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Cinese International Group Holdings Limited

富盈環球集團控股有限公司

(incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability)

(Stock Code: 1620)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Cinese International Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 together with the unaudited comparative figures for the six months ended 30 June 2021.

	Six months ended 30 June		
	2022	2021	Increase/ (decrease)
	HK\$ million	HK\$ million	
	(Unaudited)	(Unaudited)	
Revenue	26.6	13.3	100.0%
Gross profit	12.6	4.4	186.4%
Loss for the period	(13.4)	(33.1)	(59.5%)
Basic and diluted losses per share (HK cents)	(1.1)	(2.8)	(60.7%)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	26,574	13,268
Cost of sales	6	(13,948)	(8,903)
Gross profit		12,626	4,365
Other income	5	1,649	9,656
Other (losses)/gains, net	5	(6)	30
Expected credit losses (“ECLs”) allowance on financial assets		(3,230)	(25,871)
Selling expenses	6	(1,813)	(3,828)
Administrative expenses	6	(21,267)	(21,169)
Operating loss		(12,041)	(36,817)
Finance income		—	14
Finance costs		(146)	(137)
Finance costs, net	7	(146)	(123)
Share of net losses of joint venture		(341)	(59)
Loss before income tax		(12,528)	(36,999)
Income tax (expense)/credit	8	(898)	3,913
Loss for the period attributable to owners of the Company		(13,426)	(33,086)
Other comprehensive (loss)/income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Currency translation differences		(351)	1,344
<i>Item that will not be reclassified to profit or loss:</i>			
– Change in fair value of equity instrument at fair value through other comprehensive income		(55)	—
Other comprehensive (loss)/income for the period		(406)	1,344
Total comprehensive loss for the period attributable to owners of the Company		(13,832)	(31,742)
Basic and diluted losses per share (HK cents)	10	(1.1)	(2.8)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		2,050	4,168
Intangible assets		151	438
Right-of-use assets		4,004	3,248
Interests in joint venture		9,059	9,400
Financial asset at fair value through profit or loss (“FVTPL”)		—	1,521
Financial asset at fair value through other comprehensive income (“FVTOCI”)		3,099	3,185
Deferred income tax assets		42,380	43,221
		60,743	65,181
Current assets			
Trade receivables	11	3,208	11,345
Prepayments, deposits and other receivables		30,143	27,504
Financial asset at FVTPL		1,505	—
Income tax recoverable		1,088	2,645
Cash and cash equivalents		41,717	48,749
		77,661	90,243
Total assets		138,404	155,424

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	12	120	120
Share premium		88,248	88,248
Other reserve		(41,256)	(41,256)
Financial asset at FVTOCI reserve		(18)	37
Exchange reserve		8,166	8,517
(Accumulated losses)/Retained earnings		(4,569)	8,857
Total equity		50,691	64,523
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		—	296
Lease liabilities		3,239	3,027
Loan from government		3,845	4,160
		7,084	7,483
Current liabilities			
Trade payables	13	132	11,432
Accruals and other payables		64,474	56,524
Contract liabilities		103	415
Lease liabilities		1,994	1,456
Loan from government		335	—
Income taxes payable		13,591	13,591
		80,629	83,418
Total liabilities		87,713	90,901
Total equity and liabilities		138,404	155,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Cinese International Group Holdings Limited (formerly known as CTEH Inc.) (the “**Company**”) was incorporated in Ontario, Canada on 18 August 2017 and continued in the Cayman Islands from 20 October 2017 as an exempted company with limited liability. The registered address of the Company is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

On 10 September 2021, the English name of the Company was changed from “CTEH Inc.” to “Cinese International Group Holdings Limited” and the dual foreign name in Chinese of the Company was changed from “加達控股有限公司” to “富盈環球集團控股有限公司”.

The Company is an investment holding company. The Company and its subsidiaries comprising the Group (together, the “**Group**”) are engaged in air ticket distribution, travel business process management, travel products and services and other business process management (the “**Business**”) in Canada and the United States (the “**U.S.**”).

