	(42,311)
	(149,312)	(326,367)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(b) Other items		
Staff costs	**589,363**	716,335
Depreciation		
– owned property, plant and equipment	**282,788**	293,660
– right-of-use assets	**28,762**	29,001
	311,550	322,661
Amortisation of prepaid land lease payments	**13,904**	12,509
Direct operating expenses of investment properties	**5,216**	3,099
Cost of properties sold	**226,960**	–

8 FINANCE INCOME, NET

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Finance income:		
Bank deposits	**27,163**	32,685
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– wholly repayable within five years	**(9,017)**	(3,711)
Interest on lease liabilities	**(5,147)**	(5,739)
	(14,164)	(9,450)
Less: Interest expense capitalised into properties under development and property, plant and equipment*	**14,164**	9,450
Finance costs	**–**	–
Finance income, net	**27,163**	32,685

* The borrowing costs have been capitalised at a rate of 2.41% per annum (2021: 2.29%).

9 TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

9 TAXATION (CONTINUED)

The amount of taxation credited to consolidated income statement represents:

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current taxation		
Hong Kong	**5,542**	3,221
Mainland China and other territories	**(442)**	27,143
	5,100	30,364
Deferred taxation	**(8,477)**	(58,929)
	(3,377)	(28,565)

The share of fair value changes in equity investments as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect and tax charge of HK$120,000 (2021: tax charge of HK$645,000).

10 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

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

The calculation of basic and diluted (loss)/earnings per share is based on loss attributable to equity owners of the Company for the six months ended 30 June 2022 of HK$285.10 million (2021: profit of HK$5.22 million) and the weighted average of 5,536,633,709 ordinary shares (2021: 5,536,633,709 shares) in issue during the period.

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, additions of items of property, plant and equipment amounted to HK$388,522,000 (2021: HK$267,846,000) and the Group disposed of and wrote off items of property, plant and equipment with an aggregate net book value of HK$8,003,000 (2021: HK$14,834,000).

Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of hotel properties, and therefore recognised the additions to right-of-use assets of HK$23,587,000 (2021: HK$22,013,000).

13 INVESTMENT PROPERTIES

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
At fair value		
At the beginning of the period/year	**2,736,691**	1,621,154
Changes in fair value recognised in income statement	**(28,279)**	36,255
Transfer from property, plant and equipment	**–**	1,055,500
Reclassified to assets held for sale	**(23,135)**	–
Currency translation differences	**(36,421)**	23,782
At the end of the period/year	**2,648,856**	2,736,691

Valuation

The valuations of investment properties carried at fair value were updated at 30 June 2022 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2021 valuations.

As a result of the update, a net loss of HK$26,747,000 (2021: net gain of HK$25,000,000), and deferred tax credit thereon of HK$1,532,000 (2021: deferred tax charge of HK$5,400,000), has been recognised in profit or loss for the period in respect of investment properties.

14 TRADE RECEIVABLES

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

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Within 3 months	**48,398**	39,494
Over 3 months to 6 months	**25,883**	27,021
Over 6 months to 12 months	**22,181**	23,157
Over 1 year to 2 years	**5,026**	5,253
Over 2 years	**410**	425
	101,898	95,350

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 30 June 2022, the balances included an amount due from a non-controlling shareholder of Macao CTS Passenger Road Transport Company Limited, a 50% owned subsidiary of the Company, of HK$Nil (31 December 2021: HK$9,618,000), which was unsecured and interest-free.

16 DERIVATIVE FINANCIAL INSTRUMENT

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Derivative financial assets	**49,474**	41,591

Further details on the fair value estimation of derivative financial instruments are set out in note 4.2.

17 CASH AND BANK BALANCES

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Cash and bank balances	**1,682,588**	2,480,104
Time deposits	**1,126,359**	604,355
	2,808,947	3,084,459
Less: pledged time deposits	**(9,545)**	(9,967)
Cash and bank balances in the consolidated statement of financial position	**2,799,402**	3,074,492
Less: deposits with maturity of more than three months	**(4,327)**	(12,944)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**2,795,075**	3,061,548

18 TRADE PAYABLES

At 30 June 2022, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Within 3 months	**254,452**	261,843
Over 3 months to 6 months	**101,076**	119,737
Over 6 months to 12 months	**84,985**	100,646
Over 1 year to 2 years	**120,173**	181,079
Over 2 years	**24,601**	23,203
	585,287	686,508

19 BANK AND OTHER BORROWINGS

Movements in borrowings are analysed as follows:

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
At the beginning of the period/year	**528,884**	146,621
Drawdown	**161,760**	460,215
Repayments	**(45,736)**	(86,154)
Currency translation differences	**(14,884)**	8,202
At the end of the period/year	**630,024**	528,884

The interest rate of bank and other borrowings as at 30 June 2022 is 0% to 4.75% (31 December 2021: 0% to 4.75%).

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's and subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2022, none of the covenants relating to drawn down facilities had been breached (31 December 2021: Nil).

