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ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED

東勝旅遊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS:

- The Group recorded revenue of approximately HK\$47.7 million (six months ended 30 June 2020: approximately HK\$112.6 million) for the Period, representing a decrease of approximately 58% as compared to the corresponding period of last year. As a result of the Pandemic, revenue from the diversified tourism products and services businesses were inevitably affected. Nevertheless, the Group's total revenue from the integrated development businesses and the property management businesses, which served as the Group's alternative business drives, increased during the Period as compared to the corresponding period of last year.
- Loss for the Period attributable to the equity owners of the Company for continuing operations was approximately HK\$2.6 million (six months ended 30 June 2020: approximately HK\$11.8 million), representing a decrease of approximately 78% as compared to the corresponding period of last year, which was mainly attributable to the recognition of net gain on disposal of the remaining portion of the piece of land located in New Zealand of approximately HK\$9.4 million during the Period.
- Basic and diluted loss per share from continuing operations attributable to the equity owners of the Company for the Period was approximately HK0.06 cent (six months ended 30 June 2020: approximately HK0.13 cent (restated)).
- The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: nil).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Orient Victory Travel Group Company Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with comparative figures for the corresponding period in 2020, as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

*(Expressed in Hong Kong dollars (“**HK\$**”))*

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|---|
| | Notes | 2021 (unaudited) \$'000 | 2020 (unaudited) \$'000 (Restated) (Note) |
| Continuing operations: | | | |
| Revenue | 4 | 47,740 | 112,648 |
| Cost of sales and services | | <u>(41,252)</u> | <u>(103,515)</u> |
| Gross profit | | 6,488 | 9,133 |
| Other income | | 3,148 | 291 |
| Gain on disposal of assets held for sale | | 9,429 | – |
| Selling, general and administrative expenses | | <u>(21,634)</u> | <u>(26,113)</u> |
| Loss from operations | | (2,569) | (16,689) |
| Finance costs | 5 | <u>(132)</u> | <u>(2,922)</u> |
| Loss before taxation | 5 | (2,701) | (19,611) |
| Income tax | 6 | <u>(2,862)</u> | <u>377</u> |
| Loss for the period from continuing operations | | (5,563) | (19,234) |
| Discontinued operation: | | | |
| Loss for the period from discontinued operation | | <u>–</u> | <u>(12,774)</u> |
| Loss for the period | | <u><u>(5,563)</u></u> | <u><u>(32,008)</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)*For the six months ended 30 June 2021**(Expressed in HK\$)*

| | | For the six months ended 30 June | |
|---|-------------|---|----------------------|
| | <i>Note</i> | 2021 | 2020 |
| | | (unaudited) | (unaudited) |
| | | \$'000 | \$'000 |
| | | | <i>(Restated)</i> |
| | | | <i>(Note)</i> |
| Attributable to: | | | |
| Equity owners of the Company | | | |
| – continuing operations | | (2,564) | (11,790) |
| – discontinued operation | | <u>–</u> | <u>(12,774)</u> |
| | | <u>(2,564)</u> | <u>(24,564)</u> |
| Non-controlling interests | | | |
| – continuing operations | | <u>(2,999)</u> | <u>(7,444)</u> |
| Loss for the period | | <u>(5,563)</u> | <u>(32,008)</u> |
| Basic and diluted loss per share | | | |
| | 7 | | |
| – continuing operations | | (HK0.06 cent) | (HK0.13 cent) |
| – discontinued operation | | <u>–</u> | <u>(HK0.10 cent)</u> |

Note: The restatement of comparative information is attributable to the discontinued operation.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Expressed in HK\$)

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | \$'000 | \$'000 |
| | | (Restated) |
| | | (Note) |
| Loss for the period | (5,563) | (32,008) |
| Other comprehensive income for the period (after tax) | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| – exchange differences on translation of financial statements of foreign operations | <u>5,542</u> | <u>(15,290)</u> |
| Total comprehensive income for the period | <u>(21)</u> | <u>(47,298)</u> |
| Attributable to: | | |
| Equity owners of the Company | | |
| – continuing operations | <u>2,611</u> | <u>(25,777)</u> |
| – discontinued operation | <u>–</u> | <u>(12,774)</u> |
| | <u>2,611</u> | <u>(38,551)</u> |
| Non-controlling interests | | |
| – continuing operations | <u>(2,632)</u> | <u>(8,747)</u> |
| Total comprehensive income for the period | <u>(21)</u> | <u>(47,298)</u> |

Note: The restatement of comparative information is attributable to the discontinued operation.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Expressed in HK\$)

| | | At 30 June 2021 (unaudited) \$'000 | At 31 December 2020 (audited) \$'000 |
|--|-------|--|--|
| | Notes | | |
| Non-current assets | | | |
| Investment properties | | 159,286 | 139,403 |
| Other property, plant and equipment | | <u>135,553</u> | <u>131,395</u> |
| | | 294,839 | 270,798 |
| Intangible assets | | 4,215 | 4,055 |
| Deferred tax assets | | <u>2,194</u> | <u>2,373</u> |
| | | <u>301,248</u> | <u>277,226</u> |
| Current assets | | | |
| Inventories | | 217,425 | 214,620 |
| Trade receivables | 8 | 25,187 | 19,736 |
| Prepayments, deposits and other receivables | | 28,513 | 109,719 |
| Restricted bank deposits | | 1,393 | 2,239 |
| Cash and cash equivalents | | 328,894 | 179,309 |
| Assets held for sale | | <u>–</u> | <u>47,538</u> |
| | | <u>601,412</u> | <u>573,161</u> |
| Current liabilities | | | |
| Trade payables | 9 | 31,429 | 26,810 |
| Contract liabilities | | 29,740 | 9,555 |
| Other payables and accruals | | 100,169 | 92,560 |
| Lease liabilities | | 2,514 | 1,740 |
| Provisions | | <u>1,043</u> | <u>1,034</u> |
| | | <u>164,895</u> | <u>131,699</u> |
| Net current assets | | <u>436,517</u> | <u>441,462</u> |
| Total assets less current liabilities | | <u><u>737,765</u></u> | <u><u>718,688</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