The Group operates under the licenses issued by the International Air Transport Association (“**IATA**”), the Travel Industry Council of Ontario (“**TICO**”), the Québec L’Office de la protection du consommateur (“**OPC**”) and the Business Practices & Consumer Protection Authority of British Columbia in Canada, which require the Group to comply with certain industry regulations.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 (the “Interim Financial Statements”) have been prepared in accordance with the International Accounting Standard (“IAS”) 34, “Interim financial reporting” issued by International Accounting Standards Board (the “IASB”) and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Statements do not include all the notes of the type normally included in an annual financial statement. Accordingly, this announcement should be read in conjunction with the annual financial statements for the year ended 31 December 2021 (“2021 annual report”) which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and any public announcements made by the Group during the interim reporting period.

During the period, the Group incurred a loss of approximately HK\$13,426,000 and at the end of reporting period, the Group had net current liabilities of approximately HK\$2,968,000. These conditions may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast covering a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. In particular, the directors have considered the following:

- (a) The expected gradual recovery of international travel, particularly North America, and related businesses following the ease of COVID-19 pandemic; and
- (b) The unutilised banking facilities totalling HK\$10,263,000, which are available for the Group to finance its future operations and financial obligations.

Based on the cash flow forecast, the directors are of the opinion that the Group would have sufficient liquidity to finance its operations and meet its financial obligations as and when they fall due for at least twelve months subsequent to end of reporting period. Accordingly, the directors consider that it is appropriate to continue to prepare the condensed consolidated interim financial statements on a going concern basis.

The Interim Financial Statements are unaudited, but have been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the 2021 annual report and the adoption of new or revised standards as set out below.

3.1 Adoption of new or revised IFRSs

In the current interim period, the Group has applied, for the first time, the following amended IFRSs issued by the IASB that are potentially relevant to and effective for the annual period beginning on or after 1 January 2022 for the preparation of the Interim Financial Statements.

Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Leases: COVID-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements to IFRSs 2018 - 2020	Amendments to IFRS 1 – First-time Adoption of IFRS; Amendments to IFRS 9 – Financial Instruments; Amendments to IFRS 16 and Amendments to IAS 41 – Agriculture

The adoption of the above amended IFRSs has no material impact on the Group's result and financial position for the current or prior periods.

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

3.2 Use of judgements and estimates

In preparing the Interim Financial Statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 annual report.

4 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used for making strategic decisions. The chief operating decision makers are identified as the executive directors of the Company. The chief operating decision makers regularly monitor and receive reports relating to the performance of the four lines of business the Group operates for the six months ended 30 June 2022. In this regard, management has identified four reportable operating segments, namely (1) Air ticket distribution, (2) Travel business process management, (3) Travel products and services and (4) Other business process management.

The major business activities for the four segments are summarised as follows:

- Air ticket distribution: The Group sells air tickets on behalf of airlines in exchange for margin income and incentive commissions from airlines.
- Travel business process management: The Group performs certain administrative and management services mainly for travel agencies in exchange for travel business process management fees.
- Travel products and services: The Group packages various travel products from suppliers into company-operated tours. The Group also sells other travel products and services, where the travelers are responsible for their trips using travel services sourced by the Group.
- Other business process management: The Group provides certain translation and agent services on behalf of a healthcare company in exchange for business process management fees.

The performance of the operating segments is assessed based on segment revenue and a measure of segment operating results. Unallocated administrative expenses, unallocated other income, other (losses)/gains, net, ECLs allowance on financial assets, share of net losses of joint ventures, finance costs, net and income tax (expense)/credit are not included in the segment results. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Group's chief operating decision makers.

