



香港中旅國際投資有限公司

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Stock Code : 308)

2023

INTERIM REPORT



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CORPORATE INFORMATION

DIRECTORS

Mr. Wu Qiang (*Chairman*)
Mr. Feng Gang (*General Manager*)
Mr. Li Pengyu
Mr. Tsang Wai Hung[#]
Mr. Tao Xiaobin[#]
Mr. Fan Zhishi[#]
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

NOMINATION COMMITTEE

Mr. Wu Qiang (*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

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

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 2023 Interim results | 30 August 2023 |
| Announcement of 2022 Final Results | 31 March 2023 |
| Announcement of 2022 Interim Results | 31 August 2022 |
| Announcement of 2021 Final Results | 30 March 2022 |

DIVIDENDS

| | |
|--------------|--------------------------------------------------|
| 2023 Interim | HK1.5 cents per share payable on 17 October 2023 |
| 2022 Final | Nil |
| 2022 Interim | Nil |
| 2021 Final | Nil |

REGISTERED OFFICE

12th Floor, CTG 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 2023)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



Ernst & Young
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Quarry Bay, Hong Kong

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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 information set out on pages 5 to 33, which comprises the condensed consolidated statement of financial position of China Travel International Investment Hong Kong Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Our report is made 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

| | Notes | Six months ended 30 June | |
|------------------------------------------------|-------|---------------------------------|---------------------------------|
| | | 2023 (Unaudited) HK\$'000 | 2022 (Unaudited) HK\$'000 |
| Revenue | 6 | 2,054,909 | 885,326 |
| Cost of sales | | (1,305,693) | (1,023,541) |
| Gross profit/(loss) | | 749,216 | (138,215) |
| Other income and gains, net | 7(a) | 48,215 | 149,312 |
| Changes in fair value of investment properties | | 29,182 | (28,279) |
| Selling and distribution costs | | (149,499) | (120,240) |
| Administrative expenses | | (392,315) | (370,254) |
| Operating profit/(loss) | 7 | 284,799 | (507,676) |
| Finance income | | 27,479 | 27,163 |
| Finance costs | | – | – |
| Finance income, net | 8 | 27,479 | 27,163 |
| Share of profits and losses of joint ventures | | (1,657) | (5,534) |
| Share of profits and losses of associates | | 31,914 | 20,385 |
| Profit/(loss) before taxation | | 342,535 | (465,662) |
| Tax (expense)/credit | 9 | (73,443) | 3,377 |
| Profit/(loss) for the period | | 269,092 | (462,285) |
| Attributable to: | | | |
| Ordinary equity owners of the Company | | 224,225 | (285,102) |
| Non-controlling interests | | 44,867 | (177,183) |
| Profit/(loss) for the period | | 269,092 | (462,285) |
| Earnings/(loss) per share (HK cents) | 11 | | |
| Basic and diluted earnings/(loss) per share | | 4.05 | (5.15) |

The notes on pages 12 to 33 form part of this interim financial information. Details of dividends payable to equity shareholders of the Company are set out in note 10.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

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

The notes on pages 12 to 33 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

| | Notes | At 30 June 2023 (Unaudited) HK\$'000 | At 31 December 2022 (Audited) HK\$'000 |
|------------------------------------------------------------|-------|-----------------------------------------------|-------------------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 9,119,550 | 9,129,646 |
| Investment properties | 13 | 2,557,699 | 2,552,662 |
| Prepaid land lease payments | | 439,327 | 418,211 |
| Goodwill | | 1,354,512 | 1,354,833 |
| Other intangible assets | | 112,734 | 112,734 |
| Interests in associates | | 1,308,428 | 1,300,529 |
| Interests in joint ventures | | 62,700 | 64,236 |
| Derivative financial instrument | 16 | 9,946 | 22,748 |
| Other financial assets | | 49,779 | 34,091 |
| Prepayments and other receivables | | 32,594 | 481,398 |
| Deferred tax assets | | 381,311 | 398,329 |
| Total non-current assets | | 15,428,580 | 15,869,417 |
| Current assets | | | |
| Inventories | | 101,087 | 199,917 |
| Properties under development | | 3,700,498 | 3,158,298 |
| Completed properties held for sale | | 533,215 | 678,345 |
| Trade receivables | 14 | 147,449 | 103,665 |
| Deposits, prepayments and other receivables | 15 | 527,725 | 390,846 |
| Loan to a fellow subsidiary | | 227,771 | 235,091 |
| Amounts due from holding companies | | 28,620 | 2,742 |
| Amounts due from fellow subsidiaries | | 316,808 | 322,947 |
| Tax recoverable | | 58 | 26 |
| Pledged time deposits | 17 | 422 | 4,057 |
| Cash and bank balances | 17 | 2,684,057 | 2,797,976 |
| Total current assets | | 8,267,710 | 7,893,910 |
| Total assets | | 23,696,290 | 23,763,327 |
| Equity attributable to equity owners of the Company | | | |
| Share capital | | 9,222,295 | 9,222,295 |
| Reserves | | 6,931,114 | 6,977,197 |
| | | 16,153,409 | 16,199,492 |
| Non-controlling interests | | 1,814,492 | 1,778,121 |
| Total equity | | 17,967,901 | 17,977,613 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