(Expressed in HK\$)

| | | At 30 June 2021 (unaudited) \$'000 | At 31 December 2020 (audited) \$'000 |
|--|------|--|--|
| | Note | | |
| Non-current liabilities | | | |
| Lease liabilities | | 19,345 | 435 |
| Deferred tax liabilities | | 13,115 | 13,031 |
| Provisions | | <u>2,690</u> | <u>2,669</u> |
| | | <u>35,150</u> | <u>16,135</u> |
| NET ASSETS | | <u>702,615</u> | <u>702,553</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 10 | 64,610 | 64,610 |
| Perpetual convertible securities | | 296,274 | 296,274 |
| Reserves | | <u>266,630</u> | <u>263,936</u> |
| Total equity attributable to equity owners of the Company | | 627,514 | 624,820 |
| Non-controlling interests | | <u>75,101</u> | <u>77,733</u> |
| TOTAL EQUITY | | <u>702,615</u> | <u>702,553</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in HK\$ unless otherwise indicated)

1 CORPORATE INFORMATION

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

During the Period, the Group is principally engaged in the property management and leasing services businesses for residential and commercial properties, the diversified tourism products and services businesses and the integrated development businesses.

2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). It was authorised for issue on 30 August 2021.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make 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 result announcement 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

These interim financial statements are presented in HK\$ and all values are rounded to the nearest thousand ("**\$'000**") except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments did not have material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim financial statements. Other than these amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the property management and leasing services businesses for residential and commercial properties, the diversified tourism products and services businesses and the integrated development businesses. Further details regarding the Group's principal activities are disclosed in Note 4(b).

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

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | \$'000 | \$'000 |
| Disaggregated by major products or service lines: | | |
| – Sales of air tickets and diversified tourism products, provision of travel and other related services and commission income | 4,736 | 77,910 |
| – Sales of products and service income from tourism attractions | 15,704 | 10,611 |
| – Marketing, event planning and consulting services | 16,888 | 11,189 |
| – Sales of properties | – | 12,938 |
| – Property management and leasing related services | 10,412 | – |
| | 47,740 | 112,648 |

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

For the Period, the Group had transactions with a customer and entities under its control in the integrated development segment and the property management segment, contributing total revenue of approximately \$17,493,000 to the Group, representing over 10% of the Group's revenue for the Period. The corresponding total revenue of this customer and entities under its control for the six months ended 30 June 2020 is not disclosed as the respective revenue did not contribute over 10% of the Group's total revenue for the six months ended 30 June 2020.

(b) Segment reporting

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

Continuing reportable segments:

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

Discontinued reportable segment:

- the investment holding segment, which involves in equity investment activities, and comprised the equity interest in China Comfort Tourism Group Company Limited* (中國康輝旅遊集團有限責任公司) (“**China Comfort**”), a then associate which was disposed of by the Group in October 2020.

(i) Segment results, assets and liabilities

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

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

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

| For the six months ended 30 June | | | | | | | | | | | |
|---|-------------------|------------------------|-------------------|---------------------|-------------------|----------------------|-------------------|------------------------------------|-------------------|----------------------|-------------------|
| Continuing operations | | | | | | | | Discontinued operation | | | |
| Diversified tourism products and services | | Integrated development | | Property management | | Sub-total | | Investment holding – China Comfort | | Total | |
| 2021 unaudited | 2020 unaudited | 2021 unaudited | 2020 unaudited | 2021 unaudited | 2020 unaudited | 2021 unaudited | 2020 unaudited | 2021 unaudited | 2020 unaudited | 2021 unaudited | 2020 unaudited |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | | | | | | (Restated) (Note) | | (Restated) (Note) | | (Restated) (Note) | |
| 4,736 | 77,910 | 32,592 | 34,738 | - | - | 37,328 | 112,648 | - | - | 37,328 | 112,648 |
| - | - | - | - | 9,774 | - | 9,774 | - | - | - | 9,774 | - |
| 4,736 | 77,910 | 32,592 | 34,738 | 9,774 | - | 47,102 | 112,648 | - | - | 47,102 | 112,648 |
| - | - | - | - | 638 | - | 638 | - | - | - | 638 | - |
| <u>4,736</u> | <u>77,910</u> | <u>32,592</u> | <u>34,738</u> | <u>10,412</u> | <u>-</u> | <u>47,740</u> | <u>112,648</u> | <u>-</u> | <u>-</u> | <u>47,740</u> | <u>112,648</u> |
| <u>(3,932)</u> | <u>(6,325)</u> | <u>3,823</u> | <u>(5,034)</u> | <u>911</u> | <u>-</u> | <u>802</u> | <u>(11,359)</u> | <u>-</u> | <u>(12,774)</u> | <u>802</u> | <u>(24,133)</u> |
| | | | | | | (3,371) | (5,330) | - | - | (3,371) | (5,330) |
| | | | | | | (132) | (2,922) | - | - | (132) | (2,922) |
| | | | | | | (2,701) | (19,611) | - | (12,774) | (2,701) | (32,385) |

