Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2020

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 2020 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**571,299**	2,219,659
Cost of sales		**(595,007)**	(1,206,685)
Gross profit		**(23,708)**	1,012,974
Other income and gains, net	*6*	**67,139**	216,197
Changes in fair value of investment properties		**(89,947)**	51,193
Selling and distribution costs		**(201,495)**	(289,434)
Administrative expenses		**(403,278)**	(445,000)
Operating (loss)/profit	*7*	**(651,289)**	545,930
Finance income	*8*	**40,115**	33,742
Finance costs	*8*	**–**	(9,204)
Finance income, net	*8*	**40,115**	24,538
Share of profits less losses of associates		**(51,443)**	67,407

		Six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
(Loss)/profit before taxation		**(662,617)**	637,875
Taxation	*9*	**136,349**	(143,343)
(Loss)/profit for the period		**(526,268)**	494,532
Attributable to:			
Equity owners of the Company		**(443,486)**	419,426
Non-controlling interests		**(82,782)**	75,106
(Loss)/profit for the period		**(526,268)**	494,532
(Loss)/earnings per share for (loss)/profit attributable to equity owners of the Company (HK cents)	*11*		
Basic (loss)/earnings per share		**(8.01)**	7.69
Diluted (loss)/earnings per share		**(8.01)**	7.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(526,268)**	494,532
Other comprehensive income for the period		
Item that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(9,562)**	(105)
Items that may be reclassified subsequently to profit or loss:		
Share of hedging reserve of an associate, net of tax	**–**	4,897
Exchange differences on translation of financial statements of subsidiaries, net	**(205,598)**	(26,913)
Other comprehensive income for the period, net of tax	**(215,160)**	(22,121)
Total comprehensive income for the period	**(741,428)**	472,411
Attributable to:		
Equity owners of the Company	**(636,841)**	400,757
Non-controlling interests	**(104,587)**	71,654
Total comprehensive income for the period	**(741,428)**	472,411

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 – unaudited

	Note	**30 June 2020** *HK$'000*	31 December 2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**7,910,714**	8,120,307
Investment properties		**1,645,209**	1,745,232
Prepaid land lease payments		**2,096,959**	2,163,793
Goodwill		**1,323,828**	1,323,828
Other intangible assets		**196,127**	198,160
Interests in associates		**1,151,250**	1,216,602
Other financial assets		**38,217**	48,782
Prepayments and other receivables		**253,062**	5,918
Deferred tax assets		**177,911**	61,901
Total non-current assets		**14,793,277**	14,884,523
Current assets			
Inventories		**22,181**	17,780
Properties under development		**2,385,615**	2,263,561
Completed properties held for sale		**21,767**	26,607
Trade receivables	*12*	**60,456**	59,748
Deposits, prepayments and other receivables		**467,005**	330,469
Loan to fellow subsidiaries		**385,166**	395,865
Amounts due from holding companies		**7,981**	22,224
Amounts due from fellow subsidiaries		**116,916**	113,989
Tax recoverable		**79,533**	75,812
Financial assets at fair value through profit or loss		**323,739**	56,904
Pledged time deposits		**12,041**	18,333
Cash and bank balances		**2,545,638**	3,198,048
Assets of disposal group classified as held for sale	*14*	**257,442**	343,065
Total current assets		**6,685,480**	6,922,405
Total assets		**21,478,757**	21,806,928

	Note	**30 June 2020** **HK$'000**	31 December 2019 HK$'000
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,222,295**	9,222,295
Reserves		**6,227,139**	6,863,980
		15,449,434	16,086,275
Non-controlling interests		**1,173,305**	1,277,892
Total equity		**16,622,739**	17,364,167
LIABILITIES			
Non-current liabilities			
Deferred income		**720,358**	679,069
Lease liabilities		**246,297**	244,810
Deferred tax liabilities		**582,275**	604,956
Total non-current liabilities		**1,548,930**	1,528,835
Current liabilities			
Trade payables	*13*	**195,269**	243,635
Other payables and accruals		**2,284,085**	2,055,319
Loans from a holding company		**307,626**	77,028
Amounts due to holding companies		**3,792**	1,715
Amounts due to fellow subsidiaries		**3,774**	1,553
Lease liabilities		**23,864**	30,468
Tax payables		**101,326**	157,406
Bank and other borrowings		**47,592**	3,801
Liabilities of disposal group classified as held for sale	*14*	**339,760**	343,001
Total current liabilities		**3,307,088**	2,913,926
Total liabilities		**4,856,018**	4,442,761
Total equity and liabilities		**21,478,757**	21,806,928

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 28 August 2020.

