香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00308)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The Board of Directors (the "Board") of China Travel International Investment Hong Kong Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019-unaudited

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
			(Note)
Revenue	*5*	**2,219,659**	2,077,670
Cost of sales		**(1,206,685)**	(1,123,132)
Gross profit		**1,012,974**	954,538
Other income and gains, net		**216,197**	87,395
Changes in fair value of investment properties		**51,193**	17,214
Selling and distribution costs		**(289,434)**	(280,589)
Administrative expenses		**(445,000)**	(443,254)
Operating profit	*6*	**545,930**	335,304
Finance income	*7*	**33,742**	42,469
Finance costs	*7*	**(9,204)**	(7,655)
Finance income, net	*7*	**24,538**	34,814
Share of profits less losses of			
– associates		**67,407**	201,864

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
			(Note)
Profit before taxation		**637,875**	571,982
Taxation	*8*	**(143,343)**	(123,723)
Profit for the period		**494,532**	448,259
Attributable to:			
Equity owners of the Company		**419,426**	379,173
Non-controlling interests		**75,106**	69,086
Profit for the period		**494,532**	448,259
Earnings per share for profit attributable to equity owners of the Company (HK cents)	*10*		
Basic earnings per share		**7.69**	6.96
Diluted earnings per share		**7.68**	6.93

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019-unaudited

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019 – unaudited

	Note	**30 June 2019** **HK$'000**	31 December 2018 HK$'000 (Note)
ASSETS			
Non-current assets			
Property, plant and equipment		**10,312,649**	8,025,958
Investment properties		**1,813,216**	1,794,236
Prepaid land lease payments		**–**	2,171,581
Goodwill		**1,323,828**	1,323,828
Other intangible assets		**201,305**	203,066
Interests in associates		**1,248,384**	1,273,537
Other financial assets		**38,314**	40,129
Prepayments and other receivables		**85,357**	103,032
Deferred tax assets		**49,922**	51,446
Total non-current assets		**15,072,975**	14,986,813
Current assets			
Inventories		**17,264**	18,925
Properties under development		**1,950,174**	1,683,262
Completed properties held for sale		**32,018**	57,837
Trade receivables	*11*	**114,052**	145,498
Deposits, prepayments and other receivables		**742,066**	732,566
Loan to a fellow subsidiary		**157,000**	157,363
Amounts due from holding companies		**21,794**	26,162
Amounts due from fellow subsidiaries		**71,554**	40,193
Tax recoverable		**71,958**	50,997
Financial assets at fair value through profit or loss		**791,750**	942,993
Pledged time deposits		**18,284**	46,884
Cash and bank balances		**2,291,775**	2,602,282
Assets of disposal group classified as held for sale	*13*	**401,694**	–
Total current assets		**6,681,383**	6,504,962
Total assets		**21,754,358**	21,491,775

	Note	30 June 2019 HK$'000	31 December 2018 HK$'000 (Note)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,120,420**	9,119,836
Reserves		**7,294,229**	6,893,631
		16,414,649	16,013,467
Non-controlling interests		**1,169,711**	1,098,557
Total equity		**17,584,360**	17,112,024
LIABILITIES			
Non-current liabilities			
Deferred income		**698,026**	689,725
Lease liabilities		**243,597**	–
Bank and other borrowings		–	337
Deferred tax liabilities		**613,125**	569,590
Total non-current liabilities		**1,554,748**	1,259,652
Current liabilities			
Trade payables	*12*	**184,972**	333,402
Other payables and accruals		**1,804,526**	2,301,532
Loans from a holding company		**78,439**	78,749
Amounts due to holding companies		**1,321**	1,232
Amounts due to fellow subsidiaries		**9,746**	7,871
Lease liabilities		**24,960**	–
Tax payables		**154,918**	150,404
Bank and other borrowings		**3,957**	246,909
Liabilities of disposal group classified as held for sale	*13*	**352,411**	–
Total current liabilities		**2,615,250**	3,120,099
Total liabilities		**4,169,998**	4,379,751
Total equity and liabilities		**21,754,358**	21,491,775