	Six months ended 30 June 2022 (Unaudited)				Total HK\$'000
		Travel		Other	
		business	Travel	business	
	Air ticket	process	products	process	
	distribution	management	and services	management	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	5,405	18,849	—	2,320	26,574
Timing of revenue recognition					
At a point in time	5,405	18,849	—	—	24,254
Over time	—	—	—	2,320	2,320
Segment results	1,358	4,936	—	266	6,560
Other income					1,649
Other losses, net					(6)
ECLs allowance on financial assets					(3,230)
Employee benefit expenses (including directors' emoluments)					(8,170)
Depreciation and amortisation					(615)
Depreciation of right-of-use assets					(347)
Legal and professional fees					(1,144)
Other administrative expenses					(6,738)
Finance costs, net					(146)
Share of net losses of joint ventures					(341)
Loss before income tax					(12,528)
Income tax expense					(898)
Loss for the period					(13,426)
Other segment items:					
Depreciation and amortisation	88	534	—	35	657
Capital expenditure	8	32	—	18	58
Depreciation of right-of-use assets	60	368	—	24	452

	Six months ended 30 June 2021 (Unaudited)				Total HK\$'000
	Air ticket distribution HK\$'000	Travel	Travel	Other	
		business	Travel	business	
		process management	products and services	process management	
Revenue from external customers	2,989	10,274	5	—	13,268
Timing of revenue recognition					
At a point in time	2,989	10,274	5	—	13,268
Segment results	32	5,133	3	—	5,168
Other income					830
Other gains, net					30
ECLs allowance on financial assets					(25,871)
Employee benefit expenses (including directors' emoluments)					(8,131)
Depreciation and amortisation					(543)
Depreciation of right-of-use assets					(300)
Legal and professional fees					(4,210)
Other administrative expenses					(3,790)
Finance costs, net					(123)
Share of net losses of joint ventures					(59)
Loss before income tax					(36,999)
Income tax credit					3,913
Loss for the period					<u>(33,086)</u>
Other segment items:					
Depreciation and amortisation	543	974	—	—	1,517
Capital expenditure	38	71	—	—	109
Depreciation of right-of-use assets	294	531	—	—	825

Revenue from external parties contributing 10% or more of the total revenues of the Group is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Company A - travel business process management segment	10,861	5,428
Company B - travel business process management segment	4,292	3,265

There is no material inter-segment revenue.

The Group's revenue by geographical locations (as determined by the area or country in which the Group operates) is analysed as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Canada	26,414	13,013
United States	160	255
	26,574	13,268

5 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Subsidies (Note)	24	9,649
Dividends income	—	7
Compensation income	<u>1,625</u>	<u>—</u>
	<u>1,649</u>	<u>9,656</u>
Other (losses)/gains, net		
Foreign exchange loss	(6)	(149)
Gain on disposal of financial assets at FVTPL	<u>—</u>	<u>179</u>
	<u>(6)</u>	<u>30</u>

Note: For the six months ended 30 June 2021, it mainly represented grants received in relation to wage subsidies from Canada Emergency Wage Subsidy Program. For the six months ended 30 June 2022, it represented grants received in relation to wage subsidies from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government. There are no unfulfilled conditions or contingencies relating to these grants for the both periods.

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	25,667	21,169
Office, telecommunication and utility expenses	2,073	1,842
Depreciation of right-of-use assets	799	1,125
Short-term leases expenses	844	—
Advertising and promotion	—	4
Credit card fees	17	13
Auditor's remuneration		
– Audit service	790	750
– Non-audit service	467	342
Depreciation of property, plant and equipment	987	1,021
Amortisation of intangible assets	285	1,039
Legal and professional fees	1,144	4,210
Service fees	2,672	681
Others	1,283	1,704
	<hr/>	<hr/>
Total cost of sales, selling and administrative expenses	37,028	33,900
	<hr/> <hr/>	<hr/> <hr/>

7 FINANCE COSTS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– Interest income	—	14
	<u> </u>	<u> </u>
Finance costs		
– Interest expense on lease liabilities	(85)	(90)
– Imputed interest expense on loan from government	(61)	(47)
	<u> </u>	<u> </u>
	(146)	(137)
	<u> </u>	<u> </u>
Finance costs, net	(146)	(123)
	<u> </u>	<u> </u>

8 INCOME TAX (EXPENSE)/CREDIT

Canadian corporate income tax has been provided at the rate of 26.5% for the six months ended 30 June 2022 (Six months ended 30 June 2021: 26.5%) on the Group's respective taxable income. United States federal income tax has been provided at the rate of 21% for the six months ended 30 June 2022 (Six months ended 30 June 2021: 21%) on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 14.95% for the six months ended 30 June 2022 (Six months ended 30 June 2021: 11.8%).

