Tourism International Holdings Limited
旅業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01626)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 increased by approximately 8.1% or RMB19.0 million to approximately RMB254.3 million as compared with the same period in 2017.

- Gross profit for the six months ended 30 June 2018 increased by approximately 15.5% or RMB8.5 million to approximately RMB63.4 million as compared with the same period in 2017.

- Gross profit margin for the six months ended 30 June 2018 increased by approximately 1.6% from approximately 23.3% to approximately 24.9% as compared with the same period in 2017.

- Profit attributable to owners of the Company increased from approximately RMB1.0 million for the six months ended 30 June 2017 to approximately RMB16.1 million for the six months ended 30 June 2018.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

The board (the "**Board**") of directors (the "**Directors**") of Tourism International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017. The results for the current interim period have been reviewed by the audit committee of the Company and the auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi ("**RMB**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**254,274**	235,230
Cost of sales	*5*	**(190,838)**	(180,329)
Gross profit		**63,436**	54,901
Distribution costs	*5*	**(20,207)**	(17,824)
Administrative expenses	*5*	**(27,631)**	(27,059)
Net impairment losses on financial assets		**(26)**	–
Other income		**9,288**	337
Other losses (net)		**(1,249)**	(746)
Operating profit		**23,611**	9,609
Finance income		**649**	450
Finance costs		**(3,877)**	(3,834)
Finance costs (net)		**(3,228)**	(3,384)
Profit before income tax		**20,383**	6,225
Income tax expense	*6*	**(2,048)**	(3,337)
Profit for the period		**18,335**	2,888
Profit attributable to:			
— Owners of the Company		**16,051**	952
— Non-controlling interests		**2,284**	1,936
Profit for the period		**18,335**	2,888

	Note	Six months ended 30 June **2018** **Unaudited** ***RMB'000***	2017 Unaudited *RMB'000*
Items that may not be reclassified to profit or loss			
Currency translation differences		**47**	(286)
Total comprehensive income for the period		**18,382**	2,602
Total comprehensive income for the period attributable to:			
— Owners of the Company		**16,098**	666
— Non-controlling interests		**2,284**	1,936
Total comprehensive income for the period		**18,382**	2,602
Earnings per share attributable to owners of the Company			
— Basic earnings per share	*7*	**0.054**	0.003
— Diluted earnings per share	*7*	**0.021**	0.003

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2018

	Note	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
ASSETS			
Non-current assets			
Land use rights		**21,186**	21,488
Property, plant and equipment		**130,048**	138,783
Deferred income tax assets		**3,766**	3,909
Other non-current assets		**15,608**	–
		170,608	164,180
Current assets			
Inventories		**162,236**	148,429
Trade and other receivables	*9*	**202,117**	216,976
Restricted cash		**88,332**	58,145
Cash and cash equivalents		**170,372**	193,938
		623,057	617,488
Total assets		**793,665**	781,668
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**2,382**	2,382
Other reserves		**164,553**	164,506
Retained profits		**43,381**	27,330
		210,316	194,218
Non-controlling interests		**42,758**	40,474
Total equity		**253,074**	234,692

	Note	As at 30 June 2018 Unaudited *RMB'000*	As at 31 December 2017 Audited *RMB'000*
LIABILITIES			
Non-current liabilities			
Convertible notes		**95,832**	105,973
Current liabilities			
Trade and other payables	*10*	**333,092**	297,486
Income tax payable		**1,667**	3,527
Borrowings		**110,000**	139,990
		444,759	441,003
Total liabilities		**540,591**	546,976
Total equity and liabilities		**793,665**	781,668

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1 GENERAL INFORMATION

Tourism International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013. The Company was formerly known as Jia Yao Holdings Limited and the name of the Company was changed to its current name on 12 January 2018.

The Company and its subsidiaries (together, the "Group") are engaged in the design, printing and sales of paper cigarette packages and social product paper packages in Hubei Province, the People's Republic of China (the "PRC").

The Company's registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1–1001, Cayman Islands, and the address of the principal place of business is No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, the PRC.

The Company's ordinary shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

These condensed consolidated interim financial information are presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated.

These condensed consolidated interim financial information have not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, and any public announcements made by the Group during the interim reporting period.