| | Notes | At 30 June 2023 (Unaudited) HK\$'000 | At 31 December 2022 (Audited) HK\$'000 |
|-------------------------------------|-------|-----------------------------------------------|-------------------------------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income | | 586,904 | 604,990 |
| Lease liabilities | | 250,818 | 219,281 |
| Bank and other borrowings | 19 | 254,111 | 210,788 |
| Deferred tax liabilities | | 641,612 | 656,643 |
| Total non-current liabilities | | 1,733,445 | 1,691,702 |
| Current liabilities | | | |
| Trade payables | 18 | 717,204 | 745,001 |
| Other payables and accruals | | 2,280,911 | 2,358,263 |
| Loans from a holding company | | 324,302 | 334,725 |
| Amounts due to holding companies | | 6,650 | 1,302 |
| Amounts due to fellow subsidiaries | | 35,237 | 34,303 |
| Lease liabilities | | 44,791 | 53,180 |
| Tax payables | | 193,782 | 123,113 |
| Bank and other borrowings | 19 | 392,067 | 444,125 |
| Total current liabilities | | 3,994,944 | 4,094,012 |
| Total liabilities | | 5,728,389 | 5,785,714 |
| Total equity and liabilities | | 23,696,290 | 23,763,327 |

The notes on pages 12 to 33 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

| | Attributable to equity owners of the Company | | | | Non-controlling interests | Total equity |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------|------------------|-------------------|---------------------------|-------------------|
| | Share capital | Other reserves | Retained profits | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| At January 2023 (Audited) | 9,222,295 | 509,628 | 6,467,569 | 16,199,492 | 1,778,121 | 17,977,613 |
| Comprehensive income | | | | | | |
| Profit for the period | - | - | 224,225 | 224,225 | 44,867 | 269,092 |
| Other comprehensive income/(loss) for the period: | | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | | |
| Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | - | 15,815 | - | 15,815 | (98) | 15,717 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange differences on translation of foreign operations, net | - | (292,932) | - | (292,932) | (32,036) | (324,968) |
| Total other comprehensive loss for the period, net of tax | - | (277,117) | - | (277,117) | (32,134) | (309,251) |
| Total comprehensive loss for the period | - | (277,117) | 224,225 | (52,892) | 12,733 | (40,159) |
| Transactions with owners | | | | | | |
| Contribution from non-controlling shareholders | | | | | 23,638 | 23,638 |
| Equity-settled share option arrangement | | 6,809 | - | 6,809 | - | 6,809 |
| Total transactions with owners for the period | - | 6,809 | - | 6,809 | 23,638 | 30,447 |
| At 30 June 2023 (unaudited) | 9,222,295 | 239,320 | 6,691,794 | 16,153,409 | 1,814,492 | 17,967,901 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

| | Attributable to equity owners of the Company | | | | Non-controlling interests | Total equity |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------|------------------|------------|---------------------------|--------------|
| | Share capital | Other reserves | Retained profits | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| At 1 January 2022 (Audited) | 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/(loss) for the period: | | | | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | | | | |
| Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | – | 1,549 | – | 1,549 | (520) | 1,029 |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange differences on translation of foreign operations, net | – | (431,464) | – | (431,464) | (41,242) | (472,706) |
| Total other comprehensive loss for the period, net of tax | – | (429,915) | – | (429,915) | (41,762) | (471,677) |
| Total comprehensive loss for the period | – | (429,915) | (285,102) | (715,017) | (218,945) | (933,962) |
| Transactions with owners | | | | | | |
| Transfer from retained profits | – | 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 (Unaudited) | 9,222,295 | 855,760 | 6,540,629 | 16,618,684 | 1,631,021 | 18,249,705 |

The notes on pages 12 to 33 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 – unaudited (Expressed in Hong Kong dollars)

| | Six months ended 30 June | |
|------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2023 (Unaudited) HK\$'000 | 2022 (Unaudited) HK\$'000 |
| Cash flows from operating activities | | |
| Cash flows from/(used in) operations | 648,967 | (306,752) |
| Income tax paid | (106,458) | (58,137) |
| Net cash flows from/(used in) operating activities | 542,509 | (364,889) |
| Cash flows from investing activities | | |
| Acquisition of a subsidiary, net of cash | – | 46,639 |
| Proceeds from disposal of property, plant and equipment | 20,000 | – |
| Finance income received | 27,479 | 26,798 |
| Purchases of property, plant and equipment and prepaid land lease payments | (571,728) | (388,522) |
| Decrease in time deposits with original maturity of more than three months when acquired | 102,643 | 8,314 |
| Net cash flows used in investing activities | (419,822) | (306,771) |
| Cash flows from financing activities | | |
| Finance cost paid | (28,310) | (9,017) |
| Capital element of lease rentals paid | (34,510) | (26,517) |
| Interest element of lease rentals paid | (7,287) | (5,147) |
| Dividends paid to non-controlling shareholders | – | (2,894) |
| Proceeds of new bank and other borrowings | 92,353 | 161,760 |
| Repayment of bank and other borrowings | (90,667) | (45,736) |
| Contribution from non-controlling shareholders | 23,638 | – |
| Advance from a holding company | – | 489,237 |
| Decrease in pledged time deposits | 3,650 | – |
| Net cash flows from/(used in) financing activities | (41,148) | 561,686 |
| Net increase/(decrease) in cash and cash equivalents | 79,770 | (109,974) |
| Cash and cash equivalents at 1 January | 2,415,457 | 3,061,548 |
| Effect of foreign exchange rate changes, net | (82,828) | (156,499) |
| Cash and cash equivalents at 30 June | 2,412,399 | 2,795,075 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 2,684,057 | 2,799,402 |
| Deposits with maturity of more than three months | (271,658) | (4,327) |
| Cash and cash equivalents | 2,412,399 | 2,795,075 |