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Canadian corporate income tax	(328)	—
Deferred income tax	(570)	3,913
	<u> </u>	<u> </u>
Income tax (expense)/credit	(898)	3,913
	<u> </u>	<u> </u>

9 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: Nil).

10 LOSSES PER SHARE

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	<u>(13,426)</u>	<u>(33,086)</u>
Weighted average number of ordinary shares in issue (Number of shares in thousand)	<u>1,200,000</u>	<u>1,200,000</u>
Basic and diluted losses per share (HK cents)	<u><u>(1.1)</u></u>	<u><u>(2.8)</u></u>

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. During the six months ended 30 June 2022 and 2021, the Group has no dilutive potential ordinary shares.

11 TRADE RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Incentive commission receivables	2,191	1,923
Less: ECLs allowance	<u>(514)</u>	<u>(535)</u>
	1,677	1,388
Other business process management income receivables	—	8,058
Less: ECLs allowance	<u>—</u>	<u>(208)</u>
	—	7,850
Other trade receivables	1,590	2,187
Less: ECLs allowance	<u>(59)</u>	<u>(80)</u>
	<u>1,531</u>	<u>2,107</u>
	<u>3,208</u>	<u>11,345</u>

Trade receivables primarily represented incentive commission receivables from airlines (31 December 2021: other business process management income receivables). The payment periods from customers generally range from 30 to 90 days.

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 to 60 days	2,132	8,067
Over 60 days	1,076	3,278
	<u>3,208</u>	<u>11,345</u>

12 SHARE CAPITAL

	Number of ordinary shares ('000)	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.0001 each		
As at 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>90,000,000</u>	<u>9,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.0001 each		
As at 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>1,200,000</u>	<u>120</u>

13 TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, the aging analysis of trade payables based on invoice date are as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 to 30 days	132	4,170
31 to 60 days	—	4,386
Over 60 days	—	2,876
	<u>132</u>	<u>11,432</u>

14 BANKING FACILITIES

As at 30 June 2022, the Group has banking facilities available in the form of letters of guarantee of HK\$15,378,000 (31 December 2021: HK\$15,378,000) in which HK\$5,115,000 (31 December 2021: HK\$5,134,000) was utilised and secured by a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada.

The Group was in compliance with all banking covenants as at 30 June 2022 and 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada, founded in 1976 and with more than 40 years of operating history. The principal businesses of the Group include (i) air ticket distribution in which it distributes air tickets to travel agents and travellers and issues air tickets directly on behalf of contracted airlines; (ii) travel business process management in which it provides mid-office and back-office support services to travel agents; (iii) other business process management in which it provides certain translation and agent services for its customer; and (iv) travel products and services in which it designs, develops and sells package tours, as well as other travel products and services to travel agents and travellers.

The Group's performance in the first half of 2022 continued to be impacted by the ongoing pandemic of the coronavirus disease 2019 (“**COVID-19**”). That said, there was a gradual recovery of the travel industries with increasing rate of vaccination and relaxation of travel restrictions worldwide, and the Group recorded an increase in transaction volume and revenue for its air ticket distribution services and travel business process management services for the six months ended 30 June 2022, as compared to the corresponding period in 2021. The Group also leveraged its knowledge and experience from travel services provider to explore new business opportunities and had entered into a non-legally binding memorandum of understanding with a travel services provider in the Guangdong-Hong Kong-Macao Greater Bay Area in relation to potential travel business cooperation.