| | Diversified tourism products and services | | Integrated development | | Property management | | Total | |
|--|--|---------------|---------------------------|----------------|------------------------|-----------|----------------|----------------|
| | 31 | | 31 | | 31 | | 31 | |
| | 30 June | December | 30 June | December | 30 June | December | 30 June | December |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | (unaudited) | (audited) | (unaudited) | (audited) | (unaudited) | (audited) | (unaudited) | (audited) |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | | | | | | | | (Restated) |
| | | | | | | | | (Note) |
| Segment assets | <u>30,037</u> | <u>27,291</u> | <u>511,104</u> | <u>556,999</u> | <u>28,389</u> | <u>–</u> | <u>569,530</u> | <u>584,290</u> |
| Corporate and other unallocated assets | | | | | | | <u>333,130</u> | <u>266,097</u> |
| Total assets | | | | | | | <u>902,660</u> | <u>850,387</u> |
| Segment liabilities | <u>42,965</u> | <u>35,554</u> | <u>61,969</u> | <u>65,990</u> | <u>50,814</u> | <u>–</u> | <u>155,748</u> | <u>101,544</u> |
| Corporate and other unallocated liabilities | | | | | | | <u>44,297</u> | <u>46,290</u> |
| Total liabilities | | | | | | | <u>200,045</u> | <u>147,834</u> |

Note: The restatement of comparative information is attributable to the discontinued operation and the reclassification of head office and corporate income, expenses, assets and liabilities as corporate and unallocated items from the investment holding segment.

(ii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's assets. The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations.

| | Revenue from external customers | | Non-current assets | | Current assets | | Total assets | |
|-------------------------------|----------------------------------|----------------|--------------------|----------------|----------------|----------------|----------------|----------------|
| | For the six months ended 30 June | | 30 June | | December | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | (unaudited) | (unaudited) | (unaudited) | (audited) | (unaudited) | (audited) | (unaudited) | (audited) |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Hong Kong (place of domicile) | 4,736 | 22,985 | 4,233 | 2,005 | 81,592 | 21,048 | 85,825 | 23,053 |
| Mainland China | 43,004 | 76,725 | 297,015 | 274,922 | 515,281 | 488,809 | 812,296 | 763,731 |
| New Zealand | – | 12,938 | – | 299 | 4,539 | 63,304 | 4,539 | 63,603 |
| | <u>47,740</u> | <u>112,648</u> | <u>301,248</u> | <u>277,226</u> | <u>601,412</u> | <u>573,161</u> | <u>902,660</u> | <u>850,387</u> |

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

| | For the six months ended 30 June | |
|--|----------------------------------|--------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | \$'000 | \$'000 |
| Interest on bank loans | – | 245 |
| Interest on lease liabilities | 132 | 81 |
| Finance costs in connection with interest-free loans from non-controlling shareholders of a subsidiary | – | 2,527 |
| Net foreign exchange loss | – | 69 |
| | <u>132</u> | <u>2,922</u> |

(b) Other items

| | For the six months ended 30 June | |
|---|----------------------------------|-------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | \$'000 | \$'000 |
| Wages, salaries and other benefits and pension scheme contributions | 12,253 | 15,986 |
| Cost of inventories sold | 6,554 | 44,144 |
| Amortisation cost of intangible assets | 311 | 2,348 |
| Depreciation charge | | |
| – owned property, plant and equipment | 2,160 | 3,546 |
| – right-of-use assets | 626 | 1,854 |
| Impairment losses/(reversal of impairment losses) on receivables, net | | |
| – trade receivables | 1,842 | 1,039 |
| – prepayments, deposits and other receivables | – | (3,269) |

6 INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | \$'000 | \$'000 |
| Current – Mainland China | 201 | 46 |
| Current – New Zealand | 1,718 | 291 |
| Deferred taxation | 943 | (714) |
| Net tax charge/(credit) for the period | 2,862 | (377) |

Notes:

- (i) Provision for Hong Kong Profit Tax for the Period is calculated at 16.5% (six months ended 30 June 2020: 16.5%) of the estimated assessable profits for the Period. The Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax during the Period (six months ended 30 June 2020: nil).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) Pursuant to the rules and regulations of the People’s Republic of China (the “PRC”), the Group’s subsidiaries established in the mainland (“Mainland China”) of the PRC are subject to PRC Corporate Income Tax at the statutory rate of 25% during the Period (six months ended 30 June 2020: 25%).
- (iv) Pursuant to the rules and regulations of the New Zealand, the Group’s subsidiaries established in the New Zealand are subject to the Business Income Tax at the statutory rate of 28% during the Period (six months ended 30 June 2020: 28%).

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity owners of the Company and the weighted average ordinary shares in issue during the Period, based on the following data:

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

| | For the six months ended 30 June | |
|---|----------------------------------|----------------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | \$'000 | \$'000 |
| Loss attributable to the equity owners of the Company | 2,564 | 24,564 |
| Accrued distribution to the holders of perpetual convertible securities | <u>5,155</u> | <u>5,155</u> |
| Loss for the purpose of calculating basic loss per share | <u><u>7,719</u></u> | <u><u>29,719</u></u> |

(ii) Weighted average number of ordinary shares

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------|
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| | '000 | '000 |
| Issued ordinary shares and weighted average number of ordinary shares in issue during the period | <u><u>12,922,075</u></u> | <u><u>12,922,075</u></u> |

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding for the Period and the six months ended 30 June 2020. The effect of the deemed conversion of the perpetual convertible securities was not included in the calculation of diluted loss per share as they are anti-dilutive during the Period and the six months ended 30 June 2020.

8 TRADE RECEIVABLES

| | 30 June 2021 (unaudited) \$'000 | 31 December 2020 (audited) \$'000 |
|----------------------|--|--|
| Trade receivables | 33,385 | 27,115 |
| Less: loss allowance | <u>(8,198)</u> | <u>(7,379)</u> |
| | <u>25,187</u> | <u>19,736</u> |

Ageing analysis

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

| | 30 June 2021 (unaudited) \$'000 | 31 December 2020 (audited) \$'000 |
|-----------------|--|--|
| Within 90 days | 24,460 | 18,298 |
| 91 to 180 days | 5 | 1,373 |
| 181 to 365 days | 711 | 65 |
| Over 365 days | <u>11</u> | <u>–</u> |
| | <u>25,187</u> | <u>19,736</u> |

For trade receivables from property management services, the Group charges property management fees on an annual or a semi-annual basis and the payment is generally due upon the issuance of demand notes. The Group's other trade receivables are due within 14 to 90 days (31 December 2020: 14 to 90 days) from the date of billing.