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 Hong Kong Institute of certified Public Accountant ("HKICPA"). The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 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.

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

The financial information relating to the financial year ended 31 December 2019 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 2019 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.

3 ACCOUNTING POLICIES

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

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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 2020 (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	230,481	159,659	135,565	45,501	571,206	93	571,299
Inter-segment revenue	552	118	455	162	1,287	464	1,751
	231,033	159,777	136,020	45,663	572,493	557	573,050
Elimination of inter-segment revenue					(1,287)	(464)	(1,751)
Revenue					571,206	93	571,299
Segment results	(108,660)	(34,896)	(71,008)	(120,260)	(334,824)	(20,566)	(355,390)
Non-controlling interests							(82,782)
Segment operating results before non-controlling interests							(438,172)
Changes in fair value of investment properties, net of tax							(86,071)
Net loss on disposal of property, plant and equipment, net of tax							(2,025)
Loss for the period							(526,268)

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

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	
	2020	2019
	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	**182,015**	801,770
– Tour, travel agency, travel document and related income	**155,027**	645,589
– Hotel income	**132,723**	398,169
– Passenger transportation income	**45,501**	253,409
– Property sales income	**118**	53,565
– Consultancy and service income	**26,411**	33,023
	541,795	2,185,525
Revenue from other sources		
– Rental income	**29,504**	34,134
	571,299	2,219,659

6 OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental income on investment properties	**9,292**	19,370
Foreign exchange differences, net	**25**	384
Government grants	**2,718**	3,522
Management fee income	**30,742**	26,238
Income from financial assets at fair value through profit or loss	**1,596**	17,875
Loss on disposal of property, plant and equipment, net	**(2,012)**	(206)
Reversal of provision for the closure of golf club *(i)*	**–**	130,000
Others	**24,778**	19,014
	67,139	216,197

(i) The reversal of provision for the closure of golf club represents the over-provision of the membership, costs and expenses relating to the closure of golf club in 2017. In the second half of 2019, a further reversal of HK$25,358,000 was made for the provision and the total reversal of provision made in 2019 was HK$155,358,000.

7 OPERATING (LOSS)/PROFIT

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Staff costs	**529,868**	656,456
Depreciation		
– owned property, plant and equipment	**208,779**	252,135
– right-of-use assets	**29,915**	20,027
Amortisation of prepaid land lease payments	**16,332**	14,016
Amortisation of other intangible assets	**1,445**	1,513
Outgoing expenses in respect of investment properties	**5,822**	10,025
Cost of properties sold	**4,363**	26,040

8 FINANCE INCOME, NET

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Finance income:		
Bank deposits and entrustment loans	**40,115**	33,742
Interest expense:		
Bank borrowings, overdrafts and other borrowings		
– Wholly repayable within five years	**(544)**	(2,240)
Interest on lease liabilities	**(6,845)**	(6,964)
	(7,389)	(9,204)
Less: Interest expense capitalised into properties under development and property, plant and equipment*	**7,389**	–
Finance costs	**–**	(9,204)
Finance income, net	**40,115**	24,538

* The borrowing costs have been capitalised at a rate of 1.63% per annum (2019: Nil).

9 TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong	**1,685**	30,420
Mainland China and other territories	**11,937**	67,728
	13,622	98,148
Deferred taxation	**(149,971)**	45,195
	(136,349)	143,343

10 DIVIDENDS

The Board does not recommend the payment of an interim dividend (2019: HK3 cents per ordinary share) for the six months ended 30 June 2020.