The total revenue of the Group increased by approximately HK\$13.3 million or approximately 100.0%, from approximately HK\$13.3 million for the six months ended 30 June 2021 to approximately HK\$26.6 million for the six months ended 30 June 2022, which was mainly due to the increase in revenue generated from the travel business process management segment, and to a lesser extent the air ticket distribution segment. The gross profit of the Group increased by approximately HK\$8.2 million or approximately 186.4%, from approximately HK\$4.4 million for the six months ended 30 June 2021 to approximately HK\$12.6 million for the six months ended 30 June 2022. The overall gross profit margin of the Group increased by approximately 14.6 percentage points, from approximately 32.9% for the six months ended 30 June 2021 to approximately 47.5% for the six months ended 30 June 2022, which was primarily attributable to the increase in gross profit margin of the travel business process management segment, and the air ticket distribution segment.

Air ticket distribution

Air ticket distribution business segment experienced a gradual recovery for the six months ended 30 June 2022 as compared to the corresponding period in 2021, despite the continued impact of the COVID-19 pandemic. Segment revenue increased by approximately 80.0% or approximately HK\$2.4 million from approximately HK\$3.0 million for the six months ended 30 June 2021, to approximately HK\$5.4 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increase in transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales, primarily due to a gradual recovery of the travel industries with increasing rate of vaccination and relaxation of travel restrictions worldwide. As one of the International Air Transport Association (IATA) accredited travel agents in Canada and one of the Airlines Reporting Corporation (ARC) accredited travel agents in the United States, the Group is qualified to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As at 30 June 2022, the Group had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China.

Travel business process management

The Group continued to provide a range of travel business process management including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance and other administrative matters to its customers. Segment revenue generated from travel business process management increased by approximately 82.5% or approximately HK\$8.5 million, from approximately HK\$10.3 million for the six months ended 30 June 2021, to approximately HK\$18.8 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increase in transaction volume as a result of gradual recovery of the travel industries from the COVID-19 pandemic with increasing rate of vaccination worldwide. The management will continue to expand the Group's customer base by initiating sales efforts targeting travel agents that share similar profile and market positioning as its existing customers.

Other business process management

By leveraging the knowledge and experience from travel business process management segment, the Group started to provide business process management services to a healthcare company in Canada in relation to COVID-19 tests in the airports in Canada in the second half of 2021, where a range of business process management services including translation, customer contact, software support and other administrative services was provided by the Group. The Group provided less business process management services to the said healthcare company during the six months ended 30 June 2022 as there was a reduction in testing requirement for international travellers in Canada, and the revenue generated from other business process management segment amounted to approximately HK\$2.3 million for the six months ended 30 June 2022. Going forward, the management will continue to explore business opportunities for its other business process management segment.

Travel products and services

The Group had temporarily suspended the provision of its outbound package tours due to the outbreak of COVID-19 pandemic and travel restrictions across the world. Therefore, no segment revenue from travel products and services was generated for the six months ended 30 June 2022, as compared to the minimal segment revenue recorded for the corresponding period in 2021.

FUTURE PROSPECT

It is expected that the COVID-19 pandemic would continue to impact the airline, travel and tourism industries worldwide until the travel restrictions across countries are further relaxed. The situation relating to the spread and containment of the COVID-19 pandemic remains uncertain and fluid, and the Group will closely monitor the trend of the global environment and maintain a pragmatic approach for its businesses. The Group believes that the global aviation industry is gradually recovering. In addition to more countries relaxing or even cancelling quarantine restrictions, airlines of different countries are increasing their number of destinations and passenger capacities are also on the rise. The Group therefore believes that demand from travellers, whether for business or leisure travel, as well as the travel industries as a whole, are improving. The Group hopes that the macro environment would further improve and tourists could resume travelling as normal.

Furthermore, as illustrated by the other business process management segment which was newly developed in the second half of 2021, the Group will continue to explore opportunities to diversify its business with its knowledge and experience so as to expand its income sources and enhance future earning capability and potential. The Group will continue to deploy business strategies with a view to sustain its travel related businesses and endeavor to explore suitable business opportunities from time to time in the travel consultancy, healthcare, hospitality and other potential service industry to create business synergy and bring value to shareholders of the Company (“**Shareholders**”).