9 TRADE PAYABLES

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

| | 30 June 2021 (unaudited) \$'000 | 31 December 2020 (audited) \$'000 |
|-----------------|--|--|
| Within 90 days | 23,734 | 24,436 |
| 91 to 180 days | 2,144 | 1,051 |
| 181 to 365 days | <u>5,551</u> | <u>1,323</u> |
| | <u>31,429</u> | <u>26,810</u> |

Included in trade payables are payables of \$4,670,000 (31 December 2020: \$4,697,000) due to a non-controlling equity owner of a subsidiary which are repayable within 40 days from the date of billing.

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

10 SHARE CAPITAL

| | 30 June 2021 | | 31 December 2020 | |
|--------------------------------|---|-----------------------|---|---------------------|
| | Number of ordinary shares (unaudited) '000 | (unaudited) \$'000 | Number of ordinary shares (audited) '000 | (audited) \$'000 |
| Authorised: | | | | |
| Ordinary share at \$0.005 each | <u>20,000,000</u> | <u>100,000</u> | <u>20,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | | | |
| Ordinary share at \$0.005 each | <u>12,922,075</u> | <u>64,610</u> | <u>12,922,075</u> | <u>64,610</u> |

11 BUSINESS COMBINATION

On 18 May 2021, the Group completed the acquisition of the entire equity interest in Shijiazhuang Dongsheng Property Management Services Company Limited* (石家莊市東勝物業服務有限公司, “**Dongsheng PMS**”), which, alongside its subsidiaries, are principally engaged in the provision of property management and leasing services for residential and commercial properties in Hebei Province, the PRC, for the consideration of RMB7,500,000 (equivalent to \$9,139,000). Further details of the acquisition are set out in the Company’s announcements dated 8 February 2021 and 20 May 2021.

The transaction costs incurred by the Group for the acquisitions had been expensed and also included in general and administrative expenses in the condensed consolidated statement of profit or loss for the Period.

12 INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview, Business Strategy and Outlook

Since the outbreak of the novel coronavirus disease (2019) (COVID-19) pandemic (the “**Pandemic**”) in early 2020, governments of various countries have implemented anti-pandemic measures for public health such as travel restrictions, temporary suspension of tourism activities, and temporary closures and limitation of the number of visitors of tourism attractions and cultural spots. These measures have inevitably affected the travel and tourism industries since the beginning of the Pandemic and were still in force during the Period. As a result of the effective prevention and control measures put in place by the government of mainland (“**Mainland China**”) of the People’s Republic of China (the “**PRC**”) since the beginning of the Pandemic, the Pandemic has begun to ease in Mainland China from the second quarter of 2020. Nevertheless, it is expected that global travel restrictions and other prevention and control measures would still be in place until the full or substantially the full subside of the Pandemic, and the timing of which is highly uncertain.

The Group’s diversified tourism products and services segment engages in the sales of outbound air tickets and provision of outbound tourism-related services. Revenue of which further reduced from approximately HK\$77.9 million during the six months ended 30 June 2020 to approximately HK\$4.7 million during the Period owing to the travel restrictions imposed since late January 2020. Majority of the Group’s revenue from diversified tourism products and services segment during the six months ended 30 June 2020 were derived from January 2020.

The Group’s integrated development segment served as an alternative business drive during the Period and the six months ended 30 June 2020. Benefit from the effective prevention and control measures put in place by the government and the improving Pandemic situation of Mainland China, revenue from the Group’s operation and management of tourist attraction and cultural spot increased from approximately HK\$10.6 million during the six months ended 30 June 2020 to approximately HK\$15.7 million during the Period. Nevertheless, revenue in both periods remained at a lower level owing to the temporary closures of the facilities at certain times and the limitation of the number of visitors in both periods. On the other hand, the Group continues to facilitate the development of other businesses in the integrated development segment that are less affected by the Pandemic. In particular, marketing, event planning and consulting services contributed revenue of approximately HK\$16.9 million (six months ended 30 June 2020: approximately HK\$11.2 million) to the Group during the Period, and by completing the disposal of the remaining portion of the piece of land located in New Zealand in May 2021 as detailed in the section headed “Integrated Development Businesses” under “Business Review” in “Management Discussion and Analysis”, total net gain on disposal of approximately New Zealand Dollar (“**NZD**”) 1.7 million (equivalent to approximately HK\$9.4 million) was recognised as “gain on disposal of assets held for sale” in the condensed consolidated statement of profit or loss during the Period, and the Group’s cash flow was further strengthened.

In addition to the Group's diversified tourism products and services businesses and integrated development businesses, the Board considers that the Group must take additional appropriate steps to cope with the unprecedented market change resulting from the Pandemic. With an aim to broadening the Group's income sources which in turn improve the financial performance of the Group and achieve better return for the shareholders during the current unfavourable environment, the Group has been exploring new income stream in the PRC since late July 2020. Leveraging on the business network of the Directors, the Group is able to explore the feasibility of other business fields with stable domestic demand feature such as the provision of products and services relating to property management and leasing, urban environmental hygiene and healthcare businesses.