3 ACCOUNTING POLICIES

Except as described in note 3(a), the accounting policies applied are consistent with those of the consolidated financial information for the year ended 31 December 2017, as described in those annual consolidated financial statements.

(a) New and amended standards adopted by the Group

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on the Group's financial information and the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15.

Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15 with a date of transition of January 1, 2018. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS "11 Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

(i) *HKFRS 9 — Financial Instruments*

Impact on the financial information of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 9 was generally adopted without restating any comparative information. The adoption of HKFRS 9 in the current period does not result in any impact on the amounts reported in the condensed consolidated interim financial information and/or disclosures set out in the condensed consolidated interim financial information except that, the Group has adopted the accounting policies on financial instruments with effect from 1 January 2018.

Summary of significant accounting policies

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) HKFRS 15 — Revenue from Contracts with Customers

Impact on the financial information of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 15 was generally adopted without restating any comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the condensed consolidated interim financial information set out in the condensed consolidated interim financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in no impact to the financial statements as the timing of revenue recognition on sale of goods is unchanged.

Thus there was no impact on the Company's condensed consolidated interim financial information of financial position as of 30 June 2018.

Summary of significant accounting policies

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Revenue from the sales of goods is recognised when the Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery normally does not occur until the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contracts, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group collects cash from the customers through banks. Cash collected from the customers before product delivery is recognized as contract liabilities.

(b) Impact of standards issued but not yet applied by the Group

The following new standards have been issued but are not effective for the financial year beginning January 1, 2019. They are relevant to the operations of the Group but have not been early adopted:

Standards	**Key requirements**	**Effective for annual periods beginning on or after**
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS	Annual Improvement to HKFRS 2015-2017 Cycle	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation.

HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, The Group's future aggregate minimum lease payments under non-cancellable operating leases is approximately RMB6,653,000, among which less than one year is RMB1,014,000, more than one year and less than five years is RMB3,923,000 and more than five years is RMB1,716,000. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortization and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right of use assets and lease liabilities.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. Management expects the adoption would not significant affect the Group's financial position and performance after considering the amount of the future minimum lease payments for the lease contracts held as of 30 June 2018.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

4 REVENUE AND SEGMENT INFORMATION

Segment information

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operation decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Paper cigarette packages — design, printing and sale of paper cigarette packages
Social product paper packages — design, printing and sale of social product paper packages (e.g. packages for alcohol, medicines and food)

Revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the condensed consolidated statement of comprehensive income.

The segment results for the six months ended 30 June 2018:

	Six months ended 30 June 2018		
	Paper cigarette packages	**Social product paper packages**	**Total**
	Unaudited	**Unaudited**	**Unaudited**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**240,480**	**13,794**	**254,274**
Gross profit	**63,113**	**323**	**63,436**
Distribution costs	**(19,125)**	**(1,082)**	**(20,207)**
Segment results	**43,988**	**(759)**	**43,229**
Administrative expenses			**(27,631)**
Net impairment losses on financial assets			**(26)**
Other income			**9,288**
Other losses (net)			**(1,249)**
Finance costs (net)			**(3,228)**
Profit before income tax			**20,383**

The segment results for the six months ended 30 June 2017:

	Six months ended 30 June 2017		
	Paper cigarette packages	Social product paper packages	Total
	Unaudited	Unaudited	Unaudited
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	220,730	14,500	235,230
Gross profit	53,614	1,287	54,901
Distribution costs	(16,962)	(862)	(17,824)
Segment results	36,652	425	37,077
Administrative expenses			(27,059)
Other income			337
Other losses (net)			(746)
Finance costs (net)			(3,384)
Profit before income tax			6,225

Segment assets and liabilities

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown as follows:

	As at 30 June 2018	As at 31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Mainland China	**166,833**	160,248
Hong Kong	**9**	23
	166,842	160,271

5 EXPENSE BY NATURE

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Operating profit for the period has been arrived at after charging:		
Staff costs:		
Directors' emoluments	**372**	580
Salaries and other benefits	**38,419**	43,162
Contributions to retirement benefits scheme, excluding those of Directors	**2,810**	5,812
	41,601	49,554
Cost of inventories	**157,784**	139,446
Depreciation of property, plant and equipment	**8,321**	9,937
Transportation cost	**9,296**	8,135
Energy and water expense	**6,093**	4,437
Social entertainment expense	**5,710**	3,161
Professional service expense	**1,944**	1,649
Maintenance expense	**1,060**	1,459
Operating lease rentals in respect of rented premises	**706**	1,187
Amortisation of land use rights	**302**	302
Other operating expenses	**5,859**	5,945
	197,075	175,658
Total expense and losses	**238,676**	225,212