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION

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

– Tourist attraction and related operations

– Travel agency, travel document and related operations

– Hotel operations

– Passenger transportation operations

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

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

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

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

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

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

2 BASIS OF PREPARATION

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

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

3 ACCOUNTING POLICIES

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

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

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

HKFRS 16, *Leases*

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

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

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

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

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

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

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

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

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

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

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

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

(iii) Leasehold investment property

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

(iv) Lessor accounting

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

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

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

(i) Determining the lease term

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

(c) Transitional impact

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Lease liabilities

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

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

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

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

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

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

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

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

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

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

4 OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Six months ended 30 June 2019 (unaudited)

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

Six months ended 30 June 2018 (unaudited)

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

5 REVENUE

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

Disaggregation of revenue

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

6 OPERATING PROFIT

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

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

7 FINANCE INCOME, NET

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

8 TAXATION

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

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

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

The amount of taxation charged to consolidated income statement represents:

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

9 DIVIDENDS

The Board recommends the payment of an interim dividend of HK3 cents per ordinary share (2018: HK 3 cents) for the six months ended 30 June 2019 payable in cash with a script dividend alternative to shareholders on the register of members on 25 September 2019.

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

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

Basic

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

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

Diluted

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

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

11 TRADE RECEIVABLES

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

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

12 TRADE PAYABLES

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

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

13 DISPOSAL GROUP

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

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

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

DIVIDEND

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

CORE PRINCIPAL OPERATIONS AND OPERATIONAL FIGURES

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

City hotels	Five hotels in Hong Kong and Macau Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**") CTS H.K. Metropark Hotels Management Company Limited
Theme parks	Shenzhen The World Miniature Co., Ltd. ("**Window of the World**") Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**")

Natural and cultural scenic spots	CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd ("**Songshan Scenic Spot**") CTS (Ningxia) Shapotou Tourist Spot Co., Ltd and CTS (Ningxia) Shapotou Cable Car Co., Ltd ("**Shapotou Scenic Spot**") Jiangxi Xing Zi Lu Shan Xiu Feng Passage Cable Car Co., Ltd Guangxi Ningming CTS Balai Tourism Culture Co., Ltd. ("**Huashan Scenic Spot**") Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**")
Leisure resorts	China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd ("**Zhuhai OSR**") Xianyang Ocean Spring Resort Co., Ltd ("**Xianyang OSR**") Zhuhai Evergrande Ocean Spring Land Co., Ltd. ("**Evergrande OSR**") CTS (Anji) Tourism Development Company Limited ("**Anji Company**")
Non-controlling scenic spot investments	Huangshan Yuping Cable Car Company Limited Huangshan Taiping Cable Car Co., Ltd. Changsha Colorful World Company Limited Changchun Jingyuetan Youle Co., Ltd.
Supplementary tourist attraction operations	China Heaven Creation International Performing Arts Co., Ltd. ("**Heaven Creation Company**") China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. ("**China Travel Zhiye**") CTS Scenery (Beijing) Tourism Management Limited ("**Management Company**")

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

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

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

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

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

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

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

(II) Travel Agency, Travel Document and Related Operations

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

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

(III) Passenger Transportation Operations

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

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

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

DEVELOPMENT STRATEGY

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

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

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

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

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

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

BUSINESS PROSPECTS

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

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

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

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

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

NUMBER AND REMUNERATION OF EMPLOYEE

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

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

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENTS HELD

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

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

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.

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2019, the Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

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

– Code Provision D.1.4 specifies that the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Mr. Jiang Hong, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui and Mr. Chen Johnny, the Company did not have formal letters of appointment for Directors because all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors are expected to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 23 September 2019 to Wednesday, 25 September 2019 (both dates inclusive), for the purposes of determining entitlements to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 September 2019.

REVIEW OF INTERIM FINANCIAL REPORT

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

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

PUBLICATION OF 2019 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website at www.hkexnews.hk and the Company website at www.irasia.com/listco/hk/ctii/. The 2019 Interim Report will be available on the HKExnews and the Company websites, and despatched to the shareholders of the Company in due course.

By order of the Board
Fu Zhuoyang
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Jiang Hong, Mr. Chen Xianjun, Mr. You Cheng, Mr. Yang Hao and Mr. Wu Qiang and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.