Recent policies of the property management industry in the PRC continued to be positive. Pursuant to the notice issued by ten government authorities including the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), in order to satisfy the public aspiration of better living quality and condition, the development of residential property management industry shall be facilitated and the quality and diversification of services shall be enhanced. In particular, the notice requires the local governments to regulate the relationship between governments and enterprises at the grassroots level, facilitate the enhancement of scope of services, management and quality of property management services, support acquisition of the property management companies, encourage market-based property management fees, etc., to develop a long-term effective management mechanism of property management operations, pointing the way for healthy and long-term development of the industry.

On 18 May 2021, the Group completed the acquisition of the entire equity interest in Shijiazhuang Dongsheng Property Management Services Company Limited* (石家莊市東勝物業服務有限公司, "**Dongsheng PMS**"), which, alongside its subsidiaries, are principally engaged in the provision of property management and leasing services for residential and commercial properties in Hebei Province, the PRC. Since completion of the acquisition, Dongsheng PMS contributed property management and leasing related revenue of approximately HK\$10.4 million to the Group during the Period. By completing the acquisition, the Group successfully entered into the property management and leasing related businesses and has additional income sources that are less affected by the Pandemic and with sound prospects.

The Group has been paying close attention to and treating the ongoing situation of the Pandemic with great caution in the light that timing of the full recovery for global tourism industry is highly uncertain under the Pandemic. In addition to the above business developments, the Group had carried out various measures to encounter the impact of the Pandemic to the Group's existing businesses since the first quarter of 2020, which includes implementing cost containment plans, and monitoring and strengthening the cash flows and the collection of receivables. In particular, (1) the Group's wages, salaries and other benefits and pension scheme contributions (excluding costs related to the subsidiaries acquired during the Period) incurred during the Period reduced by 33% as compared to the corresponding period of last year; and (2) the Group's cash and cash equivalent further increased during the Period from approximately HK\$179.3 million as at 31 December 2020 to approximately HK\$328.9 million as at 30 June 2021, which was mainly attributable to the completion of disposal of the remaining portion of the piece of land located in New Zealand as detailed in the section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis", and the receipt of certain refundable prepayments for investments of approximately HK\$81.5 million.

The Pandemic had brought huge impact to the Group's diversified tourism products and services businesses and the Group's tourism attractions under the integrated development businesses during the Period. It is expected that the Pandemic will continue to impact the global tourism industry, and thus outbound travel and tourism businesses, being the Group's main business focus of the diversified tourism products and services segment, as well as the Group's tourism attractions business under the integrated development segment, will continue to be affected in the second half of 2021.

Despite the Pandemic, the tourism-related businesses are expected to be vigorous in a long run having considered the expected steady improvement of the PRC economy and the continuous improvement of people's living standard. The Group will closely monitor the development of the Pandemic and the global tourism industry in order to enable the tourism-related businesses to be back on track in a safe and effective manner.

The Group will also continue to take prudent and cautious steps for the development of other businesses in order to improve the benefit of the Group and shareholders in this challenging business environment.

In particular, for property management businesses, leverage on the extensive experience of certain Directors in property development and management in the PRC, the Group will develop the property management and leasing services businesses by improving the management and operation of Dongsheng PMS, seeking organic growth, strategic acquisitions and support from the controlling shareholder. Meanwhile, in addition to the property management businesses, the Group will also prudently explore potentially profitable investments and acquisitions in relation to urban environmental hygiene business and healthcare business, with an aim to improving the benefit of the Group and its shareholders as a whole.

Business Review

Property Management Businesses

The Group has been exploring property management business opportunities in the PRC since late July 2020. Pursuant to an equity transfer agreement dated 8 February 2021 entered into between Huasheng New Life Services (Shenzhen) Company Limited* (華勝新生活服務(深圳)有限公司, “**Huasheng New Life**”, an indirect wholly-owned subsidiary of the Company) (as purchaser) and Heng Sheng Xin Ye (Beijing) Asset Management Company Limited* (恆晟鑫業(北京)資產管理有限公司, “**Hengsheng Xinye**”, an independent third party of the Company) (as vendor), Hengsheng Xinye conditionally agreed to dispose of, and Huasheng New Life conditionally agreed to acquire, the entire equity interest in Shijiazhuang Dongsheng Property Management Services Company Limited* (石家莊市東勝物業服務有限公司, “**Dongsheng PMS**”) for the consideration of RMB7,500,000 (equivalent to approximately HK\$9,139,000). Dongsheng PMS and its subsidiaries are principally engaged in the provision of property management and leasing services for residential and commercial properties in Hebei Province, the PRC. It possesses certifications of the ISO9001 (Quality Management Systems), ISO14001 (Environmental Management Systems) and OHSAS18001 (Occupational Health and Safety Assessment Series) and won various awards in past years, including the “2020 Top 500 Property Services Companies: Comprehensive Strength*” (二零二零年度物業服務企業綜合實力500強) and the “Top Ten Property Management Projects in Hebei Province in 2019*” (二零一九年度河北省物業管理十佳項目). The acquisition was completed on 18 May 2021, and Dongsheng PMS and its subsidiaries have become the Group’s indirect wholly-owned subsidiaries. Further details of the acquisition are set out in the Company’s announcements dated 8 February 2021 and 20 May 2021.

As at 30 June 2021, Dongsheng PMS and its subsidiaries had a total contracted gross floor area of approximately 8.2 million square meters, of which a total gross floor area of approximately 7.2 million square meters was under their management. The total gross floor area mainly involves residential properties, commercial properties, office buildings, sales offices and related areas, hospitals, government and other public facilities. Revenue from property management and leasing services of approximately HK\$10.4 million was recognised by the Group during the Period since completion of the acquisition of Dongsheng PMS.