The notes on pages 12 to 33 form part of this interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2022 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's predecessor auditor has reported on the financial statements for the year ended 31 December 2022. The auditor's report was unqualified; did not include a reference to any matters to which the predecessor auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- (b) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

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

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

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of an interim financial information 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 information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

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 2022.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation

Management analyses financial instruments carried at fair value, by valuation method. All assets and liabilities for which fair value is measured or disclosed in the interim financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2: based on valuation techniques for which the lowest inputs that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: based on valuation techniques for which lowest level input that is significant to the fair value measurement is unobservable

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

Assets

| | As at 30 June 2023 | | | Total HK\$'000 |
|---------------------------------|---------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| Derivative financial instrument | – | – | 9,946 | 9,946 |
| Other financial assets | – | – | 49,779 | 49,779 |
| | – | – | 59,725 | 59,725 |

| | As at 31 December 2022 | | | Total HK\$'000 |
|---------------------------------|------------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| Derivative financial instrument | – | – | 22,748 | 22,748 |
| Other financial assets | – | – | 34,091 | 34,091 |
| | – | – | 56,839 | 56,839 |

During the period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (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 enterprise value to sales 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 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% (31 December 2022: 1%) would have decreased/increased the Group's other comprehensive loss by HK\$348,000 (31 December 2022: HK\$440,000).

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

| | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
|---------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Unlisted equity securities: | | |
| At 1 January | 34,091 | 31,648 |
| Net unrealised gains recognised in other comprehensive income during the period | 15,688 | 918 |
| At 30 June | 49,779 | 32,566 |

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 profits.

(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 2023, it is estimated that with the increase or decrease of volatility by 1% (31 December 2022: 1%) would have increased/decreased the Group's profit before tax by HK\$191,000 (31 December 2022: decreased/increased the Group's loss before tax by HK\$102,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

(ii) Derivative financial instrument (Continued)

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

| | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
|-----------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Derivative financial asset: | | |
| At 1 January | 22,748 | 41,591 |
| Net unrealised (loss)/gains recognised in profit and loss during the period | (12,543) | 10,033 |
| Currency translation differences | (259) | (2,150) |
| At 30 June | 9,946 | 49,474 |

The gains or loss arising from the remeasurement of the derivative financial asset is presented in the "Other income and gains, net" line item in the condensed consolidated income statement.

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 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;
- Holds discussions with the independent valuers.

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 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

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 document and related operations segment engages in the provision of travel document and related services mainly in Hong Kong and Mainland China;
- (c) the hotel operations segment engages in the provision of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China; and
- (d) the passenger transportation operations segment engages in the provision of cross-border transportation services to individuals travelling between Hong Kong, Macau and Mainland China, vehicle and vessel rental and charter operations in Hong Kong, Macau and Mainland China.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2023 (unaudited)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2022 (unaudited)

| | Tourist attraction and related operations HK\$'000 | 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 |
| | <u>583,216</u> | <u>42,584</u> | <u>223,763</u> | <u>25,558</u> | <u>875,121</u> | <u>14,678</u> | <u>889,799</u> |
| Elimination of inter-segment revenue | | | | | (3,273) | (1,200) | (4,473) |
| Revenue | | | | | <u>871,848</u> | <u>13,478</u> | <u>885,326</u> |
| Segment results | <u>(69,064)</u> | <u>(26,780)</u> | <u>6,108</u> | <u>(100,261)</u> | <u>(189,997)</u> | <u>(76,211)</u> | <u>(266,208)</u> |
| Non-controlling interests | | | | | | | <u>(177,183)</u> |
| Segment operating results before non-controlling interests | | | | | | | (443,391) |
| Changes in fair value of investment properties, net of tax | | | | | | | (26,747) |
| Gain on changes in fair value of a derivative financial instrument, net of tax | | | | | | | 7,524 |
| Net gain on disposal of property, plant and equipment, net of tax | | | | | | | <u>329</u> |
| Loss for the period | | | | | | | <u>(462,285)</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OPERATING PROFIT/(LOSS)

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

| | Six months ended 30 June | |
|---------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| (a) Other income and gains, net | | |
| Foreign exchange differences, net | 716 | 16,702 |
| Government grants | 21,671 | 31,978 |
| Management fee income | – | 34,474 |
| Loss/(gain) on changes in fair value of a derivative financial instrument | (12,543) | 10,033 |
| Gain on disposal of property, plant and equipment, net | 2,342 | 658 |
| Other rental income, net | 13,779 | 15,491 |
| Other | 22,250 | 39,976 |
| | 48,215 | 149,312 |
| (b) Other items | | |
| Staff costs | 651,586 | 589,363 |
| Depreciation | | |
| – owned property, plant and equipment | 243,006 | 282,788 |
| – right-of-use assets | 35,148 | 28,762 |
| | 278,154 | 311,550 |
| Amortisation of prepaid land lease payments | 12,422 | 13,904 |
| Direct operating expenses of investment properties | 5,042 | 5,216 |
| Cost of properties sold | 144,712 | 226,960 |
| Provision for impairment of trade receivables and other receivables | 2,789 | 27 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

8 FINANCE INCOME, NET

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

9 TAX (EXPENSE)/CREDIT

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

9 TAX (EXPENSE)/CREDIT (CONTINUED)

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

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

The share of fair value changes in equity investments as other comprehensive income included in the consolidated statement of comprehensive income comprised of related tax effect and tax credit of HK\$29,000 (2022: tax charge of HK\$120,000).