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

Basic (loss)/earnings per share

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
(Loss)/profit attributable to equity owners of the Company *(HK$'000)*	**(443,486)**	419,426
Weighted average number of ordinary shares in issue	**5,536,633,709**	5,456,082,033
Basic (loss)/earnings per share *(HK cents)*	**(8.01)**	7.69

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 June 2020 and 2019 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 for the six months ended 30 June 2019. 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	
	2020	2019
	(unaudited)	(unaudited)
(Loss)/profit attributable to equity owners of the Company *(HK$'000)*	**(443,486)**	419,426
Weighted average number of ordinary shares in issue	**5,536,633,709**	5,456,082,033
Adjustments for:		
– Share options	**–**	1,690,818
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**5,536,633,709**	5,457,772,851
Diluted (loss)/earnings per share *(HK cents)*	**(8.01)**	7.68

12 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 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**44,557**	48,467
Over 3 to 6 months	**9,478**	7,058
Over 6 to 12 months	**2,355**	2,255
Over 1 to 2 years	**2,106**	1,001
Over 2 years	**1,960**	967
	60,456	59,748

13 TRADE PAYABLES

At 30 June 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**138,579**	200,694
Over 3 to 6 months	**19,388**	14,208
Over 6 to 12 months	**15,480**	12,861
Over 1 to 2 years	**6,629**	5,190
Over 2 years	**15,193**	10,682
	195,269	243,635

14 ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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 Service (Hong Kong) Limited (formerly known as "China Travel (HK & Macau Tour) Management Hong Kong Limited") and its wholly-owned subsidiaries (together "CTSHK 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 Service (Hong Kong) Limited prior to the completion of the disposal (the "Reorganisation"). The assets and liabilities of CTSHK group, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale.

At 30 June 2020, the major classes of assets and liabilities of disposal group classified as held for sale are as follows:

	2020
	HK$'000
	(unaudited)
Assets of disposal group classified as held for sale	
Property, plant and equipment (including right-of-use assets)	**45,111**
Investment properties	**24,500**
Trade receivables	**15,389**
Deposits, prepayments and other receivables	**43,821**
Pledged time deposits	**25,175**
Cash and bank balances	**81,805**
Deferred tax assets	**18,862**
Others	**2,779**
	257,442
Liabilities of disposal group classified as held for sale	
Trade payables	**113,084**
Other payables and accruals	**141,476**
Loan from a holding company	**50,000**
Lease liabilities	**26,410**
Others	**8,790**
	339,760

15 SUBSEQUENT EVENT

On 6 March 2020, Interdragon Limited ("Interdragon") as the seller and Dalmore Investments Limited ("Dalmore"), a wholly-owned subsidiary of the Company, as the purchaser entered into SPA pursuant to which Interdragon has conditionally agreed to dispose of and Dalmore has conditionally agreed to purchase 21% of the issued share capital of Shun Tak – China Travel Shipping Investments Limited ("Shun Tak – China Travel"), an associate of the Company, at an aggregate consideration of HK$437 million. Upon the completion of the purchase, Shun Tak – China Travel will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results.

On the same day and simultaneously, the Company as the seller and Shun Tak – China Travel as the purchaser entered into another SPA pursuant to which the Company has conditionally agreed to dispose of and Shun Tak – China Travel has conditionally agreed to purchase the entire issued share capital and shareholder's loan, of China Travel Tours Transportation Development (HK) Limited ("CTTTD"), a wholly-owned subsidiary of the Company, at an aggregate consideration of HK$508 million. Upon completion of the disposal, the Company will hold the shares of CTTTD through its 50% interest in Shun Tak-China Travel, and hence CTTTD will be a non-wholly-owned subsidiary of the Company.

The transaction was completed on 16 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

In the first half of 2020, the Group's consolidated revenue was HK$571 million, representing a 74% decrease compared with the same period last year. Loss before taxation was HK$663 million, as compared with profit before taxation of HK$638 million in the same period last year. Loss attributable to shareholders was HK$443 million, as compared with profit attributable to shareholders of HK$419 million in the same period last year. Loss attributable to operations was HK$355 million, as compared with profit attributable to operations of HK$379 million in the same period of last year. The decreased consolidated revenue and loss attributable to shareholders were mainly attributable to a significant drop in the number of tourist arrivals in Hong Kong, Macau and Mainland China in the wake of the novel coronavirus ("**COVID-19**") outbreak in the first half of 2020, negatively impacting the financial results of all lines of business of the Group.