Integrated Development Businesses

The Group has been operating in the integrated development businesses since the acquisition of the entire interest in a piece of land located at corner Miller Rise, Bankside Road, Millwater Parkway, Silverdale, Auckland, New Zealand with an aggregate area of approximately 15,742 square meters in 2017. Construction of the first phase of the project was completed in 2019. During the six months ended 30 June 2020, four residential units of the first phase of the project were sold and revenue of approximately HK\$12.9 million from the sales of properties was recognised. As all residential units of the first phase of the project were sold in 2020, no revenue from the sales of properties of the first phase of the project was recognised during the Period. In respect of the remaining portion of the piece of land (approximately 12,986 square meters), with an aim to improving the cash inflows, in December 2020, the Group (as vendor) entered into two agreements for sale and purchase of real estate (the “**Sale and Purchase Agreements**”) with an independent third party of the Company (as purchaser) to dispose of the remaining portion of the piece of land for a total consideration of approximately NZD10.3 million (equivalent to approximately HK\$57.3 million). The disposal was completed in May 2021 and total net gain on disposal of NZD1.7 million (equivalent to approximately HK\$9.4 million) was recognised as “gain on disposal of assets held for sale” in the condensed consolidated statement of profit or loss during the Period.

On the other hand, Hebei Tu Men Travel Development Limited* (河北土門旅遊開發有限公司) (“**Tu Men Travel**”), which is principally engaged in the operation and management of tourist attractions and cultural spots and owns a tourist attraction and cultural spot in Shijiazhuang, the PRC, contributed revenue of approximately HK\$15.7 million (six months ended 30 June 2020: approximately HK\$10.6 million) to the Group during the Period. The Pandemic had led to temporary closures of the tourist attraction and cultural spot between late January 2020 and late March 2020, and between early January 2021 and late February 2021, and no revenue was recognised during these periods. At other times, limitation of the number of visitors and other prevention measures were also strictly imposed by the Group. The increase in revenue during the Period as compared to the corresponding period of last year was primarily attributable to the improved Pandemic situation in the PRC during the Period.

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

In addition, since 2019, the Group has been operating event planning and all-round event production services in respect of the real estate development in the PRC, and has recruited a team of talents who were equipped with extensive experience in corporate image building, brand management, marketing, event planning and public relations and communication. Revenue of approximately HK\$16.9 million (six months ended 30 June 2020: approximately HK\$11.2 million) was recognised during the Period.

Diversified Tourism Products and Services Businesses

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

Revenue from diversified tourism products and services businesses reduced from approximately HK\$77.9 million during the six months ended 30 June 2020 to approximately HK\$4.7 million during the Period. Global travel and tourism activities were basically suspended since early 2020 as a result of the Pandemic and the anti-pandemic measures imposed by the governments of various countries. Majority of the Group's revenue from diversified tourism products and services businesses during the six months ended 30 June 2020 were derived from January 2020. The ongoing global travel restrictions imposed continued to adversely affect the Group's outbound travel businesses during the Period, resulting a further significant decrease in revenue from diversified tourism products and services businesses during the Period as compared to the corresponding period of last year.

Investment Holding Business

During the six months ended 30 June 2020, investment holding business included the Group's 49% equity interest in China Comfort Tourism Group Company Limited* (中國康輝旅遊集團有限責任公司) ("**China Comfort**"), a then associate of the Group, which was engaging in the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. The disposal of the Group's 49% equity interest in China Comfort was completed in October 2020. Accordingly, share of loss of China Comfort of approximately HK\$12.8 million during the six months ended 30 June 2020 was reclassified as "loss for the period from discontinued operation" in the condensed consolidated statement of profit or loss. Details of the disposal of China Comfort are set out in the Company's announcements dated 26 March 2020, 31 July 2020, 30 September 2020 and 15 October 2020, and the Company's circular dated 24 June 2020.

Financial Analysis

Operating Performance

a. Continuing operations

Analysis by nature of revenue:

| | For the six months ended 30 June | | | |
|---|----------------------------------|---------------------|-----------------------|---------------------|
| | 2021 | | 2020 | |
| | HK\$'000 | % | HK\$'000 | % |
| Diversified tourism products and services businesses: | | | | |
| Sales of air tickets and diversified tourism products, provision of travel and other related services and commission income | <u>4,736</u> | <u>9.9</u> | <u>77,910</u> | <u>69.2</u> |
| Integrated development businesses: | | | | |
| Sales of products and service income from tourism attractions | <u>15,704</u> | <u>32.9</u> | <u>10,611</u> | <u>9.4</u> |
| Marketing, event planning and consulting services | <u>16,888</u> | <u>35.4</u> | <u>11,189</u> | <u>9.9</u> |
| Sales of properties | <u>–</u> | <u>N/A</u> | <u>12,938</u> | <u>11.5</u> |
| Sub-total | <u>32,592</u> | <u>68.3</u> | <u>34,738</u> | <u>30.8</u> |
| Property management businesses: | | | | |
| Property management and leasing related services | <u>10,412</u> | <u>21.8</u> | <u>–</u> | <u>N/A</u> |
| Total | <u><u>47,740</u></u> | <u><u>100.0</u></u> | <u><u>112,648</u></u> | <u><u>100.0</u></u> |

The Group recorded revenue of approximately HK\$47.7 million (six months ended 30 June 2020: approximately HK\$112.6 million) for the Period, representing a decrease of approximately 58% as compared to the corresponding period of last year. As a result of the Pandemic, global travel and tourism activities has been temporarily suspended since late January 2020. Majority of the Group's revenue from diversified tourism products and services segment during the six months ended 30 June 2020 were derived from January 2020.

The Group's integrated development businesses served as an alternative revenue drive during the Period. Revenue from sales of products and service income from tourism attractions, and revenue from marketing, event planning and consulting services increased during the Period as compared to the corresponding period of last year. Further details of these business performance are set out in section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis". Sales of properties during the six months ended 30 June 2020 represented the sales of four residential units of the first phase of the project in New Zealand. All residential units of the first phase of the project were sold in 2020 and accordingly no revenue from the sales of first phase properties was recognised during the Period. The net gain on disposal of the remaining portion of the piece of land located in New Zealand of approximately HK\$9.4 million (six months ended 30 June 2020: nil) was recognised as "gain on disposal of assets held for sale" in the condensed consolidated statement of profit or loss during the Period. Details of the business performance of the project in New Zealand are set out in the section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis".