10 DIVIDENDS

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

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

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

The share options granted by the Group had no dilutive effect during the period ended 30 June 2023.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

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

| Number of shares | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|
| Shares | | |
| Weighted average number of ordinary shares in issue, used in the basic and diluted earnings/(loss) per share calculation | 5,536,633,709 | 5,536,633,709 |

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, additions of items of owned property, plant and equipment amounted to HK\$537,925,000 (2022: HK\$388,522,000) and the Group disposed of property, plant and equipment with an aggregate net book value of HK\$17,658,000 (2022: HK\$8,003,000).

During the six months ended 30 June 2023, 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\$4,594,000 (2022: HK\$23,587,000).

13 INVESTMENT PROPERTIES

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|-------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|
| At fair value | | |
| At the beginning of the period/year | 2,552,662 | 2,736,691 |
| Changes in fair value recognised in income statement of the period/year | 29,182 | (90,724) |
| Disposals during the period/year | – | (23,135) |
| Currency translation differences of the period/year | (24,145) | (70,170) |
| At the end of the period/year | 2,557,699 | 2,552,662 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENT PROPERTIES (CONTINUED)

Valuation

The valuations of investment properties carried at fair value were updated at 30 June 2023 by the Group's independent valuer using the same valuation techniques as in the valuation as at 31 December 2022,

As a result of the update, a net gain of HK\$29,182,000 (2022: net loss of 28,279,000), and deferred tax thereon of HK\$71,000 (2022: deferred tax credit of HK\$1,532,000), 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 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|----------------------------|------------------------------------------------------|----------------------------------------------|
| Within 3 months | 83,985 | 44,895 |
| Over 3 months to 6 months | 21,442 | 29,404 |
| Over 6 months to 12 months | 25,873 | 22,170 |
| Over 1 year to 2 years | 11,964 | 6,447 |
| Over 2 years | 4,185 | 749 |
| | 147,449 | 103,665 |

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

As at 30 June 2023, the balances included amounts due from associates of HK\$6,769,000 (31 December 2022: HK\$6,849,000), which were unsecured, interest free and repayable on demand.

16 DERIVATIVE FINANCIAL INSTRUMENT

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|----------------------------|------------------------------------------------------|----------------------------------------------|
| Derivative financial asset | 9,946 | 22,748 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

17 CASH AND BANK BALANCES

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|--------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Cash and bank balances | 1,261,302 | 1,722,113 |
| Time deposits | 1,423,177 | 1,079,920 |
| | 2,684,479 | 2,802,033 |
| Less: pledged time deposits | (422) | (4,057) |
| Cash and bank balances in the condensed consolidated statement of financial position | 2,684,057 | 2,797,976 |
| Less: deposits with maturity of more than three months | (271,658) | (382,519) |
| Cash and cash equivalents in the condensed consolidated statement of cash flows | 2,412,399 | 2,415,457 |

18 TRADE PAYABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

19 BANK AND OTHER BORROWINGS

Movements in borrowings are analysed as follows:

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|-----------------------------------------------|------------------------------------------------------|----------------------------------------------|
| At the beginning of the period/year | 654,913 | 528,884 |
| Drawdown | 92,353 | 315,558 |
| Repayments | (90,667) | (174,360) |
| Currency translation differences | (10,421) | (15,169) |
| At the end of the period/year | 646,178 | 654,913 |
| Portion classified as non-current liabilities | (254,111) | (210,788) |
| Portion classified as current liabilities | 392,067 | 444,125 |

The annual interest rate of bank and other borrowings as at 30 June 2023 is 0% to 4.75% (31 December 2022: 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 2023, none of the covenants relating to drawn down facilities had been breached (31 December 2022: Nil).

20 PLEDGE OF ASSETS

The following assets were pledged to secure banking facilities granted to the Group:

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|---------------|------------------------------------------------------|----------------------------------------------|
| Bank deposits | 422 | 4,057 |
| Buildings | 314,454 | 257,867 |
| | 314,876 | 261,924 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Performance bond given to a customer for due performance of a sales contract | 300 | 300 |

22 COMMITMENTS

At 30 June 2023, the Group had the following significant capital commitments:

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|-----------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Property project, land and buildings: Contracted, but not provided for | 1,168,370 | 1,622,532 |
| Plant and equipment and motor vehicles: Contracted, but not provided for | 149,801 | 64,310 |
| Scenic spots: Contracted, but not provided for | 59,443 | 153,505 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