The Group's financial position remains stable and healthy, with adequate investing and financing capabilities. As of 30 June 2020, total assets were HK$21,479 million, a 2% decrease compared with the end of last year; equity attributable to shareholders was HK$15,449 million, a 4% decrease compared with the end of last year; cash and bank balances, wealth management products and certain loan receivables amounted to HK$3,267 million, a 11% decrease compared with the end of last year, of which cash and bank balances amounted to HK$2,546 million and, deducting loans from holding company and bank loans and other borrowings of HK$355 million, net cash was HK$2,191 million, a 30% decrease compared with the end of last year.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

BUSINESS REVIEW

(I) Travel destination operations

The Group's travel destination operations mainly comprise city hotels, theme parks, natural and cultural scenic spot destinations, leisure resort destinations, non-controlling scenic spot investments and supplementary tourist attraction operations. Affected by COVID-19 during the first half of 2020, total revenue of the Group's travel destination operations was HK$366 million, a 72% decrease compared with the same period last year. Attributable loss was HK$180 million, compared with attributable profit of HK$295 million in the same period last year.

City hotels

The Group's hotel operations include five hotels in Hong Kong and Macau, the Beijing Guang'anmen Grand Metropark Hotel ("**Beijing Metropark Hotel**") and CTS H.K. Metropark Hotels Management Company Limited.

In the first half of 2020, revenue of the Group's hotel operations was HK$136 million, a 66% decrease compared with the same period last year. Attributable loss was HK$71 million, as compared with attributable profit of HK$80 million in the same period last year. Affected by COVID-19, the average occupancy rate and food and beverage revenue of the five hotels in Hong Kong and Macau and the Beijing Metropark Hotel decreased significantly during the first half of the year, and hotel operations recorded an overall decline. In response to the prevailing operating environment, the hotels introduced various discount and promotional activities and strengthened cost controls to counter the negative impact of the pandemic.

Theme parks

The Group's theme parks include Shenzhen The World Miniature Co., Ltd. ("**Window of the World**") and Shenzhen Splendid China Development Co., Ltd. ("**Splendid China**").

Affected by COVID-19, in the first half of 2020, revenue of theme parks was HK$72 million, a 82% decrease compared with the same period last year. Attributable loss was HK$39 million, as compared with attributable profit of HK$67 million in the same period last year. Splendid China recorded an increase in revenue from its management services compared with the same period last year. The recovery of theme park operations was relatively slow. During the second half of the year, Window of the World and Splendid China will increase efforts in market development and exploitation to enrich their products and expand their business.

Natural and cultural scenic spot destinations

The Group's natural and cultural scenic spot destinations include 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**") and Guangxi CTS Detian Waterfall Tourism Development Co., Ltd. ("**Detian Scenic Spot**").

Affected by COVID-19, in the first half of 2020, revenue from natural and cultural scenic spots was HK$52 million, a 79% decrease compared with the same period last year. Attributable loss was HK$34 million, as compared with attributable profit of HK$12 million in the same period last year.

Due to a relatively slow recovery of operations, Songshan Scenic Spot recorded a decrease in revenue compared with the same period last year, turning profit into loss. Shapotou Scenic Spot recorded a 64% decrease in revenue compared with the same period last year, resulting in an increased loss. The occupancy rate and room rate for desert-view rooms and detached cabins at the Star Hotel of Shapotou Scenic Spot were higher than expected, and the Star Hotel project is planned to commence operation during the second half of the year. Huashan Scenic Spot saw losses decrease in the first half of the year. Detian Scenic Spot recorded a decrease in its revenue in the first half of the year compared with the same period last year, turning profit into loss. With the Far-sighted View of Vietnam, Sino-Vietnam Cross-border Duty Free Street and Night Detian projects successively beginning operations during the second half of the year, their operating performance is expected to improve gradually.

Leisure resort destinations

The Group's leisure resort destinations include 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**") and CTS (Anji) Tourism Development Company Limited ("**Anji Company**").

As affected by COVID-19, in the first half of 2020, revenue of leisure resort destinations was HK$85 million, a 64% decrease compared with the same period last year. Attributable loss was HK$18 million, as compared with attributable profit of HK$26 million in the same period last year.

Zhuhai OSR recorded a 65% decrease in revenue compared with the same period last year, though with an improved cash flow by virtue of the government grants for the reception of quarantined persons. The renovation of the Neptune Hotel will be actively promoted during the second half of the year. Revenue from Xianyang OSR decreased by 73% as compared with the same period of last year, the upgrade and modification of the hot spring centre is underway and is scheduled to commence operation during the second half of the year. Profit recognised from the real estate project by the associate Evergrande OSR decreased compared with the same period last year. Anji Company achieved a stronger recovery and recorded a decrease of 49% in revenue and an increase in losses compared with the same period last year.