20 PLEDGE OF ASSETS

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Bank deposits		
Pledged for credit facilities granted by suppliers to the Group's certain subsidiaries	**9,545**	9,967
Buildings		
Pledged for credit facilities granted by suppliers to the Group's certain subsidiaries	**745,903**	744,704
	755,448	754,671

21 CONTINGENT LIABILITIES

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

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Performance bond given to a customer for due performance of a sales contract	**300**	300

22 COMMITMENTS

At 30 June 2022, the Group had the following significant capital commitments:

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Property project, land and buildings: Contracted, but not provided for	**1,302,159**	879,265
Plant and equipment and motor vehicles: Contracted, but not provided for	**56,576**	16,900
Scenic spots: Contracted, but not provided for	**440,442**	355,013
Unpaid capital contribution to subsidiaries: Contracted, but not provided for	**118,549**	124,000
Unpaid capital contribution to a joint venture: Contracted, but not provided for	**35,361**	35,139

23 RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

	Note	Six months ended 30 June **2022** HK$'000 (unaudited)	2021 HK$'000 (unaudited)
Travel-related income from	(a)		
– immediate holding company#*		**27,283**	609
– fellow subsidiaries*		**2,021**	623
– associates		**–**	7,356
Hotel-related income from	(a)		
– immediate holding company		**–**	229
– fellow subsidiaries		**14**	516
Management income from	(b)		
– fellow subsidiaries*		**36,172**	32,499
Rental income from	(c)		
– immediate holding company*		**1,278**	1,518
– fellow subsidiaries*		**7,498**	423
– a non-controlling shareholder		**1,266**	3,166
– a related party		**929**	768
Interest income from loan to			
– fellow subsidiaries		**6,664**	7,751
Interest income from deposit placed to			
– fellow subsidiaries		**13,455**	11,660
Travel-related expenses paid to	(a)		
– fellow subsidiaries*		**(1,764)**	(6,818)
– associates		**(762)**	–
Management expenses paid to	(b)		
– fellow subsidiaries*		**(1,725)**	(475)

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

	Note	Six months ended 30 June 2022 HK$'000 (unaudited)	2021 HK$'000 (unaudited)
Related interest expense (lease liabilities):	(d)		
– immediate holding company*		**(71)**	(37)
– fellow subsidiaries*		**(33)**	(29)
– other related parties		**(4,167)**	(4,492)
Amount of rent payable per month:	(d)		
– immediate holding company*		**(416)**	(143)
– fellow subsidiaries*		**(128)**	(64)
– other related parties		**(1,782)**	(1,586)
Other operating expenses paid to			
– a related party		**(12,251)**	(11,046)

	Note	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Lease Liabilities due to:	(d)		
– immediate holding company*		**6,047**	1,428
– fellow subsidiaries*		**2,879**	1,502
– other related parties		**171,785**	174,337

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

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

Notes:

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

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

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

(d) The outstanding balances arising from the leasing agreement with the immediate holding company, fellow subsidiaries and other related parties are included in "lease liabilities".

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

(i) On 26 May 2017, China National Travel Service Group Corporation ("China CTS"), as lender, entered into a loan agreement with CTS (Ningxia) Shapotou Tourist Spot Co., Ltd ("Shapotou"), as borrower, for a term of three years commencing from 26 May 2017 and with repayable on demand clause, pursuant to which China CTS has agreed to provide a loan of RMB30,000,000 to Shapotou. On 26 May 2020, the Company entered into an extension agreement with China CTS to extend the loan maturity date to 25 May 2023. The interest rate shall be the fixed rate 1.2% per annum. As at 30 June 2022, the arrangement remained effective with RMB30,000,000 withdrawn (31 December 2021: RMB30,000,000).

(ii) On 24 May 2017, China CTS, as lender, entered into a loan agreement with CTS (Anji) Tourism Development Company Limited ("Anji"), as borrower, for a term of three years commencing from 24 May 2017 and with repayable on demand clause, pursuant to which China CTS has agreed to provide a loan of RMB39,000,000 to Anji. On 24 May 2020, China CTS and Anji renewed the loan agreement for a term commencing from 24 May 2020 and expiring on 23 May 2023. The interest rate of the loan made under the loan agreement shall be the fixed rate 1.2% per annum. As at 30 June 2022, the arrangement remained effective with RMB39,000,000 withdrawn (31 December 2021: RMB39,000,000).

(iii) On 8 November 2018, the Company and China National Travel Service (HK) Finance Company Limited ("CTS Finance") entered into a financial services framework agreement in respect of the provision of (i) deposit services, (ii) the comprehensive credit line services, (iii) the entrustment loan services; and (iv) the cross-border RMB cash pooling services by CTS Finance for a term commenced from 1 January 2019 and ending on 31 December 2021. On 16 November 2021, the Company entered into an extension agreement with CTS Finance to extend the terms of such services for a term of three years commencing from 1 January 2022 and ending on 31 December 2024. As at 30 June 2022, the related deposit balance was RMB844,435,290 (31 December 2021: RMB986,845,331). These transactions also constitute continuing connected transactions as defined under Listing Rules.

(iv) On 2 August 2019, CTS (Shenzhen) Travel Management Company Limited ("CTS (Shenzhen)"), as lender, entered into a loan agreement with Hong Kong China Travel Service Investment (China) Limited ("CTS (China) Investment"), as borrower, for a term of three years commencing from 2 August 2019 and ending on 1 August 2022, pursuant to which CTS (Shenzhen) has agreed to provide a loan of RMB 210,000,000 to CTS (China) Investment. The interest rate shall be the fixed rate 5.225% per annum. On 2 August 2022, CTS (Shenzhen) entered into an extension agreement with CTS (China) Investment to extend the loan maturity date to 1 August 2023. The interest rate shall be revised at the fixed rate of 4.35% per annum. As 30 June 2022, the arrangement remained effective with RMB210,000,000 withdrawn (31 December 2021: RMB210,000,000).

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

(v) On 5 January 2022, China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)"), as lender, entered into a loan agreement with China Travel Service Property Investment Hong Kong Limited ("CTSPI"), as borrower, for a term of one year commencing from 5 January 2022 and ended on 5 January 2023, pursuant to which CTS (Holdings) has agreed to provide a loan of RMB400,000,000 to CTSPI. The interest rate shall be the fixed rate of 3.59% per annum. As at 30 June 2022, the arrangement remained effective with RMB400,000,000 withdrawn (31 December 2021: RMBNil).