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax (note i)	**1,905**	1,207
Deferred income tax		
— Deferred tax assets	**143**	(1,717)
— Deferred tax liabilities (note ii)	**–**	3,847
Income tax expense	**2,048**	3,337

(i) PRC corporate income tax

The Company is not subject to any taxation in the Cayman Islands.

Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% (2017: 16.5%). Hong Kong profits tax has not been provided for subsidiaries incorporated in Hong Kong as these subsidiaries did not have estimated assessable profit for the year.

Hubei Golden Three Gorges Printing Industry Co., Ltd. ("Hubei Golden Three Gorges"), a subsidiary of the Company, was established in the PRC and has been recognised as the High New Tech Enterprises in 2015. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law") for High New Tech Enterprises, Hubei Golden Three Gorges is subject to a reduced corporate income tax rate of 15% in 2018 (2017: 15%).

Dangyang Golden Three Gorges Printing Industry Co., Ltd., another subsidiary of the Company established in the PRC, is subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2017: 25%).

(ii) PRC withholding income tax

Under relevant tax laws and regulations, dividends distributed from the Company's subsidiaries established in the PRC (the "PRC subsidiaries") to non-PRC tax resident Group entities shall be subject to the withholding income tax at 10%. The Group plans to use the unremitted earnings of the PRC subsidiaries up to 30 June 2018 and 2017 for reinvestment. No PRC withholding income tax was provided for unremitted earnings of the PRC subsidiaries as at 30 June 2018 and 2017.

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	**16,051**	952
Weighted average number of ordinary shares in issue ('000)	**300,000**	300,000
Basic earnings per share (RMB)	**0.054**	0.003

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

For the six months ended 30 June 2018, the Company has only one category of dilutive potential ordinary shares, the convertible notes, which are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the change in fair value of convertible notes (six months ended 30 June 2017: nil).

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	**16,051**	952
Less: Change in fair value of convertible notes (RMB'000)	**(8,385)**	–
Profit used to determine diluted earnings per share (RMB'000)	**7,666**	952
Weighted average number of ordinary shares in issue ('000)	**300,000**	300,000
Adjustments for convertible notes ('000)	**59,259**	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**359,259**	300,000
Diluted earnings per share (RMB)	**0.021**	0.003

8 DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 Unaudited ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
Trade receivables	**110,342**	159,159
Less: allowance for doubtful debts	**(128)**	(101)
	110,214	159,058
Note receivables	**67,296**	25,273
Deposits paid	**14,054**	15,204
Advance to employees	**7,136**	13,394
Payments in advance	**3,333**	3,571
Others	**84**	476
	91,903	57,918
Total trade and other receivables	**202,117**	216,976

As at 30 June 2018, trade receivables with net book value of RMB82,439,000 (as at 31 December 2017: RMB114,623,000) have been pledged as securities for the Group's bank borrowings of RMB110,000,000 (as at 31 December 2017: RMB139,990,000).

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2018 Unaudited ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
0 to 90 days	**95,934**	149,991
91 to 180 days	**10,912**	1,002
181 to 360 days	**2,767**	4,731
Over 360 days	**729**	3,435
	110,342	159,159

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information. The loss allowance provision are determined as follows:

	Current	**Up to 1 year past due**	**Over 1 year past due**	**Total**
As at 30 June 2018 (unaudited)				
Expected loss rate	**–**	**0.10%**	**61.76%**	**0.12%**
Gross carrying amount (RMB'000)	**87,008**	**23,164**	**170**	**110,342**
Loss allowance provision (RMB'000)	**–**	**(23)**	**(105)**	**(128)**
As at 31 December 2017 (unaudited)				
Expected loss rate	–	0.16%	96.00%	0.06%
Gross carrying amount (RMB'000)	125,980	33,127	52	159,159
Loss allowance provision (RMB'000)	–	(53)	(48)	(101)