Non-controlling scenic spot investments

The Group's non-controlling scenic spot investments include Huangshan Yuping Cable Car Company Limited, Huangshan Taiping Cable Car Co., Ltd., Changsha Colorful World Company Limited and Changchun Jingyuetan Youle Co., Ltd.

In the first half of 2020, the attributable loss from non-controlling scenic spot investments was HK$9.27 million, compared with an attributable profit of HK$18 million for the same period last year.

Supplementary tourist attraction operations

The Group's supplementary tourist attraction operations include the China Heaven Creation International Performing Arts Co., Ltd. ("**Heaven Creation Company**"), China Travel Zhiye Culture Development (Shenzhen) Co., Ltd. ("**China Travel Zhiye**") and CTS Scenery (Beijing) Tourism Management Limited ("**Management Company**").

In the first half of the year, Heaven Creation Company recorded a decrease of 70% in revenue and an increase in losses compared with same period last year. This was mainly attributable to its major audiences being from the Occident where the epidemic was not effectively contained. China Travel Zhiye and the Management Company were established in 2018 to respectively provide tourism planning and management services and broaden the Group's sources of revenue. China Travel Zhiye recorded a decrease of 41% in revenue compared with same period last year, recorded a slight loss. Management Company recorded an increase of 68% in revenue compared with same period last year, turning loss into profit.

(II) Travel agency, travel document and related operations

The Company's travel agency, travel document and related operations comprise a travel agency business (China Travel Service (Hong Kong) Limited ("**CTSHK**", formerly known as China Travel (HK & Macau Tour) Management Hong Kong Limited, renamed to the current name on 23 December 2019) and overseas travel agencies), a travel document business and China Travel Hi-Tech Computer Hong Kong Limited.

Affected by COVID-19 in the first half of 2020, revenue of the Group's travel agency, travel document and related operations was HK$160 million, a 75% decrease compared with the same period last year. Attributable loss was HK$35 million, compared with an attributable profit of HK$95 million in the same period last year. The travel document operation's lower business volume resulted in a 80% decrease in attributable profit. The travel agency and related operations turned profit into loss.

On 15 May 2001, China Travel Service Property Investment Hong Kong Limited ("**CTSP**", formerly known as China Travel Service (Hong Kong) Limited, renamed to the current name on 23 December 2019) entered into an entrusted management agreement (the "**Agency Agreement**") with China Travel Service (Holdings) Hong Kong Limited ("**CTS (Holdings)**"), the controlling shareholder of the Company, pursuant to which CTSP was appointed by CTS (Holdings) to provide general administration services in Hong Kong for tourist visa and travel permit applications for entry into the PRC, for a term until 30 June 2047. On 1 June 2020, CTSP, China Travel Service Entry Permit Service Hong Kong Limited ("**China Travel Document**", formerly known as China Travel Air Service Hong Kong Limited, renamed to the current name on 10 January 2020), a wholly-owned subsidiary of the Company, and CTS (Holdings) entered into a deed of novation in relation to the Agency Agreement, pursuant to which the parties agreed China Travel Document to undertake and perform, on behalf of CTSP, all its obligations under the Agency Agreement, and receive, on behalf of CTSP, its rights and benefits under the Agency Agreement, for a term until 30 June 2047.

On 9 August 2019, the Group and China Travel Service Co., Ltd. ("**CTS Head Office**"), a subsidiary of China National Travel Service Group Corporation Limited, entered into an asset and equity interest transfer master agreement, pursuant to which the Group agreed to dispose of its business and assets relating to travel agency to CTS Head Office after completion of an internal reorganisation for a consideration of HK$5.13 million (the "**Disposal**"). For details, please refer to the Company announcement dated 9 August 2019. By streamlining its business structure, the Group will be able to focus on developing core businesses with better profit potential and further clarify its strategic position. Due to the complexity of the transactions involved, the Disposal is still underway and has not been completed as at the date of this announcement.

(III) Passenger transportation operations

The Company's passenger transportation operations comprise China Travel Tours Transportation Services Hong Kong Ltd. ("**China Travel Tours Transportation Services**") and Shun Tak-China Travel Shipping Investments Limited ("**Shun Tak-China Travel**"). In the first half of 2020, revenue of the Group's passenger transportation operations was HK$46 million, a 82% decrease compared with the same period last year. Attributable loss was HK$120 million, compared with an attributable profit of HK$4 million in the same period last year.