24 ASSETS HELD FOR SALE

On 22 February 2022 and 30 June 2022, Universal Entertainment, LLC, an indirect non-wholly owned subsidiary of the Company, entered into agreements to sell its certain investment properties, for an aggregate consideration of USD2,940,000. As at 30 June 2022, these transactions were not completed and would therefore be classified as assets held for sale.

25 SUBSEQUENT EVENT

On 29 June 2022, CTSPI, an indirect wholly owned subsidiary of the Company, entered into the subscription agreement with CTS (Holdings), pursuant to which, CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, 1,075 new ordinary shares at the subscription price of RMB400,000,000. Upon the completion, the equity interest in CTSPI will be held as to 90.29% indirectly by the Company and as to 9.71% will be held by CTS (Holdings). CTSPI will remain a non-wholly owned subsidiary of the Company. As at the date of this report, this transaction had not completed.

RESULTS OVERVIEW

The international environment remained complex and volatile during the first half of 2022. The development of the coronavirus diseases in Hong Kong and the PRC affected the Group adversely. In view of the outbreak of fifth wave of pandemic in Hong Kong, the Hong Kong Government imposed tighten measures for a two months period from February to April 2022 and ongoing cross-border travel restrictions, all of which hit the local economy. Further, some first-tier cities were locked down by the PRC Government. Despite the challenging business environment, the Group made timely adjustments to its strategies to enhance competitiveness, and proactively seized the market opportunities arising from the gradual relaxation of pandemic control measures and the implementation of the Consumption Voucher Scheme by the Hong Kong Government during the second quarter of the year.

In the first half of 2022, the Group's consolidated revenue was HK$885 million, representing a decrease of 14% compared with the corresponding period of last year. Loss before taxation was HK$466 million, representing an increase of 233% compared with the corresponding period of last year. Loss attributable to shareholders was HK$285 million, while profit attributable to shareholders amounted to HK$5.22 million in the corresponding period of last year. Loss attributable to operation was HK$266 million, representing an increase of 6% compared with the corresponding period of last year. The turnaround from profit to loss for the six months ended 30 June 2022 was mainly attributable to (i) a non-recurring gain of approximately HK$216 million from the completion of disposal of travel agency business was recorded for the six months ended 30 June 2021; and (ii) the outbreak of the fifth wave of the COVID-19 pandemic since January 2022, which negatively impacted the financial performance of the Group's business.

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 30 June 2022, total assets were HK$25,039 million, representing a decrease of 3% compared with the end of last year. Equity attributable to shareholders was HK$16,619 million, representing a 4% decrease compared with the end of last year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,054 million, representing a decrease of 9% compared with the end of last year, where cash and bank balances amounted to HK$2,799 million. Deducting HK$1,178 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK$1,621 million, representing a decrease of 34% compared with the end of last year.

DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2022.

BUSINESS REVIEW

(I) Tourist attractions and related operations

The tourist attractions and related operations of the Group comprise:

1. Theme parks: Shenzhen The World Miniature Co., Ltd. ("**Window of the World**") and Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**");

2. Natural and cultural scenic spots: CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd. ("**Shapotou Scenic Spot**"), Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd. ("**Xiufeng Scenic Spot**"), Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**"), CTS Guangxi Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**"), CTS Luzhou Laojiao Culture Tourism Development Company Limited ("**Luzhou Laojiao Scenic Spot**"), CTS Lugu Lake (Lijiang) Tourism Development Co., Ltd. ("**Lugu Lake Scenic Spot Company**"), CTS Xinjiang Tourism Operation Management Co., Ltd. ("**CTS Xinjiang**"), CTS Bairui Xinjiang Tourism Development Co., Ltd. ("**Xinjiang Bairui**");

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

3. Leisure resorts: China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd. ("**Zhuhai OSR**"), CTS (Xianyang) Ocean Spring Resort Co., Ltd. ("**Xianyang OSR**"), Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("**Evergrande OSR**") and CTS (Anji) Tourism Development Company Limited ("**Anji Company**"); and

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

The COVID-19 pandemic has widely impacted various industries and to an extent bring on challenge to the national economy. As a non-necessity demand, the impact on tourism was even greater during the economic downturn. Major enterprises' business meetings or travel budgets have been reduced, resulting in a reduction of industry supply prices. In the first half of 2022, the Group's total revenue from tourist attractions and related operations was HK$583 million, representing a decrease of 19% compared with the corresponding period of last year. Attributable loss was HK$69 million, representing an increase of 168% compared with the corresponding period of last year.

Theme parks

In the first half of 2022, "Firework Dance", a popular show among local tourists at Window of the World, was suspended due to the need for pandemic prevention and control. Numbers of foreign tourists, who comprised the majority of the theme park's original source market, dropped significantly. Meanwhile, due to the complex and volatile pandemic situation in Shenzhen and surrounding markets, the theme park's revenue in the first half of the year fell to HK$103 million, representing a decrease of 52% compared with the corresponding period of last year. Attributable loss was HK$43 million, representing an increase of 964% compared with the corresponding period of last year.

Construction of the "Hanging Garden" project at Window of the World has been continuing, with completion targeted in December 2022. The theme park has also been advancing the preliminary exchange of views and project design of the new "Ice World Wonderland for Kids", "Ground Railcars" and "Flying Elephant" projects. With the Summer Songkran Festival, Splendid China continued to strengthen the development of OTA channels. Window of the World and Splendid China will continue to strengthen market development and exploration, product enrichment, quality improvement and capacity expansion.