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

| | Notes | Six months ended 30 June | |
|-----------------------------------------|-------|---------------------------------|---------------------------------|
| | | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Travel-related income from | (a) | | |
| – immediate holding company** | | 174,163 | 27,283 |
| – fellow subsidiaries* | | 1,893 | 2,021 |
| Hotel-related income from | (a) | | |
| – immediate holding company | | 157 | – |
| – fellow subsidiaries | | 365 | 14 |
| Management income from | (b) | | |
| – fellow subsidiaries* | | 926 | 36,172 |
| Rental income from | (c) | | |
| – immediate holding company* | | 759 | 1,278 |
| – fellow subsidiaries* | | 4,443 | 7,498 |
| – a non-controlling shareholder | | 1,206 | 1,266 |
| – a related party | | 865 | 929 |
| – an associate | | 6,260 | – |
| Interest income from loans to | | | |
| – fellow subsidiaries | | 4,874 | 6,664 |
| Interest income from deposits placed to | | | |
| – fellow subsidiaries | | 7,157 | 13,455 |
| Travel-related expenses paid to | (a) | | |
| – fellow subsidiaries* | | (1,381) | (1,764) |
| – associates | | (10) | (762) |
| Management expenses paid to | (b) | | |
| – fellow subsidiaries* | | (3,096) | (1,725) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

- (i) On 26 May 2017, China Tourism Group Corporation Limited (“CTG”), 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 CTG has agreed to provide a loan of RMB30,000,000 to Shapotou. On 26 May 2020, Shapotou entered into an extension agreement with CTG to extend the loan maturity date to 25 May 2023. The interest rate shall be the fixed rate of 1.2% per annum. As at 30 June 2022, the arrangement remained effective with RMB30,000,000 withdrawn. The agreement was expired as at 30 June 2023 and Shapotou was in a negotiation process with CTG for a further extension as at the date of these condensed consolidated financial statements.
- (ii) On 24 May 2017, CTG, 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 CTG has agreed to provide a loan of RMB39,000,000 to Anji. On 24 May 2020, CTG and Anji renewed the loan agreement for a term commencing from 24 May 2020 and expiring on 23 May 2023. On 24 May 2023, CTG and Anji renewed the loan agreement for a term commencing from 24 May 2023 and expiring on 23 May 2031. The interest rate of the loan made under the loan agreement shall be the fixed rate of 1.2% per annum. As at 30 June 2023, the arrangement remained effective with RMB39,000,000 withdrawn (31 December 2022: 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 commencing 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 2023, the related deposit balance was RMB1,078,706,235 (31 December 2022: RMB726,918,723). 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 of 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 2023, the arrangement remained effective with RMB210,000,000 withdrawn (31 December 2022: RMB210,000,000).
- (v) On 26 October 2022, China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”), as lender, entered into the Loan Agreement with the Company, as borrower, for a term of one year commencing from 26 October 2022 and ending on 26 October 2023, pursuant to which CTS (Holdings) has agreed to provide a loan of RMB230,000,000 to the Company. The interest rate of the loan made under the loan agreement shall be the fixed rate of 2.8% per annum. As at 30 June 2023, the arrangement remained effective with RMB230,000,000 withdrawn (31 December 2022: RMB230,000,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

24. SHARE BASED PAYMENTS

On 20 January 2023, the Company passed a resolution in a shareholders' meeting for the adoption of a share option scheme (the "2023 Share Option Scheme") for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the directors and employees of the Group and for such other purposes as the board of directors of the Company may approve from time to time. Eligible participants of the Scheme include the directors and employees of the Group.

On 27 January 2023, the Company granted share options to certain directors and employees of the Group to subscribe for, in aggregate, up to 61,404,000 ordinary shares of the Company, subject to acceptance of the grantees under the 2023 Share Option Scheme at an exercise price of HK\$1.72 per share. For detailed information, please refer to the announcement of the Company dated 27 January 2023.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

| Assumptions | Inputs |
|------------------------------|-----------------|
| Dividend yield (%) | 0% |
| Volatility (%) (note) | 31.74% – 34.52% |
| Risk-free interest rate (%) | 3.03% |
| Exercise multiple | 2.86 – 3.34 |
| Forfeiture rate | 0% |
| Share price (HK\$ per share) | 1.72 |

Note: Volatility is determined by reference to the historical share prices of the Company before the date of grant.

The following share options were outstanding under the 2023 Share Option Scheme during the period:

| | Weighted average exercise price per share HK\$ | Number of options |
|---------------------------------------|---------------------------------------------------------|----------------------|
| As at 1 January 2023 | – | – |
| Granted during the period | 1.72 | 61,404,000 |
| Cancelled/forfeited during the period | 1.72 | (2,088,000) |
| Exercised during the period | – | – |
| Expired during the period | – | – |
| As at 30 June 2023 | 1.72 | 59,316,000 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

24. SHARE BASED PAYMENTS (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

| Number of options | Exercise price | |
|-------------------|----------------|-----------------------------------|
| | HK\$ | Exercise period |
| 19,772,000 | 1.72 | 27 January 2025 – 26 January 2030 |
| 19,772,000 | 1.72 | 27 January 2026 – 26 January 2031 |
| 19,772,000 | 1.72 | 27 January 2027 – 26 January 2032 |
| <u>59,316,000</u> | | |

The fair values of the share options granted under the 2023 Share Option Scheme during the period were HK\$44,617,000, of which the Group recognised equity-settled share option expenses of HK\$6,809,000 for the period ended 30 June 2023 (2022: Nil).