FINANCIAL REVIEW

REVENUE

The following table sets forth the components of the Group's revenue by business segment for the periods indicated:

	For the six months ended 30 June			
	2022		2021	
	HK\$'000 (Unaudited)	% (Unaudited)	HK\$'000 (Unaudited)	% (Unaudited)
Air ticket distribution	5,405	20.4	2,989	22.5
Travel business				
process management	18,849	70.9	10,274	77.4
Other business				
process management	2,320	8.7	—	—
Travel products and services	—	—	5	0.1
Total	<u>26,574</u>	<u>100.0</u>	<u>13,268</u>	<u>100.0</u>

The Group's revenue increased by approximately HK\$13.3 million or approximately 100.0%, from approximately HK\$13.3 million for the six months ended 30 June 2021 to approximately HK\$26.6 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increase in revenue generated from the travel business process management segment, and to a lesser extent the air ticket distribution segment.

Air ticket distribution

The revenue from air ticket distribution segment increased by approximately HK\$2.4 million, or approximately 80.0%, from approximately HK\$3.0 million for the six months ended 30 June 2021, to approximately HK\$5.4 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increase in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of a gradual recovery of the travel industries with increasing rate of vaccination and relaxation of travel restrictions worldwide.

Travel business process management

The revenue from travel business process management segment increased by approximately HK\$8.5 million or approximately 82.5%, from approximately HK\$10.3 million for the six months ended 30 June 2021, to approximately HK\$18.8 million for the six months ended 30 June 2022. Such increase in revenue was mainly due to an increase in transaction volume of travel business process management services, which was in turn attributable to the gradual recovery of the travel industries with increasing rate of vaccination worldwide.

Other business process management

The revenue from other business process management segment was approximately HK\$2.3 million for the six months ended 30 June 2022. No revenue was recorded from this segment for the six months ended 30 June 2021, as this segment was only developed in the second half of 2021.

Travel products and services

No revenue from travel products and services segment was generated for the six months ended 30 June 2022, as the Group had temporarily suspended the provision of package tours due to the COVID-19 pandemic and travel restrictions across the world. There was only minimal segment revenue recorded for the six months ended 30 June 2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the gross profit and gross profit margin of the Group's business segments:

	For the six months ended 30 June			
	2022		2021	
	Gross profit	Gross profit	Gross profit	Gross profit
	profit	margin	profit	margin
	HK\$'000	%	HK\$'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Air ticket distribution	2,767	51.2	406	13.6
Travel business				
process management	9,440	50.1	3,954	38.5
Other business				
process management	419	18.1	—	—
Travel products and services	—	—	5	100
Total	<u>12,626</u>	<u>47.5</u>	<u>4,365</u>	<u>32.9</u>

The gross profit of the Group increased by approximately HK\$8.2 million or approximately 186.4%, from approximately HK\$4.4 million for the six months ended 30 June 2021 to approximately HK\$12.6 million for the six months ended 30 June 2022, primarily attributable to the increase in revenue and overall gross profit margin of the Group.

The overall gross profit margin of the Group increased by approximately 14.6 percentage points, from approximately 32.9% for the six months ended 30 June 2021 to approximately 47.5% for the six months ended 30 June 2022, which was primarily attributable to the increase in the gross profit margin in the travel business process management segment, and the air ticket distribution segment.

Air ticket distribution

The gross profit attributable to the air ticket distribution segment increased by approximately HK\$2.4 million or approximately 600.0%, from approximately HK\$0.4 million for the six months ended 30 June 2021 to approximately HK\$2.8 million for the six months ended 30 June 2022, which was in line with the increase in the transaction volume of air tickets sales and the corresponding increase in gross sales proceeds as a result of a gradual recovery of the travel industries with increasing rate of vaccination and relaxation of travel restrictions worldwide. The gross profit margin for the air ticket distribution segment increased by approximately 37.6 percentage points from approximately 13.6% for the six months ended 30 June 2021 to approximately 51.2% for the six months ended 30 June 2022, which was primarily attributable to a greater proportional increase in segment revenue than segment cost of sales.