Natural and cultural scenic spots

Due to the pandemic, revenue from natural and cultural scenic spots amounted to HK$70 million in the first half of the year, representing a decrease of 78% compared with the corresponding period of last year. Attributable loss amounted to HK$70 million, while attributable profit for the corresponding period of last year was HK$15 million.

During the first half of the year, Shapotou Scenic Spot experienced a continuous impact from the pandemic, resulting in a significant decrease in tourist numbers. Revenue decreased by 77% year-on-year, and loss increased. Shapotou Scenic Spot adhered to normalised pandemic prevention, continuously strengthened project construction, marketing and service quality improvements, etc. It will advance the implementation and operation of the "Desert Legend phase I" project, and accelerate the construction of Shapotou international tourism and holiday destinations. Desert Star Hotel won the "Best

Resort Hotel" and "Best Theme Hotel" awards at the 13th Annual GBE Luxury Hotels & Resort Forum in Shanghai. Affected by pandemic prevention and control measures in border cities, Detian Scenic Spot's revenue decreased by 94% compared with the corresponding period of last year and turned from profit to loss. As for Huashan Scenic Spot, the travel agents could not organise tour groups to the border areas due to pandemic prevention and control policy. As a result, the flow of tourists visiting the scenic spot failed to rebound rapidly after the resumption of cross-provincial tourism. Revenue decreased by 95% compared with the corresponding period of last year. Huashan Scenic Spot will seize on summertime to generate revenue, carry out "Naadam on the Grassland project" to attract tourists, and strive for break-even this year. Xiufeng Scenic Spot recorded a significant increase in both revenue and profit as it strengthened cooperation with travel agents to increase the flow of group tours. Luzhou Laojiao Scenic Spot upgraded and transformed Laojiaochi Scenic Spot with a focus on developing wine culture tourism. Revenue from Luzhou Laojiao Scenic Spot was HK$36 million, representing a decrease of 64% compared with the corresponding period of last year. This revenue made a significant contribution to the Group's revenue from natural and cultural scenic spots. Luzhou Laojiao Scenic Spot continued to advance the "Zhangba phase I project", which is planned to go into operation in the second half of the year. Established in May of last year, CTS Xinjiang was engaged in the operation and management of tourist destination projects in Xinjiang region and the creation and operation of modern resort experience products and services. CTS Xinjiang recorded a slight loss. In the first half of the year, the Company, through its wholly-owned subsidiary, completed an injection of RMB92 million into the registered capital of Xinjiang Bairui. Subsequently the Company indirectly held 61.33% of the equity interest of Xinjiang Bairui. The projects and locations that Xinjiang Bairui selected for the tourism and holiday projects in Xinjiang are forward-looking. In terms of locations, it focuses on 5A and 4A scenic spots in Xinjiang and scarce core areas of major tourist destinations. It will also proceed with the construction and transformation of "Xinjiang Tianshan corridor boutique accommodation", which is expected to go into operation in the first half of 2023. During this period, Xinjiang Bairui recorded a modest revenue contribution. Affected by the pandemic in Shanghai, New Century Senbo, an associate of the Company, recorded an attributable loss of HK$16 million. However, as the pandemic situation improved, monthly revenue increased significantly in July and a net profit was recorded for the month.

Leisure resorts

Revenue from leisure resorts was HK$392 million, representing an increase of 147% compared with the corresponding period of last year. This was mainly attributable to property sales income of approximately HK$298 million in aggregate recorded by Xianyang OSR, Zhuhai OSR and Anji Company. Attributable profit was HK$32 million, while the attributable loss was HK$31 million for the corresponding period of last year. The attributable profit was mainly due to the shared profits of approximately HK$51 million recognised from real estate projects by the associate Evergrande OSR.

Zhuhai OSR recorded a revenue of HK$91 million, representing an increase of 37% compared with the corresponding period of last year. The increase in revenue was mainly due to revenue of approximately HK$49 million from real estate projects. Zhuhai OSR will launch the "Ancient China Town" project which will integrate tourism, culture, commerce, community and nature into a cultural/business/leisure "micro-vacation and downshifting" destination. Xianyang OSR's revenue increased by 420% compared with the corresponding period of last year and achieved a turnaround from loss to profit, which was mainly attributable to the revenue of approximately HK$203 million from real estate projects. Xianyang OSR will strengthen its marketing and promotion, product innovation, channel development and business development with an aim of increasing revenue. Evergrande OSR, an associate, contributed a real estate profit of approximately HK$51 million. Revenue for the Anji Company increased by 41% compared with the corresponding period of last year, which was mainly attributable to a revenue of approximately HK$45 million recorded from real estate projects. Anji Company intends to focus on the individual market, increase the average property price to lift overall revenue, and implement staff costs controls and energy conservation.

Supplementary tourist attraction operations

Revenue from supplementary tourist attraction operations was HK$17 million, representing a decrease of 22% compared with the corresponding period of last year. These operations recorded a turnaround from loss to profit and generated an attributable profit of HK$4 million.

Heaven Creation Company was engaged in scenic spot construction, creative planning, performing arts and management businesses. As the main audience of its repertoire comprises tourists from Europe and America, where the pandemic was not effectively controlled, residence performance has come to a complete halt, resulting in decreased revenue. China Travel Zhiye was engaged in providing tourism planning services, which recorded a modest increase in revenue. China Travel Zhiye will increase its efforts to widen its marketing channels and expand its market. CTS Scenery's management and consulting services recorded a year-on-year decrease of 27% in revenue. It will strengthen collaboration in product research and development, project promotion and implementation.