At the end of the reporting period, the Company had 59,316,000 share options outstanding under the 2023 Share Option Scheme. If the outstanding share options were exercised in full, an additional 59,316,000 ordinary shares of the Company will be issued, resulting in additional share capital of approximately HK\$102,024,000 (before issue expenses).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

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

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

The Group's financial position remained stable and healthy, with adequate investment and financing capabilities. As of 30 June 2023, total assets were HK\$23,696 million, representing a decrease of 0.28% compared with the end of last year. Equity attributable to shareholders was HK\$16,153 million, representing an 0.28% decrease compared with the end of last year. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$2,912 million, representing a decrease of 4.1% compared with the end of

last year, of which cash and bank balances amounted to HK\$2,684 million. Deducting HK\$970 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$1,714 million, representing a decrease of 5% compared with the end of last year.

DIVIDENDS

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

BUSINESS REVIEW

(I) Tourist attractions and related operations

The Group's tourist attractions and related operations comprise:

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

Non-controlling investments in scenic spots: Huangshan Yuping Cable Car Company Ltd., Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company

MANAGEMENT DISCUSSION AND ANALYSIS

Limited, Changchun Jingyuetan Youle Co., Ltd., Hangzhou New Century Senbo Tourism Investment Co., Ltd. (“**New Century Senbo**”) and CTS Taohuayuan (Changde) Cultural Tourism Development Company Limited (“**CTS Taohuayuan**”);

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

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

Theme parks

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

attributable loss amounted to HK\$43 million in the corresponding period of last year.

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

Natural and cultural scenic spots

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

During the first half of the year, revenue from Shapotou Scenic Spot amounted to HK\$121 million, representing an increase of 351% compared with the corresponding period of last year. This made a significant contribution to the Group’s revenue from natural and cultural scenic spots and realising profitability. Shapotou Scenic Spot has continuously strengthened its project construction, marketing and service quality improvement, with the “Desert Legend phase I” project commencing operation in the first half of the year. Detian Scenic Spot’s revenue was HK\$114 million, representing an increase of 2,554% compared with the corresponding period of last year, and a turnaround to profitability. Detian Scenic Spot launched the “Paddy Field Waterfall Café”, which has become a popular online experience product among tourists. Huashan Scenic Spot’s revenue increased by 1,713% compared with the corresponding period of last year. It will launch a series of cultural and creative experiential products, maintain its focus on

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the summer parent-child tour and summer camping markets, launch self-drive tour discounted fare activities, cultivate word-of-mouth advertising for the scenic spot's new dynamic lines, and increase its secondary sales revenue. Xiufeng Cable Car recorded year-on-year growth in revenue and profit and will continue to strengthen its cooperation with travel agencies to boost group visitor numbers. CTS Luzhou Culture Tourism upgraded and transformed Laojiaochi Scenic Spot with a focus on developing wine culture tourism. Revenue amounted to HK\$100 million for the first half of the year, representing a 179% increase compared with the corresponding period of last year. CTS Lugu Lake's revenue increased compared with the corresponding period of last year, and it will launch live broadcasting and national marketing to increase product exposure and traffic conversion. CTS Xinjiang, which is mainly engaged in the operation and management of tourism destinations in the Xinjiang region and the creation and operation of new vacation experience products and services, recorded a moderately positive revenue in the first half of the year. CTS Bairui recorded an increase in revenue compared to the corresponding period of last year. It will focus on Xinjiang's 5A and 4A scenic spots and scarce core areas of major tourist destinations, and will increase its marketing and promotional efforts as well as product innovation. New Century Senbo, an associate of the Company, recorded an attributable profit of HK\$18 million.

Leisure resorts

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

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

Supplementary tourist attraction operations

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

Heaven Creation Company was engaged in scenic spot construction, creative planning, performing arts and management businesses. As the main audience of its repertoire comprises tourists from Europe and the Americas, where the pandemic was not consistently controlled, residence performance has come to a complete halt. Through economic benefit analysis, it was estimated that the revenue after the repeat performance could not cover costs and expenses, so the residence performance business continued to be suspended. The development of other businesses also encountered obstacles, resulting in a decrease in revenue compared with the corresponding period of last year. Heaven Creation Company ploughed deeply into the Nanyang market

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and strived for the commencement of the “Kung Fu Town” and “Jing Zi Guan Ancient Town” projects. China Travel Zhiye was engaged in providing tourism planning services and recorded an revenue increase of 101% compared with the corresponding period of last year. It will innovate its business models and cooperate with outstanding enterprises to open up new business and reduce costs while increasing efficiency. CTS Scenery’s management and consulting services recorded a decrease of 18% in revenue compared with the corresponding period of last year. It will strengthen collaboration in product research and development, project promotion and implementation.

(II) Travel document and related operations

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

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

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

(III) Hotel operations

The Group’s hotel operations comprise:

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

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

(IV) Passenger transportation operations

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

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

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

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

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

DEVELOPMENT STRATEGY

Tourist attractions and related operations

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

marketing support, to help improve its overall operational capacity within the “spot investment + flow integration + overall operation” business model.

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

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

of outstanding advantages and scarce resources, and is of high strategic significance and impact as a landmark project for Shanghai to build an international tourism city.

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

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

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and values and adept at working together to accomplish organisational goals and realise organisational benefits (economic, environmental and social).