10 TRADE AND OTHER PAYABLES

	As at 30 June 2018 Unaudited ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
Trade payables	**177,410**	152,369
Note payables	**137,700**	116,100
Salary payables	**6,301**	9,502
Taxes payable	**1,513**	6,648
Interest payable of convertible notes	**3,406**	989
Dividend payables to non-controlling interests	**2,284**	2,284
Payable to the immediate holding company	**2,484**	2,463
Others	**1,994**	7,131
	155,682	145,117
Total trade and other payables	**333,092**	297,486

The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2018 Unaudited ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
Up to 6 months	**157,055**	139,465
6 months to 1 year	**18,427**	11,155
1 year to 2 years	**1,928**	1,749
	177,410	152,369

11 COMMITMENT

Operating lease commitments — the Group as lessee

	As at 30 June 2018 Unaudited *RMB'000*	As at 31 December 2017 Audited *RMB'000*
Within one year	**1,014**	1,014
Later than 1 year and no later than 5 years	**3,923**	3,923
Later than 5 years	**1,716**	2,207
	6,653	7,144

12 SUBSEQUENT EVENT

On 21 August 2018, Hubei Golden Three Gorges, a non-wholly owned subsidiary of the Company, through the tender, has successfully won the bidding, and entered into the tender confirmation with Yichang Land and Resources Bureau, in respect of the land use right of one parcel of land located at West Side, Hua Xi Road, Yichang Free Trade Zone* (宜昌自貿片區花溪路西側), at a consideration of RMB34.64 million. Further details of the bidding are set out in the announcement of the Company dated 21 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the State Tobacco Monopoly Administration ("STMA"), in the first half of 2018, China's cigarette production amounted to approximately 23.5 million boxes despite the impact of various tobacco control legislation by the Chinese government in recent years. The consumers' huge demand for cigarette is attributable to a steadily increasing disposable income. China's tobacco industry stepped up structure reformation and optimization, as consumers have been shifting towards middle to high-end cigarette. In particular, there is a growth in popularity of e-cigarette in recent years. In 2017, China's e-cigarette production reached approximately 1.7 billion boxes. Leveraging its extensive experience in the cigarette packaging industry, advanced middle to high-end tobacco packaging capabilities, strong research and development capabilities and diversified product portfolio, the Group is in full swing to grasp the market opportunities.

BUSINESS REVIEW

The Group is principally engaged in the design, printing and distribution of paper cigarette packages in China and to a lesser extent, social product paper packages in the PRC. Hubei Golden Three Gorges Printing Industry Co., Ltd.* (湖北金三峽印務有限公司) ("Hubei Golden Three Gorges"), the Group's primary subsidiary, has been established in China for over 20 years. The Group provides paper cigarette packaging services for key cigarette brands designated by the STMA. The Group has also diversified its business to social product paper packages such as packaging for medicines, wines, food and other consumer goods by leveraging its extensive experience and know-how in the cigarette packaging industry.

Sales and Distribution

The Group places great emphasis on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities. As at 30 June 2018, the Group's clients included 12 provincial tobacco industrial companies and 8 non-provincial tobacco companies under China Tobacco Industry Development Center* (中國煙草實業發展中心), which are located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces in China. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to expand to other cigarette brands or sub-brands manufactured by those clients currently not designed and/or printed by the Group into the Group's product portfolio.

To promote the Group's business strategy, the Group intends to set up sales offices in cities where these major customers are located if there appears to be significant business potential. Setting up sales offices near the Group's major customers will enable the Group to maintain good relationships with them and improve the Group's after-sales service to enhance customer satisfaction.

Product Development and Design

The Group will continue to invest in machinery and equipment to upgrade its production plants and ensure the productivity is up to international standards. The management strives to pursue cutting-edge technology in order to reduce production costs while maintaining or even improving product quality.

Technology Development and Quality Control

The Group attaches high importance on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities, and continuing to commit resources to the upgrading of its product research and development capabilities. During the period under review, the Group carried out regulated operation in strict compliance with the ISO9000 quality system standards. Equipped with state-of-the-art and comprehensive inspection equipment and devices, the Group has formulated a complete institutional system that covers every single process for its products in terms of the production flow, standards, record and appraisal for the quality management of imported materials, processes as well as inspection of finished products and product delivery, which in turn assures the continuous enhancement of product quality.