(II) Travel Document and Related Operations

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

As border restriction between Hong Kong and the Mainland has not been lifted, the business volume of the travel document business has yet to rebound. The Group completed the disposal of travel business in May 2021 and recorded a gain of approximately HK$216 million. In the first half of 2022, revenue decreased as no revenue was recorded from the travel agency operation. In the first half of 2022, the Group's revenue from travel document and related operations was HK$40 million, representing a decrease of 34% compared with the corresponding period of last year. Attributable loss was HK$7 million, representing a decrease of 82% compared with the corresponding period of last year.

(III) Hotel Operations

The Group's hotel operations comprise:

1. Five hotels in Hong Kong and Macau;

2. Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**"); and

3. CTS H.K. Metropark Hotels Management Company Limited.

In the first half of 2022, revenue from the Group's hotel operations was HK$223 million, representing an increase of 9% compared with the corresponding period of last year. The hotel operations recorded a profit of HK$6 million, making a turnaround from loss to profit. Metropark Hotel Causeway Bay recorded a profit with steady revenue. Metropark Hotel Kowloon recorded a revenue growth and generated a profit after being designated by the government in 2020 as a quarantine hotel to host overseas returnees in Hong Kong. Metropark Hotel Causeway Bay and Metropark Hotel Kowloon gave impetus to the year-on-year growth in revenue of the hotel operations. Impacted by the pandemic, revenue for Beijing Metropark Hotel recorded a year-on-year decrease of 19%. Some of the hotels offered discounts and promotions and strengthened their cost controls to mitigate the negative impact of the pandemic.

(IV) Passenger Transportation Operations

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

The Group's cross-border bus and passenger ferry services have been suspended due to the ongoing impact of COVID-19 pandemic, causing serious setbacks to passenger transportation operations. At present, the bus business comprises the mainstream income of Shun Tak-China Travel. In the first half of 2022, revenue from passenger transportation operations was HK$26 million, representing a decrease of 38% compared with the corresponding period of last year. Attributable loss was HK$100 million, representing a decrease of 18% compared with the corresponding period of last year.

The Company alleviated the negative impact of suspension of the principal operation of passenger transportation operations by proactively expanding businesses such as cultural media and cross-border shopping malls whilst increasing its efforts in the local charter vehicle and local green tourism businesses.

DEVELOPMENT STRATEGY

Tourist attractions and related operations

In keeping with its strategy of building a "first-class tourist destination investment and operation service provider", the Group continued to focus on creating products related to tourism, leisure and holidays. It strives to set industry benchmarks for scenery, content and experience, and is implementing a strategy of integrating development of its scenic spot and real estate businesses. The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations, expanding in the tourism consumption market, creating quality tourism and model projects, and extensively applying technology in tourism.

In the first half of the year, Window of the World strictly controlled costs, reduced the number of external performance and coordinated festivals activities with its existing resources, so as to ensure its market presence. In the future, it will adhere to the market positioning of local parent-child families. It also plans to add new products with a strong sense of experience and interaction. As for Splendid China, it will take full advantage of opportunities arising from the Summer Songkran Festival and continue to deepen cross-channel cooperation with the banking and insurance industries. Window of the World and Splendid China will emphasise transformation and development to create new products in line with market trends.

Shapotou Scenic Spot will implement differentiated development of the Desert Star Hotel as a high-end hotel. As a result, comprehensive high-, mid- and low-range products will be offered for the creation of holiday resorts catering to cultural tourism. It will continue the development of a new "scenic spot + characteristic hotel" tourism model to facilitate the transformation and upgrading of scenic spots. Desert Star Hotel won the "Best Resort Hotel" and "Best Theme Hotel" awards at the 13th Annual GBE Luxury Hotels & Resort Forum in Shanghai. On the basis of upgrading and advancing Desert Star Hotel, Shapotou Scenic Spot has completed professional designs for "Diamond Hotel" that will set a benchmark for luxury desert accommodation products. It will strive to realise the online operation of all offline businesses and the refinement of online platforms as soon as possible. Detian Scenic Spot will launch channel promotions such as "nighttime tour" and "Huashan Grassland Naadam" products to attract tourists. The company will also pay visits to important clients, and participate in tourism promotion conferences in Guiyang, Chongqing, Chengdu and other southwest market locations to boost tourist flow to the scenic spot. Xiufeng Scenic Spot will further improve the maintenance of cable equipment in compliance with national cable inspection centre requirements and to ensure safe production. Luzhou Laojiao Scenic Spot has entered into a joint operation agreement with Sichuan Fuyang Cultural Tourism Development Co., Ltd., pursuant to which the parties will integrate advantageous regional resources to explore in-depth cooperation and high-quality development of "wine tourism integration" on the basis of the two core resources of "Fawang Temple Longgua Mountain Scenic Spot" and "Luzhou Laojiao". They will also gradually develop an exclusive cultural tourism business model for Laojiao in the scenic spot, jointly explore the scenic spot's tourism and market development strategies, jointly plan and promote the scenic spot's boutique tourism route, and create a classic wine tourism brand and exclusive wine products for the scenic spot. Lugu Lake Scenic Spot has begun the construction of a "Lugu Lake Boutique Resort Hotel" with opening scheduled for January 2024. It is providing the project with comprehensive support in terms of resource acquisition and integration, product creation, service improvement and marketing support, to help improve the project's overall operational capacity within the "spot investment + flow integration + overall operation" business model.