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

Passenger transportation operations

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

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

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

Hong Kong and overseas business development

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

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

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

Digital transformation

The Company is promoting the tourism industry's transformation from resource- to innovation-driven by means of digitisation and intelligent scenarios. The latter includes implementation of the digital transformation and development plan, further enhancement of online business and customer service capabilities through digital transformation, expansion of the scale of internal and external business synergies, and optimisation of customer service functions. In the first half of 2023, the Company focused on operation, and through digital marketing, traffic integration, internal and external synergistic operation, short video/livestreaming operation and other digital initiatives, the platform transaction turnover and the number of registered members grew steadily, and the rate of repurchase by members increased. The Company

promoted an expanded role of technology in tourism, with Window of the World launching a usual domestic drone food delivery route and Shapotou Scenic Spot launching the "Yuan Universe Digital Ticket". These activated new functions of culture and tourism and drove new consumption. In the second half of the year, the Company will continue to strengthen its digitalisation capabilities, accelerate its transformation to a destination-centred model, build a regional destination platform for Detian Scenic Spot, CTS Lugu Lake and the Xinjiang Tianshan Corridor, integrate peripheral resources, and focus on enhancing the operational capacity of scenic areas and generating revenue. The Company will continue to enhance scientific and technological innovation capabilities, explore AI cultural and tourism industry model to promote tourism change, build up linkage of industry chains, consolidate industry resources to achieve realisation of online and offline service integration, so as to provide consumers with more personalised recommendations and services.

Internal management

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

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

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PROSPECTS

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

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

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

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

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

OTHER INFORMATION

NUMBER AND REMUNERATION OF EMPLOYEE

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

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

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2023, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

| Name of Director | Interests in shares | | | Interests in underlying shares pursuant to share options | Aggregate interests | % of the issued share capital as at 30 June 2023 |
|------------------|---------------------|-------------------|-----------------|----------------------------------------------------------|---------------------|--------------------------------------------------|
| | Corporate interest | Personal interest | Family interest | | | |
| Mr. Feng Gang | – | – | – | 1,640,000 | 1,640,000 | 0.03% |
| Mr. Li Pengyu | – | – | – | 1,268,000 | 1,268,000 | 0.02% |

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 2023 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 20 January 2023, the Company passed the resolution in a shareholders' meeting for the adoption of the 2023 Share Option Scheme for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the directors and employees of the Group and for such other purposes as the Board may approve from time to time. For detailed information, please refer to the circular of the Company dated 3 January 2023 and the announcement of the Company dated 20 January 2023.

The rules of the 2023 Share Option Scheme enable the Company to grant option(s) to any directors and employees of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries (the "Participant(s)").

The total number of shares of the Company which may be issued in respect of all share options to be granted under the 2023 Share Option Scheme of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adoption (the "Scheme Mandate"). The number of share options available for grant under the Scheme Mandate as at 30 June 2023 was 494,347,370 shares. As at the date of this report, the total number of shares of the Company which may be issued under the 2023 Share Option Scheme is 553,663,370 shares, representing 10% of the total number of shares of the Company.

OTHER INFORMATION

The Board shall not grant any share options to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all share option or share awards granted to him (excluding any share option and awards lapsed in accordance with the terms of 2023 Share Option Scheme or other schemes) in the 12 month period up to and including the date of grant of the share option, exceed 1% of the shares in issue at such date (including cancelled, exercised and outstanding options) unless such grant has been duly approved by the shareholders in general meeting.

The share options granted under the 2023 Share Option Scheme may be exercised during a period to be determined and notified by the Board to the grantee, which period shall commence on the date of acceptance of the share options and expire in any event not later than the last day of the 10-year period thereafter (subject to the provisions for early termination).

The date or dates on which a share option vests will be set by the Board at the time of grant, which shall be not less than 12 months from the date on which the share option is accepted. The share options granted to the Participants will not be subject to a shorter vesting period.

Grantees are required to pay an amount of HK\$1.00 for each acceptance of an offer of the grant of share options payable on acceptance of such offer.

The exercise price will be determined by the Board and notified to a Participant and shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, provided that in the event of fractional prices, the exercise price per Share shall be rounded upwards to the nearest whole cent.

Subject to the Board exercising its right under the rules of the 2023 Share Option Scheme to terminate the 2023 Share Option Scheme, the 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date (i.e. 20 January 2023), after which period no further share options may be granted.

On 27 January 2023, the Company granted share options to certain directors and employees of the Group to subscribe for, in aggregate, up to 61,404,000 ordinary shares of the Company, subject to acceptance of the grantees under the 2023 Share Option Scheme at an exercise price of HK\$1.72. For detailed information, please refer to the announcement of the Company dated 27 January 2023.

Details of the movement in the share options granted under the 2023 Share Option Scheme during the six months ended 30 June 2023 are set out below.