The Group has commenced its property management businesses since completion of the acquisition of the entire equity interest in Dongsheng PMS. Details of its business performance are set out in the section headed "Property Management Businesses" under "Business Review" in "Management Discussion and Analysis".

Gross profit

The Group recorded gross profit of approximately HK\$6.5 million (six months ended 30 June 2020: approximately HK\$9.1 million) for the Period, representing a decrease of approximately 29% as compared to the corresponding period of last year, which was primarily attributable to the decrease in revenue during the Period as compared to the corresponding period of last year.

The increase in gross profit percentage from 8.1% during the six months ended 30 June 2020 to 13.6% during the Period was mainly attributable to the increase in proportion of revenue from integrated development businesses and property management businesses to total revenue during the Period, which had a higher gross profit percentage than that of the revenue from diversified tourism products and services businesses.

Loss for the Period

Loss for the Period from continuing operations amounted to approximately HK\$5.6 million (six months ended 30 June 2020: approximately HK\$19.2 million). The decrease was primarily attributable to the net effect of (1) the decrease in gross profit by approximately HK\$2.6 million as compared to the corresponding period of last year; (2) the recognition of net gain on disposal of the remaining portion of the piece of land located in New Zealand of approximately HK\$9.4 million (six months ended 30 June 2020: nil) during the Period; and (3) the decrease in wages, salaries and other benefits and pension scheme contributions (excluding costs related to the subsidiaries acquired during the Period) by approximately HK\$5.2 million.

b. Discontinued operation

On 15 October 2020, the Group completed the disposal of the 49% equity interest in China Comfort, a then associate of the Group, which was engaging in the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. Accordingly, the consolidated results of China Comfort and its subsidiaries accounted for by the Group during the six months ended 30 June 2020 have been presented as discontinued operation in the Group's condensed consolidated financial statements, and the comparative figures of the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, and corresponding notes have been restated to reflected the discontinued operation separately from continuing operations. Details of the disposal are set out in the section headed "Investment Holding Business" under "Business Review" in "Management Discussion and Analysis".

Assets Structure

As at 30 June 2021 and 31 December 2020, the Group's assets mainly included other property, plant and equipment, investment properties, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables, restricted bank deposits and cash and cash equivalents, and assets held for sale, details of which are set out below:

- i. Other property, plant and equipment of approximately HK\$135.6 million (31 December 2020: approximately HK\$131.4 million) as at 30 June 2021 mainly represented properties and other equipment of the tourist attraction and cultural spot owned by Tu Men Travel with a net carrying amount of approximately HK\$127.9 million (31 December 2020: approximately HK\$128.9 million).

- ii. Investment properties of approximately HK\$159.3 million (31 December 2020: approximately HK\$139.4 million) as at 30 June 2021 represented fair values of (1) a land under development located in the PRC of approximately HK\$140.5 million (31 December 2020: approximately HK\$139.4 million); and (2) the right-of-use assets of non-residential properties located in Shijiazhuang and Xingtai, Hebei Province, the PRC leased by Dongsheng PMS from property owners to earn rentals of approximately HK\$18.8 million (31 December 2020: nil).
- iii. Intangible assets of approximately HK\$4.2 million (31 December 2020: approximately HK\$4.1 million) as at 30 June 2021 mainly consisted of travel licences in the PRC of approximately HK\$4.1 million (31 December 2020: approximately HK\$4.0 million).
- iv. Inventories of approximately HK\$217.4 million (31 December 2020: approximately HK\$214.6 million) as at 30 June 2021 mainly represented certain pieces of land under development in the PRC.
- v. Trade receivables of approximately HK\$25.2 million (31 December 2020: approximately HK\$19.7 million) as at 30 June 2021 were mainly derived from the marketing, event planning and consulting services under the integrated development segment of approximately HK\$19.5 million (31 December 2020: approximately HK\$18.9 million). The increase in trade receivables was mainly attributable to the combined effect of the collection of trade receivables and the acquisition of Dongsheng PMS during the Period.
- vi. Prepayments, deposits and other receivables of approximately HK\$28.5 million (31 December 2020: approximately HK\$109.7 million) as at 30 June 2021 mainly represented prepayments and deposits paid to overseas airlines for the operation of the outbound travel business of the diversified tourism products and services segment. The decrease in prepayments, deposits and other receivables was mainly due to the receipt of refundable prepayments for the acquisitions of certain property development projects in the PRC of approximately HK\$81.5 million in aggregate during the Period.
- vii. Restricted bank deposits and cash and cash equivalents were approximately HK\$330.3 million (31 December 2020: approximately HK\$181.5 million) as at 30 June 2021. The increase was mainly attributable to (1) the receipt of consideration for the disposal of the remaining portion of the piece of land located in New Zealand of approximately HK\$57.3 million; and (2) the receipt of certain refundable prepayments for investments of approximately HK\$81.5 million.
- viii. Assets held for sale as at 31 December 2020 represented the remaining portion of the piece of land located in New Zealand as detailed in section headed “Integrated Development Businesses” under “Business Review” in “Management Discussion and Analysis”, which was disposed of in May 2021.