Zhuhai OSR continues to transform and upgrade its existing products and develop a new real estate business with a view to enriching the "Ocean Spring" brand portfolio with differentiated products. To this end, it will utilise the complementary effect between the travel and real estate industries to increase the number of products and explore the cultural characteristics of OSR. It will continue to push forward the transformation of the Neptune Hotel in the second half of the year, aiming for an opening at the end of the year. It will also strengthen channel expansion, gradually conduct Tiktok live broadcasts on a regular basis, and continue to develop the market in-depth in Guangzhou. It will expand into markets outside the province as the pandemic situation permits, enter into contracts for airshow/charter rooms, and expand the customer resource pool. Xianyang OSR's "Ocean Spring Baby Amusement Park" opened at the end of July and is being promoted through all channels. Anji Company will push forward the "parent-child farm" project with the theme of "animal friendly + natural art", which is intended to open in May next year. CTS City's "CTS Investment Building" project is at the initial stage of main construction, and development work is proceeding in an orderly fashion.

Passenger Transportation Operations

The passenger bus business will seek opportunities for the acquisition of a cross-border passenger transportation company to solve the development bottleneck of cross-border traffic and shortage of quota in Shenzhen Bay, and to build a Guangdong-Hong Kong-Macao Greater Bay Area cross-border passenger transportation platform. For the passenger vessel business, the Company will continue to implement effective cost management and control, dispose of inefficient assets and low yielding routes, improve operating efficiency and the return of individual vessels, for the purpose of increasing its share of the cross-border marine transportation market.

International fuel prices are expected to remain at a high level in 2022, and in the second half of 2022, the financial performance of passenger transportation operations will face many challenges and uncertainties. Looking forward, the resumption of "quarantine-free" travel between China, Hong Kong and Macao is the most crucial factor in getting the Group's passenger transportation operations back on track. Recent developments such as steadily improving first- and second-dose COVID-19 vaccination rates, the implementation of a vaccine pass and introduction of the "Hong Kong Health Code" system, will facilitate the Hong Kong Government as it renegotiates quarantine-free travel arrangements with Mainland and Macao authorities.

Hong Kong and Overseas Business Development

The Group continues to develop new business and new growth engines by strategically acquiring quality scenic spots, and exploring new breakthroughs to expand into overseas markets. In October last year, the Company entered into a sales and purchase agreement with Ceylon Hotels Maldives (Pvt) Ltd., pursuant to which the Company has agreed to acquire from the latter its 50% shareholding interest in Handhuvaru Ocean Holidays Private Company ("**Handhuvaru Company**") (the remaining 50% equity interest in Handhuvaru Company is held by Zhen Hua Engineering Company Limited), which holds a leasehold interest in Ambara Island in the Maldives, at a consideration of US$4,493,663. Upon completion of the acquisition, the Company and Zhen Hua Engineering Company Limited will reach an agreement to cooperate on developing a mid- to high-end resort of approximately 100 rooms on Ambara Island. Maldives is a renowned tourist destination that, prior to the COVID-19 pandemic, benefitted from growing demand and rising spending among Asian tourists, and especially those from China. Ambara Island is located in Vaavu Atoll with relatively convenient transportation, rich tourism resources and high development potential. The Company considers that the acquisition will strongly complement its business development at a strategic level. For details, please refer to the Company's announcement dated 15 October 2021. The acquisition has been completed on 31 August 2022.

The Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. The conversion of the Group-owned Hip Kee Godown (No. 3) land parcel in Hung Hom to hotel use has been approved by the government and has significantly increased the land's value and development potential. Demolition of Hip Kee Godown (No. 3) was completed in 2020. In December 2021, China Travel Service Property Investment Hong Kong Limited ("**CTSPI**"), a wholly-owned subsidiary of the Company, entered into a construction contract with a contractor to carry out the construction of a 28-storey business boutique hotel and complementary facilities on the land parcel, which is expected to be completed by 3 November 2023 ("**Hung Hom Hotel Project**"). Taking into account the location, rail transit system and sea view resources of the proposed development, the new hotel will be positioned at the medium-to-high end market, and will be capable of commanding a higher revenue and reaching a wider business and leisure customer base, all of which is in line with the Group's business development strategies. For details, please refer to the Company's announcement dated 24 December 2021. On 29 June 2022, CTSPI and CTS (Holdings) entered into a subscription agreement, pursuant to which CTSPI conditionally agreed to allot and issue 1,075 new ordinary shares to CTS (Holdings) at RMB400 million. Upon completion of the transaction, CTSPI will be held as to 90.29% indirectly by the Company and as to 9.71% directly by CTS (Holdings). CTSPI will remain as a non-wholly owned subsidiary of the Company. The Hung Hom Hotel Project requires a considerable amount of capital expenditure, and the subscription agreement will strengthen the capital base of CTSPI such that it will be in a better position to meet capital requirements for future business development. For details, please refer to the Company's announcement dated 29 June 2022. As of the date of this report, the transaction has not been completed.

Digital Transformation

The State Council of the PRC has announced a development plan for the travel industry during the 14th Five-Year Plan period, emphasizing the importance of promoting smart tourism with digital and intelligent scenarios, as well as expanding the application of new technologies in tourism. The Company has accordingly formulated a digital transformation development plan. Through digital transformation, the Company will improve its online business and customer service, strengthen internal-external business coordination, promote cross-industry cooperation, create a convenient service platform with a rich product palette and an excellent consumer experience for customers, and promote the deep integration of digital technology into business and management models. The Group has established digital platforms in 15 scenic spots and launched 16 WeChat Mini Programs. It has also kickstarted platform operations in 11 scenic spots, and helped these spots to attract visitors and drive development through internal-external cooperation. In the first half of the year, sales of Shapotou Scenic Spot, Splendid China, Window of the World and Detian Scenic Spot digital collectibles were completed, realising a new attempt to develop a CTS metaverse. In the second half of the year, the Company will focus on user experience, strengthen platform construction and continuous upgrading, form destination habitations around digital boutique projects such as Shapotou Scenic Spot and Lugu Lake Scenic Spot, and enrich the content experience with innovative technology. From a basis of traffic integration, the Company will carry out the membership refined operation, develop a rich and distinctive membership interest system, build a community operation service system with strong social attributes, and advance the transformation of private traffic and continuous consumption.