As affected by COVID-19 in the first half of the year, China Travel Tours Transportation Services recorded a decrease of 82% in its revenue due to the full suspension of its cross-border passenger transport routes, and turned profit to loss.

Attributable loss from our associate Shun Tak-China Travel increased compared with the same period last year, with COVID-19 leading to a drop in passenger numbers.

On 6 March 2020, a wholly-owned subsidiary of the Company and a non-wholly-owned subsidiary of Shun Tak Holdings Limited ("**STHL**") entered into a share transfer agreement at a consideration of HK$437 million (subject to adjustment), pursuant to which the Group has agreed to purchase 21% of the issued share capital of Shun Tak-China Travel. Upon completing the acquisition, the Company will indirectly hold 50% of the issued share capital of Shun Tak-China Travel, and Shun Tak-China Travel will become a non-wholly-owned subsidiary of the Company. On the same day, the Company and Shun Tak-China Travel entered into a share transfer agreement at a consideration of HK$508 million (subject to adjustment), pursuant to which the Company agreed to dispose of the entire issued share capital, together with the shareholder's loan, of its wholly-owned subsidiary China Travel Tours Transportation Development (HK) Limited (the shareholder of China Travel Tours Transportation Services) to Shun Tak-China Travel. Upon completing the disposal, China Travel Tours Transportation Development (HK) Limited will become a non-wholly-owned subsidiary of the Company. In addition, Shun Tak-China Travel and a wholly-owned subsidiary of STHL entered into a share transfer agreement at a consideration of HK$55 million (subject to adjustment), pursuant to which Shun Tak-China Travel has agreed to purchase the entire issued share capital of Jointmight Investments Limited (the "**Vehicle and Ship Integration Project**"). For details, please refer to the Company announcement dated 6 March 2020 and the circular of the Company dated 27 March 2020. The Vehicle and Ship Integration Project was completed on 16 July 2020, upon which the Group recorded an one-off appreciation gain of approximately HK$100 million.

DEVELOPMENT STRATEGY

The Group's vision is to become "a first-class cultural tourist destination investment and operation service provider and ancillary facility and service developer". It seeks to consolidate capabilities and resources to build a competitive and influential platform for the investment and operation of cultural tourism and city development.

The Group will continue to integrate existing businesses and plan for new business, further optimise management structures, and implement a concrete optimisation of resources, staff, business, platforms and management. The Group will increase its efforts to innovate in its business and product models, build project scenarios and traffic monetization, and enhance product attractiveness and the diversity of its product portfolio through product research and development and mergers and acquisitions of well-known travel IPs. It will create more opportunities and greater profitability by securing tourism resources and the acquisition of land.

The Group will continue to boost revenue and efficiency in its existing businesses by optimising their operations. Window of the World launched preferential product policies such as single daytime double tickets, parent-child package tickets and annual cards during the first half of the year, and a 3D projection project has been brought into operation. The renovation of its ice rink continued and is scheduled to begin operation during the second half of the year. Window of the World also introduced various products and market policies to cope with market changes induced by the epidemic. Splendid China will push forward the opening of its Dragon sightseeing cable car project in the second half of the year, strengthen comprehensive management services mechanisms, and enhance the overall value of its services.

Shapotou Scenic Spot will pursue development of the Star Hotel project, aiming for a Phase I opening during the second half of the year. It will develop a new "scenic spot + characteristic hotel" tourism model to facilitate transformation via recreational products such as hot springs, homestay lodgings, hotels, shows and nighttime tours. Detian Scenic Spot's nighttime tour experience product"Night Detian"; Far-sighted View of Vietnam and Sino-Vietnam Cross-border Duty Free Street project has commenced operations during the second half of the year, with their operating performance expected to improve gradually. The upgrade and modification of Huashan Scenic Spot's operating pleasure boat is scheduled to be completed during the second half of the year.

The Group continued to explore new marketing models. Anji Company used direct sales channels to increase the occupancy rate of hotel suites; the Star Hotel of Shapotou Scenic Spot launched some completed desert-view detached villas for trial operations during the May Day holiday, with an occupancy rate of 100% and recognition as a "local internet celebrity product". China Travel Tours Transportation Services and Shenzhen Tencent Computer Systems Company Limited entered into strategic cooperation to jointly build a one-stop platform for smart transportation in the Guangdong-Hong Kong-Macao Bay Area and innovate profit models.