Travel business process management

The gross profit attributable to the travel business process management segment increased by approximately HK\$5.4 million or approximately 135.0%, from approximately HK\$4.0 million for the six months ended 30 June 2021 to approximately HK\$9.4 million for the six months ended 30 June 2022, which was in line with the increase in revenue of the travel business process management segment. The gross profit margin for the travel business process management segment increased by approximately 11.6 percentage points from approximately 38.5% for the six months ended 30 June 2021 to approximately 50.1% for the six months ended 30 June 2022, which was mainly due to the increase in revenue generated from transaction processing service which generally has higher gross profit margin.

Other business process management

The gross profit attributable to other business process management segment for the six months ended 30 June 2022 was approximately HK\$0.4 million, with a gross profit margin of approximately 18.1%. The lower segment gross profit margin as compared to the travel business process management segment was mainly due to (i) the fact that the business process management services provided were mainly customer contact services and administrative services, which involved higher labour cost; and (ii) lower markup for the development of a relatively new business segment.

Travel products and services

There was no gross profit attributable to travel products and services segment for the six months ended 30 June 2022, as no segment revenue was recognised as a result of the Group's temporary suspension of provision of package tours due to the COVID-19 pandemic and travel restrictions across the world.

Other income

Other income decreased by approximately HK\$8.1 million or approximately 83.5% from approximately HK\$9.7 million for the six months ended 30 June 2021 to approximately HK\$1.6 million for the six months ended 30 June 2022, which was mainly due to the decrease in grants received in relation to wage subsidies from the Canada Emergency Wage Subsidy Program as a result of the gradual recovery of the revenue of the Group.

Selling expenses

The selling expenses decreased by approximately HK\$2.0 million or approximately 52.6%, from approximately HK\$3.8 million for the six months ended 30 June 2021 to approximately HK\$1.8 million for the six months ended 30 June 2022, which was mainly due to closure of the Group's retail branches in Canada under its travel products and services segment.

Administrative expenses

The administrative expenses slightly increased by approximately HK\$0.1 million or approximately 0.5%, from approximately HK\$21.2 million for the six months ended 30 June 2021 to approximately HK\$21.3 million for the six months ended 30 June 2022, which was mainly due to the operation of the Group's headquarters in Hong Kong which was only set up in the second half of 2021.

ECLs allowance on financial assets

The ECLs allowance on financial assets decreased by approximately HK\$22.7 million or approximately 87.6% from approximately HK\$25.9 million for the six months ended 30 June 2021 to approximately HK\$3.2 million for the six months ended 30 June 2022. Such decrease was primarily attributable to the fact that, as compared to the corresponding period in 2021, the balance of trade and other receivables that was subject to additional ECLs allowance was lower for the six months ended 30 June 2022, such that a lower amount of additional ECLs allowance had been made for the period under review.

Loss for the period

The Group's loss for the period decreased by approximately HK\$19.7 million or approximately 59.5%, from the loss of approximately HK\$33.1 million for the six months ended 30 June 2021 to the loss of approximately HK\$13.4 million for the six months ended 30 June 2022. Such decrease in loss for the period was mainly attributable to the following:

- the increase in the Group's gross profit by approximately HK\$8.2 million or approximately 186.4%, from approximately HK\$4.4 million for the six months ended 30 June 2021 to approximately HK\$12.6 million for the six months ended 30 June 2022 as discussed in the sub-section headed "Gross profit and gross profit margin" above; and

- a decrease in ECLs allowance on financial assets by approximately HK\$22.7 million or approximately 87.6% from approximately HK\$25.9 million for the six months ended 30 June 2021 to approximately HK\$3.2 million for the six months ended 30 June 2022 as discussed in the sub-section headed “ECLs allowance on financial assets” above;

partially offset by the following:

- the decrease in other income by approximately HK\$8.1 million or approximately 83.5%, from approximately HK\$9.7 million for the six months ended 30 June 2021 to approximately HK\$1.6 million for the six months ended 30 June 2022 as discussed in the sub-section headed “Other income” above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2022, the Group’s primary source of funding included, among others, its own working capital, the net proceeds from the listing and the credit facilities provided by the Group’s principal bank in Canada.