Internal Management

While making an effort to achieve performance targets through routine operation and management, the Company will pursue a new level of development by strengthening its core competitiveness in product, digital and operating capabilities. The Company will maintain its corporate operations' development lifeline by continuing its safety and pandemic prevention efforts through supervision, inspection, training, improvement and normalised pandemic prevention to ensure its overall stability.

The Company will continue to strengthen the functional capacities of its headquarters, recruit high-calibre talent, advance its control and business synergies, improve existing rules and systems, optimise workflows and strengthen its production safety mechanisms to ensure sustainable development.

PROSPECTS

The COVID-19 pandemic heavily impacted the global tourism industry. However, despite waves of more transmissible new variants, an increased global vaccination rate has enabled many countries in Asia, the Middle East, North Africa and the United States to relax or lift pandemic prevention restrictions. With the help of digital as well as online and offline elements, many countries' economies are expected to gradually recover. According to the latest research from the World Travel & Tourism Council, the global travel and tourism sector's contribution to the global economy could reach US$8.6 trillion in 2022 (before the pandemic in 2019: approximately US$9.2 trillion) if global vaccination continues at a steady pace and restrictions to international travel are eased during the year.

China's economy has been growing steadily. In 2021, national GDP increased by 8.1% year-on-year. According to data from the National Bureau of Statistics of China, in the first half of 2022, China's GDP increased by 2.5% year-on-year to RMB56.3 trillion. In February 2022, the National Development and Reform Commission of China promulgated guidelines for assisting the recovery of service-related industries, including tourism, and a number of supporting measures to aid the recovery of China's tourism industry. In May 2022, the State Council of China issued the "Policy Package to Stabilize the Economy", which proposed 33 detailed measures covering aspects including fiscal, monetary and financial policy, as well as policies on investment stabilisation and consumption promotion, food and energy security, stabilisation of industrial chains and supply chains, and people's basic livelihoods. These aimed to stabilise the economy in the second quarter, lay a sound foundation for development in the second half of the year, and maintain the operation of the economy within a reasonable range. Since 2022, in response to the COVID-19 pandemic's adverse impact, the Chinese Government has intensified macro policy adjustment, implementing a package of policies and measures to control the rebound of the pandemic in the second quarter, stabilise the economy, and maintain overall social stability.

Although the world is gradually emerging from the dark cloud of the pandemic, the financial market may continue to fluctuate because the geopolitical tension is intensifying, with the Russia-Ukraine conflict leading the United States and Europe to impose sanctions on Russia. Following the interest rate hike in mid-March by the Federal Reserve of the United States, substantial rate increases are expected in the next few months, resulting in increased uncertainty in global economic development. According to the World Economic Outlook survey by the International Monetary Fund in April 2022, global economic growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. According to World Bank predictions, global economic growth is expected to slow sharply to 4.1% in 2022, from 5.5% in 2021, and may drop further to 3.2% in 2023 due to new threats from COVID-19 variants, elevated inflation, record debt levels and rising income inequality which are expected to jeopardise the economic recovery. In addition, the Chinese Government's work report stated that the expected target of China's economic growth in 2022 is about 5.5%.

The entry restrictions, visa suspensions or quota limitations and quarantine measures imposed by various governments, together with the low sentiment for leisure travel, will continue to have significant adverse impact on the Group's operational and financial performance. Its future business performance primarily depends on the course of the COVID-19 pandemic, the timing of reopening of borders and easing of restrictions on cross-boundary/border travel as well as anti-epidemic measures at travel destinations operated by the Group.

Amid the pressure created by the pandemic, the Group remained resilient with its solid foundation and quality assets. With determination and quick adaptation to the rapidly changing business environment, the Group secured adequate cashflow and achieved steady development of its business during the period.

The Company remains cautious about development prospects and will continue to monitor the COVID-19 situation while evaluating the potential risks and impact on the Group's finances and operations. The Group's overall business remains fundamentally stable and sound, with abundant funds, and great capability and capacity for investment and development. The Company will continue to strive to achieve sustainable growth and better returns for shareholders by pursuing potential long-term development opportunities and seizing strategic investments.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2022, the Group had 6,484 employees. Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group continues to be strong. The Group generally finances its operations with internally generated cash flows and loan facilities from banks. As of 30 June 2022, the Group's cash and bank balances amounted to HK$2,799 million, whereas the bank and other borrowings and loans from the holding company amounted to HK$1,178 million. The debt-to-capital ratio was 32%. The debt includes bank and other borrowings, trade payables, other payables and accruals loans from holding companies, and amounts due to holding companies and fellow subsidiaries.

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As of 30 June 2022, the Group's bank deposits of approximately HK$10 million (31 December 2021: HK$10 million) were pledged to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries, and certain bank guarantees given in lieu of utility and rental deposits.