The Group will promote its digital transformation and pursue construction of a resource management platform (ERP platform). It has established a digital transformation office to initially complete general planning and determine key projects and pilot units for digital transformation. The Group will also strengthen internal and external communications, implement special training in "the exploration and practice of the digital transformation of the cultural tourism industry", and will aim to integrate the management and control of business, operations and administration.

Zhuhai OSR will upgrade existing products and develop new real estate business with a view to strengthening the "Ocean Spring" brand, enriching Ocean Spring's portfolio with characteristic products, and utilising the complementary and interactive effect of "Travel+Real Estate". Zhuhai OSR will also advance the renovation of the Neptune Hotel and strive to finalise the construction scheme and complete the pre-construction preparatory work in the second half of the year. Upon the completion of its upgrading and modification, Xianyang OSR's hot spring centre is scheduled to commence operation during the second half of the year. Xianyang OSR will also actively seek sources of business and group travellers and optimise its customer structure. Anji Company will increase efforts to accelerate construction of the phase II real estate project and is scheduled to begin sales during the second half of the year. Anji Company will also strengthen product innovation and channel development and will increase sales using the benign interaction between existing and new products.

The Group intends to invest and develop its tourism resort and real estate business at Jintang County. On 8 May 2020, the Company succeeded in its tender for the state-owned construction land use rights of three land parcels in Jintang County, Chengdu City, Sichuan Province, the PRC, at a consideration of approximately RMB334 million. The parcels have a high development potential as they offer easy access to transportation and the facilities around them are relatively comprehensive. The Company's acquisition of the parcels is conducive to enhancing the market share of the Group's tourism real estate business, improving its industry position and brand awareness, and expanding the Group's profit growth drivers. For details, please refer to the Company announcement dated 8 May 2020.

The Vehicle and Ship Integration Project was completed on 16 July 2020. The project will reinforce and expand Shun Tak-China Travel's multimodal transportation platform, reinforce strategic cooperation between the Company and STHL, and give the Group a crucial role in developing transportation in the Greater Bay Area by boosting synergy among the Company's road and sea transport, hotel, tourism and other segments, and the scale and diversity of its passenger transport operations in the area. Looking ahead, in addition to expanding cross-border road transportation operations on the Hong Kong-Zhuhai-Macao Bridge, there will be chances to explore new areas of business. Upon the consolidation of financial results from Shun Tak-China Travel, the Company's overall results will be enhanced by virtue of significantly increased assets and staff in Hong Kong. The Group is expected to become a key transport operator across Guangzhou, Hong Kong, Macau and Shenzhen and will contribute to fulfiling the Chinese government's strategic goals in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area issued in February 2019. It is expected that the Pearl River Delta port cluster's transportation network, overall competitiveness and throughput will be significantly enhanced, bringing abundant business opportunities to the area.

The Group will develop new business and create new growth engines by acquiring strategic quality scenic spot resources, and exploring breakthroughs in overseas markets. During the first half of the year, the Group undertook in-depth studies on major travel destinations associated with the "Belt and Road Initiative", continued business negotiations and research with relevant parties in the Maldives, expanded the scope of the targeted development area, and broadened its business network to identify suitable targets, focus on the Japanese holiday market which is the preferred destination for most Chinese tourists, and seized investment opportunities. 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 studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking 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 2018. The parcel's change to hotel use has been approved by the government, and has significantly increased the land value and development potential. A market survey and other preliminary work for the Hip Kee Godown (No. 3) hotel project have been completed, and a tender has been awarded to the construction unit for the foundation. Preparatory work prior to the construction has commenced, and construction is scheduled to begin during the second half of the year.

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 its production safety system, so as to ensure its healthy and sustainable development.

PROSPECTS

According to the Organiation for Economic Cooperation and Development ("**OECD**"), given the heavy economic losses due to measures for the prevention and control of the COVID-19 outbreak, the global economy is projected to shrink by at least 6% in 2020, though it may begin to restore growth and recover to 5.2% in 2021 should the pandemic be contained. The OECD temporarily ranks China as first among major countries in terms of economic growth in the second quarter of 2020. In the first quarter of 2020, China's GDP shrank by 6.8% compared with the same period last year, mainly attributable to the suspension of operations of the majority of industries due to COVID-19. China's GDP recorded an increase of 3.2% in the second quarter of 2020 compared with the same period last year.