OTHER INFORMATION

| Name or category of participant | Number of share options | | | | | Balance as at 30 June 2023 | Date of grant | Closing price of the shares immediately before date of grant (HK\$) | Exercise period (Note 1) | Exercise price (HK\$) |
|------------------------------------------------------------------------------|------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|----------------------------|-----------------|---------------------------------------------------------------------|------------------------------------|-----------------------|
| | Balance as at 1 January 2023 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | | | | | |
| Directors, chief executive or substantial shareholders of the Company | | | | | | | | | | |
| Wu Qiang | - | 2,088,000 | - | (2,088,000) | - | - | 27 January 2023 | 1.69 | 27 January 2025 to 26 January 2032 | 1.72 |
| Feng Gang | - | 1,640,000 | - | - | - | 1,640,000 | 27 January 2023 | 1.69 | 27 January 2025 to 26 January 2032 | 1.72 |
| Li Pengyu | - | 1,268,000 | - | - | - | 1,268,000 | 27 January 2023 | 1.69 | 27 January 2025 to 26 January 2032 | 1.72 |
| Sub-Total | - | 4,996,000 | - | (2,088,000) | - | 2,908,000 | | | | |
| Other employees in aggregate | | | | | | | | | | |
| Sub-Total | - | 56,408,000 | - | - | - | 56,408,000 | 27 January 2023 | 1.69 | 27 January 2025 to 26 January 2032 | 1.72 |
| Grand Total | - | 61,404,000 | - | (2,088,000) | - | 59,316,000 | | | | |

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

- No share options were granted and to be granted in excess of the 1% individual limit.
- Related entity participant or service provider are not eligible participants under the 2023 Share Option Scheme
- Fair value of share options granted on 27 January 2023, as at the date of grants, was HK\$44,617,000, and as for relevant accounting standard and policy adopted, please refer to Note 24 to the consolidated interim financial information.

| Date of Grant | The proportion of options exercisable | Exercise period |
|-----------------|---------------------------------------|------------------------------------------------------------------|
| 27 January 2023 | First 33% of the share options | 27 January 2025 to 26 January 2030 (the "First Vesting Period") |
| | Second 33% of the share options | 27 January 2026 to 26 January 2031 (the "Second Vesting Period") |
| | Remaining 34% of the share options | 27 January 2027 to 26 January 2032 (the "Third Vesting Period") |

Save for the 2023 Share Option Scheme, the Company does not have other share scheme (as defined in Chapter 17 of the Listing Rules) nor other outstanding share options/award.

The number of shares that may be issued in respect of the share options and awards granted under all schemes of the Company during the period divided by the weighted average number of shares of the relevant class in issue for the period is approximately 1.07%.

OTHER INFORMATION

The performance targets to be fulfilled before vesting of the share options are as follows:

| Vesting Period | Performance targets |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| First Vesting Period | <ul style="list-style-type: none"> – Return on invested capital shall be no less than 1.0% in 2023 and no less than the 75th percentile of benchmarked companies; – Based on the net profit* of 2021, the compound growth rate of net profit of 2023 shall be no less than 5.0% and no less than the 75th percentile of the benchmark companies; and – In 2023, the Group's economic value added ("EVA") assessment target shall be achieved and the increase rate of the economic value added ("Δ EVA") shall be greater than 0. |
| Second Vesting Period | <ul style="list-style-type: none"> – Return on invested capital shall be no less than 1.5% in 2024 and no less than the 75th percentile of benchmarked companies; – Based on the net profit of 2021, the compound growth rate of net profit of 2024 shall be no less than 5.0% and no less than the 75th percentile of the benchmark companies; and – In 2024, the Group's EVA assessment target shall be achieved and ΔEVA shall be greater than 0. |
| Third Vesting Period | <ul style="list-style-type: none"> – Return on invested capital shall be no less than 2.0% in 2025 and no less than the 75th percentile of benchmarked companies; – Based on the net profit of 2021, the compound growth rate of net profit of 2025 shall be no less than 5.0% and no less than the 75th percentile of the benchmark companies; and – In 2025, the Group's EVA assessment target shall be achieved and ΔEVA shall be greater than 0. |

* the "net profit" mentioned above refers to the profit attributable to shareholders of the Company.

The proportion of the share options to be vested in the grantees on each vesting date will be subject to the performance appraisal results of the grantees for the immediately preceding year, details of which are set out below:

| Results of Personal Appraisal | % of the share options granted to the grantee to be vested on a vesting date |
|-------------------------------|------------------------------------------------------------------------------|
| Excellent and Good | 100% |
| Competent | 90% |
| Basically Competent | 60% |
| Incompetent | 0% |

The personal appraisal takes into account indicators including but not limited to qualitative and quantitative performance indicators, qualifications, education background, contribution, experience and loyalty.

OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 2023 |
|----------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------|--------------------------------------------------|
| China Tourism Group Corporation Limited (“CTG”) | Interest of controlled corporation (Note 1) | 3,385,492,610 | 61.15% |
| China Travel Service (Holdings) Hong Kong Limited (“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 CTG. CTS (Holdings) is the immediate holding company of the Company. Accordingly, CTG 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 2023, 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.

OTHER INFORMATION

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, cancelling 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 2022 Annual Report are set out below:

| Name of Director | Changes |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wu Qiang | – 2,088,000 share options granted on 27 January 2023 waived by consent with effect from 5 April 2023. |
| Chen Johnny | – Retired as an independent non-executive director of Stella International Holdings Ltd. (Stock Code: 1836) with effect from 11 May 2023. |
| Feng Gang | – Appointed as a director of Shun Tak-China Travel Shipping Investments Limited, a non-wholly owned subsidiary of the Company, with effect from 28 June 2023. |

OTHER INFORMATION

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2023, the Company has adopted and complied with the code provisions (the "**Code Provision(s)**") in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard 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 2023.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

REVIEW OF INTERIM RESULTS

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

By order of the Board

Wu Qiang
Chairman

Hong Kong, 30 August 2023