Liabilities Structure

As at 30 June 2021 and 31 December 2020, the Group's liabilities mainly included trade payables and contract liabilities, other payables and accruals and lease liabilities, details of which are set out below:

- i. Trade payables and contract liabilities were approximately HK\$61.2 million (31 December 2020: approximately HK\$36.4 million) as at 30 June 2021. The increase was mainly attributable to the acquisition of Dongsheng PMS which resulted in an increase in trade payables and contract liabilities by approximately HK\$17.7 million in aggregate during the Period.
- ii. Other payables and accruals of approximately HK\$100.2 million (31 December 2020: approximately HK\$92.6 million) as at 30 June 2021 mainly consisted of consideration payable regarding the acquisition of Tu Men Travel of approximately HK\$31.4 million (31 December 2020: approximately HK\$37.7 million), land and construction costs payable of approximately HK\$20.0 million (31 December 2020: approximately HK\$21.9 million), and deposits of property management and leasing services received by Dongsheng PMS of approximately HK\$4.7 million (31 December 2020: nil). The increase was mainly attributable to the commencement of property management businesses during the Period.
- iii. Lease liabilities of approximately HK\$21.9 million (31 December 2020: approximately HK\$2.2 million) as at 30 June 2021 mainly comprised lease liabilities of the right-of-use assets of non-residential properties located in Shijiazhuang and Xingtai, Hebei Province, the PRC leased by Dongsheng PMS from property owners to earn rentals of approximately HK\$18.8 million (31 December 2020: nil).

Liquidity and Financial Resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. During the Period, the Group's operations and investments were supported by internal resources. Besides, the receipt of the consideration for the disposal of the remaining portion of the piece of land located in New Zealand as detailed in the section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis" of approximately HK\$57.3 million in aggregate during the Period provided extra funding and financial strength to the Group.

As at 30 June 2021, the Group had a current ratio of approximately 3.6 (31 December 2020: approximately 4.4). All the Group's short-term borrowings and long-term borrowings were settled in 2020 and as such gearing ratio (calculated by dividing net debt (defined as short-term borrowings and long-term borrowings, net of cash and cash equivalents) by total equity) was not applicable to the Group as at 30 June 2021 and 31 December 2020.

Foreign Exchange Exposure

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

Capital Commitments

As at 30 June 2021, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of approximately HK\$423.0 million in aggregate (31 December 2020: approximately HK\$419.6 million).

Material Acquisition, Investments and Disposal

On 4 March 2021, the Group entered into an investment agreement with a bank and subscribed for a structured product in the sum of RMB90,000,000 (equivalent to approximately HK\$107,241,000) on 5 March 2021. On 31 March 2021, the Group requested the bank to redeem the structured product at the redemption price of RMB90,151,000 (equivalent to approximately HK\$107,421,000). Details of the subscription and redemption are set out in the Company's announcement dated 13 April 2021.

On 18 May 2021, the Group completed the acquisition of the entire equity interest in Dongsheng PMS. Further details of the acquisition are set out in the section headed "Property Management Businesses" under "Business Review" in "Management Discussion and Analysis".

Save as disclosed above, the Group had no significant investments, material acquisition and disposal of subsidiaries and associated companies during the Period.

Pledge of Assets

As at 30 June 2021 and 31 December 2020, the Group pledged the entire equity interest in Hua Yu New Life Services (Shenzhen) Company Limited * (華譽新生活服務(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the perpetual convertible securities issued on 30 March 2016 with an aggregate principal amount of approximately HK\$70.0 million, details of which are set out in the Company's announcement dated 30 March 2016 and the Company's circular dated 29 January 2016.

Material Contingent Liabilities

As at 30 June 2021 and 31 December 2020, the Group had no material contingent liabilities.

Number and Remuneration of Employees

As at 30 June 2021, the total number of employees of the Group was approximately 220 (30 June 2020: approximately 180). Staff costs (including Directors' emoluments) of approximately HK\$12.3 million (six months ended 30 June 2020: approximately HK\$16.0 million) were incurred during the Period.

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

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: nil).

Events after the Reporting Period

i. Acquisition of the entire equity interest in Kinyoun International

Pursuant to a share transfer agreement dated 6 August 2021 entered into between Allied World Corporation (a wholly-owned subsidiary of the Company) (as purchaser) and Mr. Lu Liqiang (an independent third party of the Company) (as vendor), the purchaser conditionally agreed to acquire, and the vendor agreed to dispose of, the entire equity interest in Kinyoun International Limited ("**Kinyoun International**") for the consideration of HK\$24,000,000. Completion of the equity transfer took place on 9 August 2021 and Kinyoun International and its subsidiaries have become indirect wholly-owned subsidiaries of the Company since then. Kinyoun International and its subsidiaries are principally engaged in the sub-leasing business for non-residential properties in Shijiazhuang, Hebei Province, the PRC. Further details of the acquisition are set out in the Company's announcement dated 6 August 2021.

ii. Termination of the acquisitions of Great Ascent and Yiersan

Reference is made to the circular of the Company dated 10 October 2018. On 20 August 2021, the Company, among all the other relevant parties, entered into a termination agreement to terminate the agreements in respect of the acquisition of 40% of the issued share capital of Great Ascent Limited (“**Great Ascent**”) (a company incorporated in Hong Kong) by the Company, and the acquisition of 40% equity interest in Jiangsu Yiersan Real Estate Development Co., Ltd.* (江蘇一二三房地產開發有限公司) (“**Yiersan**”) (a company incorporated in PRC) by the Company. Further details of the termination are set out in the Company’s announcement dated 25 August 2021.

CORPORATE GOVERNANCE

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

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Shi Baodong during the Period, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.orientvictory.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

On behalf of the Board

Orient Victory Travel Group Company Limited

Shi Baodong

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Shi Baodong, Mr. Zhao Huining and Mr. Mo Yueming, one non-executive Director, being Ms. Song Sining, and three independent non-executive Directors, being Mr. Dong Xiaojie, Mr. He Qi and Mr. Sui Feng-jih.

* denotes an English translation of the Chinese name for identification purpose only.