Currently, the main characteristics of the global economy are high degree of financialisation, high liquidity, low growth, low inflation and high level of bubbles, coupled with the uncertainty of the cancellation or imposition of trade tariffs between China and the United States. China's economy is facing increasing risks and challenges. With respect to the pre-judgement on China's economy, based on the achievement of the goals of "two doublings" and building a moderately prosperous society, it is expected that its macroeconomic policies during the second half of the year will focus on bottom-line thinking and alertness to potential risks.

Since the COVID-19 outbreak, the consumer market has been seriously affected, the tourism industry was devastated with the prosperity index and operating results of hotel operations hitting the lowest point. The development of the Group's various businesses faced multiple severe challenges. However, the easing of the epidemic in China has gradually released suppressed consumer and tourism demand, and the tourism industry is slowly recovering. However, the recent resurgence of COVID-19 in Hong Kong and the tough market environment have caused the Company to implement effective management and control of cost and expenditure, cash flow, human allocation and planning for its future operation, to ensure that cash flow risks are controllable and help smooth the ride through the epidemic period.

The Group strives to seek new opportunities amidst crisis and changes to maintain its high-quality development, follow the national lines of "Six Stabilities" and "Six Guarantees", hold its bottom line, contribute to stabilising the economic fundamentals, and winning the battle against COVID-19. The Group's overall business fundamentals remain steady and healthy. It possesses adequate funds and the capability to invest and develop. The Company remains cautious on its future prospects as the impact from COVID-19 may last for a period of time. The overall financial effect of the epidemic cannot be reliably estimated as of the date of this announcement. The Group will continue to monitor the COVID-19 situation and assess its potential risks and impact on the Group's financial and trading prospects. With the right development strategies, the Company will complete its work tasks, facilitate in-depth reform and integrated development, and build a solid foundation to achieve its strategic objectives and create better returns for shareholders.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2020, the Group had 8,375 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 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 2020, the cash and bank balances of the Group amounted to HK$2,546 million, whereas the bank and other borrowings and loans from the holding company amounted to HK$355 million. The debt-to-capital ratio was 18% and the debt includes bank and other borrowings, trade payables, other payables and accruals 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 2020, the Group's bank deposits of approximately HK$12 million (31 December 2019: HK$18 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 2020, certain of the Group's buildings with net carrying amounts of HK$1.27 million (31 December 2019: HK$1.5 million) were pledged to secure bank guarantees given to suppliers in connection with credit facilities granted.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the section "BUSINESS REVIEW" under the "MANAGEMENT DISCUSSION AND ANALYSIS' section above, the Group did not have any material acquisitions or disposal of subsidiaries, associates 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 for 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 as disclosed in the "MANAGEMENT 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 2020, the Group's performance bond given to a customer for due performance of a sale contract was HK$0.3 million (31 December 2019: HK$0.3 million).

SIGNIFICANT INVESTMENTS HELD

To utilize the Group's idle fund more efficiently without affecting operating cash while ensuring fund safety, the Group used some idle funds to subscribe for RMB denominated wealth management products. As at 30 June 2020, The Group held wealth management products amounting to a total of RMB296 million (equivalent to approximately HK$324 million). During the period, the income from financial assets at fair value through profit or loss was approximately HK$1.6 million.

During the period, in respect to each subscription of wealth management products above, the relevant applicable percentage ratios (as defined under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) calculated by the Group were all less than 5% and the subscription 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 Group's fund position.

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 2020, 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. The Company did not have formal letters of appointment for Mr. Lo Sui On, Mr. Yang Hao, Mr. Fan Dongsheng and Mr. Tsang Wai Hung. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the 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 29 May 2020 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**") 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 2020.

DIVIDENDS

The Board does not recommend the payment of an interim dividend (2019: HK3 cents) for the six months ended 30 June 2020,

REVIEW OF INTERIM FINANCIAL REPORT

The unaudited condensed interim financial report of the Group for the six months ended 30 June 2020 has been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial report for the six months ended 30 June 2020 has not been audited but has been reviewed by the Company's external auditors, KPMG.

PUBLICATION OF 2020 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 2020 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
Jiang Hong
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the Board of the Company comprises six executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. You Cheng, Mr. Yang Hao, Mr. Wu Qiang and Mr. Fan Dongsheng; one non-executive Director, namely Mr. Tsang Wai Hung; and five independent nonexecutive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.