Cost Control

Due to the impact of the current rising prices of raw materials for paper packaging in the industry, in order to keep the fluctuations in the prices of packaging raw materials under effective control, the Group further improved the bidding process by selecting the top–ranking suppliers with strength in the industry during the period under review for carrying out strategic cooperation with the Group to hedge against price fluctuations together.

The Group prepares the budget at the beginning of each year based on the sales forecast, performs evaluation with reference to budget targets, determines standard costs of products based on the actual costs, and formulates applicable procedures and workflows for regulation purposes in order to implement cost control.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2018, the turnover of the Group was approximately RMB254.3 million, representing an increase of approximately 8.1% over the same period in 2017. Revenue from paper cigarette packages segment and social product paper packages segment accounted for approximately 94.6% and 5.4%, respectively. The increase in sales was primarily attributable to the increase in sales order mainly from the markets of Hunan, Hubei and Sichuan in China during the period.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2018:

	For the six months ended 30 June		
	2018	2017	Change (%)
	RMB'000	*RMB'000*	(approximate)
	(Unaudited)	(Unaudited)	
Paper cigarette packages segment	**240,480**	220,730	+8.9%
Social product paper packages segment	**13,794**	14,500	-4.9%

Gross Profit

The Group's gross profit increased by approximately 15.5% from approximately RMB54.9 million for the six months ended 30 June 2017 to approximately RMB63.4 million for the six months ended 30 June 2018. The Group's gross profit margin increased by approximately 1.6% from approximately 23.3% to approximately 24.9% as compared with the same period in 2017. The increase in gross profit margin was primarily due to the increase in sale orders of paper cigarette packages with higher gross profit margin from the markets of Yunnan and Henan in China during the period.

Distribution Costs

For the six months ended 30 June 2018, distribution costs comprise: (i) delivery expenses for the transportation of the Group's products to customers; (ii) staff costs and benefits relating to the Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during the Group's normal course of business; (iv) travelling expenses of the staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's distribution costs increased by approximately 13.4% from approximately RMB17.8 million for the six months ended 30 June 2017 to approximately RMB20.2 million for the six months ended 30 June 2018. The increase of distribution costs was mainly due to the increase of expenses incurred in customer hospitality activities during the Group's marketing activities on expansion of new market in China during the period.

Administrative Expenses

For the six months ended 30 June 2018, administrative expenses consist of (i) staff costs and benefits relating to the Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses; (iv) entertainment expenses of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to the Group's administrative operations. The expenses increased by approximately 2.1% from approximately RMB27.1 million for the six months ended 30 June 2017 to approximately RMB27.6 million for the six months ended 30 June 2018.

Other Income

For the six months ended 30 June 2018, other income mainly consists of non-recurring government grant and change in fair value of financial liability at fair value through profit or loss. The Group's other income increased by approximately RMB9.0 million to approximately RMB9.3 million during the period. The increase in other income was mainly due to the recognition of fair value gain on convertibles notes of approximately RMB8.4 million during the period.

Other Losses (net)

For the six months ended 30 June 2018, net other losses mainly consists of net losses arising from disposal of property, plant and equipment. The Group's net other losses increased by approximately RMB0.5 million to approximately RMB1.2 million during the period.

Finance Costs (net)

For the six months ended 30 June 2018, net finance costs primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations, finance costs arising on early redemption of note receivables when the Group sells its note receivables to the banks and other financial institutions at a discount in exchange for immediate cash and bank fees and charges. The net finance costs decreased by approximately 4.6% from approximately RMB3.4 million for the six months ended 30 June 2017 to approximately RMB3.2 million for the six months ended 30 June 2018.

Income Tax Expense

The Group's income tax expense decreased by approximately 38.6% from approximately RMB3.3 million for the six months ended 30 June 2017 to approximately RMB2.0 million for the six months ended 30 June 2018. The decrease of income tax expense was mainly due to the withholdings income tax on dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities during the six months ended 30 June 2017 but no such tax expense was payable during the six months ended 30 June 2018.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company increased from approximately RMB1.0 million for the six months ended 30 June 2017 to approximately RMB16.1 million for the six months ended 30 June 2018.