As of 30 June 2022, certain of the Group's buildings with net carrying amounts of HK$746 million (31 December 2021: HK$745 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the "MANAGEMENT DISCUSSION AND ANALYSIS" section above, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures for the reporting period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the period, the Group did not make future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As of 30 June 2022, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2021: HK$0.3 million).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2022, 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 the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

	Interests in shares			Interests in underlying		% of the issued share capital
Name of Director	Corporate interest	Personal interest	Family interest	shares pursuant to share options	Aggregate interests	as at 30 June 2022
Mr. Lo Sui On	–	600,000	–	–	600,000	0.01%
Mr. Tang Yong	–	12,000	–	–	12,000	0.00%
Mr. Wu Qiang	–	600,000	–	–	600,000	0.01%

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

On 4 May 2012, the Company has passed the resolutions in a shareholders' meeting for the termination of the share option scheme adopted on 3 June 2002 and the adoption of a new share option scheme (the "**2012 Share Option Scheme**") for a period of 10 years for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The 2012 Share Option Scheme has expired on 3 May 2022 and no share option may be granted thereafter.

The 2012 Share Option Scheme

The Company has granted 169,840,000 share options in 2016 under the 2012 Share Option Scheme, and all the share options granted and yet to be exercised have lapsed during the year ended 31 December 2020. No share options were granted during the six months ended 30 June 2022 and no share options were outstanding as at 1 January 2022 and 30 June 2022.

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 during its effective period 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 2022, the number of shares of the Company available for issue in respect thereof was nil.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022
China CTS	Interest of controlled corporation *(Note 1)*	3,385,492,610	61.15%
CTS (Holdings)	Interest of controlled corporation and beneficial owner *(Note 1 and 2)*	3,385,492,610	61.15%
Hongkong New Travel Investments Ltd.	Beneficial owner *(Note 2)*	1,136,254,901	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation *(Note 2)*	1,136,254,901	20.52%

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

Note 2: Of these 3,385,492,610 shares, 2,249,237,709 shares are held directly by CTS (Holdings). 1,136,254,901 shares are held directly by Hongkong New Travel Investments Ltd., which is owned directly as to 100% by CTS Asset Management (I) Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as aforesaid, as at 30 June 2022, 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. Pursuant to the terms of the facility agreement, the Company undertook to the bank, inter alia, that (i) CTS (Holdings), the controlling shareholder of the Company, shall remain as the ultimate single largest shareholder of the Company with ownership not less than 40% in the Company and maintain management control of the Company; and (ii) CTS (Holdings) shall remain to be under the direct or indirect management and 100% ownership of the State Council of the PRC.

On 11 September 2019, the Company, as borrower, entered into a facility agreement with a bank for an uncommitted revolving loan up to an aggregate amount of HK$1,000,000,000. The bank may at any time without prior notice modify, cancel or suspend the facility(ies) at its sole discretion including, without limitation, canceling any unutilized facilities, and declaring any outstanding amount to be immediately due and payable. On 21 September 2021, the bank adjusted the aggregate amount of the uncommitted revolving loan under the facility agreement from HK$1,000,000,000 to HK$500,000,000. Pursuant to the terms of the facility agreement, the Company undertook with the bank, inter alia, that (i) CTS (Holdings) shall hold, directly or indirectly, more than 40% of the issued share capital of the Company and maintain as a single largest beneficial shareholder of the Company; and (ii) CTS (Holdings) shall be wholly-owned, indirectly or directly, by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("**SASAC**") and is under the direct or indirect management control by SASAC.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2021 Annual Report are set out below:

Name of Director	Changes
Chen Xianjun	– Appointed as a director of CTS (Shenzhen) Investment Development Limited, a subsidiary of China CTS, with effect from 19 July 2022.
	– Appointed as a director of Hong Kong China Travel Service Investment (China) Limited, a subsidiary of China CTS, effect rom 5 August 2022.
Wu Qiang	– Resigned as a director of Well Done Enterprises Inc., a subsidiary of the Company, with effect from 4 April 2022.
	– Resigned as a director of Hotel Metropole Holdings Ltd., a subsidiary of the Company, with effect from 4 April 2022.
	– Resigned as a director of Metrocity Hotel Limited, a subsidiary of the Company, with effect from 4 April 2022.
	– Resigned as a director of Glading Development Limited, a subsidiary of the Company, with effect from 4 April 2022.
	– Resigned as a director of CTG Investment Management Corporation Limited, a subsidiary of CTS (Holdings), with effect from 4 April 2022.
	– Resigned as a director of Mutual Great (Hong Kong) Limited, a subsidiary of the Company, with effect from 4 April 2022.

Name of Director	Changes
Tang Yong	– Appointed as a director of Well Done Enterprises Inc., a subsidiary of the Company, with effect from 4 April 2022. – Appointed as a director of Hotel Metropole Holdings Ltd., a subsidiary of the Company, with effect from 4 April 2022. – Appointed as a director of Metrocity Hotel Limited, a subsidiary of the Company, with effect from 4 April 2022. – Appointed as a director of Glading Development Limited, a subsidiary of the Company, with effect from 4 April 2022. – Appointed as a director of CTG Investment Management Corporation Limited, a subsidiary of CTS (Holdings), with effect from 4 April 2022. – Resigned as a director of Hong Kong China Travel Service Investment (China) Limited, a subsidiary of the China CTS, with effect from 5 August 2022.

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2022, the Company has adopted and 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 C.3.3 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lo Sui On, Mr. Fan Dongsheng (resigned with effect from 20 January 2022), Mr. Wu Qiang (after his re-designation to a non-executive Director and resignation as the general manager of the Company on 20 January 2022) and Mr. Tsang Wai Hung. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association. 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.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

DIVIDENDS

The Board does not recommend the payment of an interim dividend (2021: Nil) for the six months ended 30 June 2022.

REVIEW OF INTERIM FINANCIAL REPORT

The unaudited condensed interim financial report of the Group for the six months ended 30 June 2022 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial report for the six months ended 30 June 2022 is unaudited, but have been reviewed by the Company's external auditor, 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.

By order of the Board

Jiang Hong
Chairman

Hong Kong, 31 August 2022