Trade and Other Receivables

Trade and other receivables decreased by approximately 6.8% from approximately RMB217.0 million as at 31 December 2017 to approximately RMB202.1 million as at 30 June 2018. The decrease was mainly due to the net effect of: (1) decrease of trade receivables from approximately RMB159.1 million as at 31 December 2017 to approximately RMB110.2 million as at 30 June 2018; and (2) increase of note receivables from approximately RMB25.3 million as at 31 December 2017 to approximately RMB67.3 million as at 30 June 2018.

Trade and Other Payables

Trade and other payables increased by approximately 12.0% from approximately RMB297.5 million as at 31 December 2017 to approximately RMB333.1 million as at 30 June 2018. The increase was mainly due to the net effect of: (1) increase of trade payables from approximately RMB152.4 million as at 31 December 2017 to approximately RMB177.4 million as at 30 June 2018; (2) increase of note payables from approximately RMB116.1 million as at 31 December 2017 to approximately RMB137.7 million as at 30 June 2018; and (3) decrease of taxes payable from approximately RMB6.6 million as at 31 December 2017 to approximately RMB1.5 million as at 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net current assets of approximately RMB178.3 million as at 30 June 2018, compared with net current assets of approximately RMB176.5 million as at 31 December 2017. The Group maintained a healthy liquidity position during the six months ended 30 June 2018. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the period.

As at 30 June 2018, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB170.4 million, compared with approximately RMB193.9 million as at 31 December 2017.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings (including convertible notes issued on 18 October 2017) was approximately RMB205.8 million as at 30 June 2018 (as at 31 December 2017: approximately RMB246.0 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi and Hong Kong dollars as at 30 June 2018 and 31 December 2017. The Group's interest-bearing borrowings of approximately RMB110.0 million and RMB95.8 million were repayable within 1 year and in the second to fifth years inclusive, respectively. The gearing ratio decreased from approximately 18.1% as at 31 December 2017 to approximately 12.3% as at 30 June 2018. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Total borrowings	**205,832**	245,963
Less: cash and cash equivalents	**(170,372)**	(193,938)
Net debt	**35,460**	52,025
Total equity	**253,074**	234,692
Total capital	**288,534**	286,717
Gearing ratio (%)	**12.3%**	18.1%

It is the policy of the Group to adopt a consistently prudent financial management strategy, hence sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Capital Expenditure

During the six months ended 30 June 2018, the Group's total capital expenditure amounted to approximately RMB0.5 million (for the six months ended 30 June 2017: RMB5.7 million), which was mainly used in purchase of plant and machineries.

Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

Charge of Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Land use rights	**20,301**	20,569
Property, plant and equipment	**96,652**	102,693
Trade receivables	**82,439**	114,623
Pledged bank deposits	**88,332**	58,145
	287,724	296,030

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2018.

Future plans for material investment or capital assets

As set out in the announcement of the Company dated 21 August 2018, Hubei Golden Three Gorges, a non-wholly owned subsidiary of the Company, through the tender, successfully won the bidding, and entered into the tender confirmation with Yichang Land and Resources Bureau, in respect of the land use right of one parcel of land located at West Side, Hua Xi Road, Yichang Free Trade Zone* (宜昌自貿片區花溪路西側), at a consideration of RMB34.64 million on 21 August 2018. It is currently contemplated that the land will primarily be used to develop a printing factory for design, printing and sales of paper packages. It is expected that the sources of funding would involve fund raising or loans, and its internal resources of the Group. Save for the foregoing, there was no plan authorized by the Board for material investments or additions of capital assets as at the date of this announcement.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (as at 31 December 2017: nil).

Foreign Exchange Risks

The Group's transactions were mainly conducted in Renminbi, the functional currency of the Group, and the major receivables and payables are denominated in Renminbi. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the six months ended 30 June 2018.

Issue of Convertible Notes

In order to strengthen capital base and financial position for the future development of the Group, on 15 September 2017, the Company entered into the placing agreement with First Shanghai Securities Limited (the "**Placing Agent**") pursuant to which the Company conditionally agreed to issue, and the Placing Agent conditionally agreed to procure placees, on a best efforts basis, to subscribe for convertible notes with the principal amount of up to HK$120,000,000 (the "**Convertible Notes**") at a consideration equal to the aggregate principal amount of the Convertible Notes, and at the initial conversion price of HK$2.025 per share (the "**Conversion Price**").

Completion of the placing of Convertible Notes took place on 18 October 2017 pursuant to which the Convertible Notes in the principal amount of HK$120,000,000 were issued to not less than six placees. Further details of the placing of the Convertible Notes are set out in the announcements of the Company dated 17 September 2017, 26 September 2017, 4 October 2017 and 18 October 2017.

With respect to the Convertible Notes in the principal sum of HK$120,000,000 at the Conversion Price, a maximum of 59,259,259 shares will be allotted and issued upon full conversion of the Convertible Notes, representing approximately 19.75% of the existing issued share capital of the Company as at the date of this announcement, and approximately 16.49% of the issued share capital of the Company as enlarged by the allotment and issue of new shares. If fully converted, the shareholding of China Civil Aviation (Cayman) Investment Group Limited, the controlling shareholder of the Company, will be diluted from approximately 65.20% to approximately 54.45%.

Based on the cash position of the Group, it is anticipated that, if none of the Convertible Notes is converted, the Group will be able to meet its redemption obligations under the Convertible Notes as at the end of the period under review.

HUMAN RESOURCES AND REMUNERATION

As at 30 June 2018, the Group employed 834 employees (as compared with 788 employees as at 31 December 2017) with total staff cost of approximately RMB41.6 million incurred for the six months ended 30 June 2018 (as compared with approximately RMB49.6 million for the same period of 2017). The Group's remuneration packages are generally structured with reference to market terms and individual performance. The Company adopted a share option scheme as incentive to its Directors and eligible employees. In relation to staff training, the Group also provides different types of programs for staff to improve their skills, develop their respective expertise and showcase their potentials.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

FUTURE OUTLOOK

Looking forward, China is anticipated to maintain stable economic growth and undergo a transformation and upgrade in the tobacco industry. In preparation for the traditional peak season of tobacco in the second half of the year, the Group will step up its efforts in sales and marketing, proactively participate in the upcoming tender competitions, as well as go all out to acquire new customers and orders.

The industry will pursue its primary goal of structure optimization to maintain steady sales growth. In the future, while engaging in the traditional cigarette packaging business, the Group will expand into designing e-cigarette packaging according to the needs of various tobacco customers in new business development projects. Meanwhile, to satisfy the growing demand from the middle to high-end cigarette market, the Group will further strengthen its brand awareness and accelerate business growth through product upgrade and innovation. Besides, the Group will leverage its proven strength of middle to high-end handmade tobacco packaging capabilities to drive business growth in the future. Moreover, the Group will implement appropriate sales and marketing strategies catering to the ever-changing market and the demand shift into the middle to high-end products.

The Group will strengthen its development strategy and gradually diversify its business from the cigarette industry and expand into new areas including asset management and hospitality related businesses. The Group believes that it will strategically transform itself into flexible operations, reinforce its leading position in the industry, and deliver sustainable and profitable growth for its shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Competing Business and Conflicts of Interests

None of the Directors, management, controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2018.

Corporate Governance

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the Corporate Governance Code contained in Appendix 14 the Listing Rules (the "Corporate Governance Code") as its own code on corporate governance and had complied with the Corporate Governance Code for the six months ended 30 June 2018.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2018.

Audit Committee and Review of Interim Results

The Company has established an audit committee (the "Audit Committee") with terms of reference aligned with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the primary duties of reviewing and providing supervision on the financial reporting process, internal controls and risk management systems of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Gong Jinjun.

The interim financial results of the Group for the six months ended 30 June 2018 is unaudited but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The Audit Committee has also reviewed this announcement.

The results for the current interim period have been reviewed by the auditors of the Company, PricewaterhouseCoopers in Hong Kong, 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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The announcement is published on the respective websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.tourisminternational.com.hk). The Company's interim report for the six months ended 30 June 2018 will be despatched to the shareholders of the Company and published at the aforementioned websites in due course.

By Order of the Board
Tourism International Holdings Limited
Li Tie
Chairman of the Board and Executive Director

Hong Kong, 30 August 2018

As at the date of this announcement, the Board comprises seven Directors, namely: Mr. Li Tie, Mr. Liu Daoqi and Mr. Huang Erwei as executive Directors; Mr. Yang Yoong An as non-executive Director; Mr. Gong Jinjun, Mr. Zeng Shiquan and Mr. Wang Ping as independent non-executive Directors.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

* *For identification purposes only*