Net cash used in operating activities was approximately HK\$6.6 million for the six months ended 30 June 2022, as compared to the net cash generated from operating activities of approximately HK\$3.4 million for the six months ended 30 June 2021. Such turnaround was primarily due to the Group’s settlement of trade payables during the six months ended 30 June 2022, partially offset by the settlement of trade receivables by the Group’s customers during the same period. Net cash generated from investing activities was approximately HK\$1.2 million for the six months ended 30 June 2022, as compared to the net cash generated from investing activities of approximately HK\$5.9 million for the six months ended 30 June 2021. Net cash used in financing activities for the six months ended 30 June 2022 was approximately HK\$0.8 million, as compared to the net cash generated from financing activities of approximately HK\$0.5 million for the six months ended 30 June 2021.

As at 30 June 2022, the Group’s cash and cash equivalents amounted to approximately HK\$41.7 million, representing an decrease of approximately 14.4% from approximately HK\$48.7 million as at 31 December 2021.

The Group's gearing ratio is calculated based on total loans divided by the shareholders' equity at the end of the financial year/period and multiplied by 100%. The Group's gearing ratio increased by approximately 1.8% from approximately 6.4% as at 31 December 2021 to approximately 8.2% as at 30 June 2022. Taking into consideration the Group's current cash and bank balances, together with the credit facilities available and the expected cash flow from operations, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net current liabilities

As at 30 June 2022, the Group had net current liabilities of approximately HK\$3.0 million as compared to the net current assets of approximately HK\$6.8 million as at 31 December 2021. Such turnaround was primarily attributable to the Group's net cash outflow for the six months ended 30 June 2022 as discussed above, and the additional ECLs allowance on financial assets recognised by the Group for the six months ended 30 June 2022.

Borrowings

As at 30 June 2022, the Group had interest-free borrowings from the Government of Canada under the Regional Economic Growth Through Innovation program of approximately HK\$4.2 million (31 December 2021: HK\$4.2 million), which were denominated in Canadian dollars. The Directors expect that all such borrowings will either be repaid by internally generated funds or will continue to provide funding to the Group's operations.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EVENTS AFTER THE REPORTING PERIOD

On 4 August 2022, a wholly-owned subsidiary of the Company, CTEH Ventures Limited (the “**Vendor**”), entered into a sale and purchase agreement (the “**Agreement**”) with Ms. Chan Suk Hang Stella (the “**Purchaser**”), a third party independent of the Company and its connected persons (as defined in the Listing Rules), to sell the Vendor’s entire equity interest in the joint venture, Triplabs (BVI) Limited, at a consideration of approximately HK\$9.23 million (the “**Disposal**”). Pursuant to the terms of the Agreement, completion of the Disposal had taken place immediately after the signing of the Agreement on 4 August 2022. The Vendor has ceased to hold any interest in the joint venture and the joint venture has ceased to be accounted as a joint venture of the Group upon completion of the Disposal. For details, please refer to the announcement of the Company dated 4 August 2022.

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group’s functional currency. The Group’s policy requires the management to control the Group’s foreign exchange risk to an acceptable level by ensuring that the Group is able to obtain sufficient amount of USD and Canadian dollar at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange loss of approximately HK\$6,000 was recorded for the six months ended 30 June 2022 and a net foreign exchange loss of approximately HK\$0.1 million was recorded for the six months ended 30 June 2021.

During the six months ended 30 June 2022, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 94 employees as compared to 143 employees as at 31 December 2021. The total staff costs incurred by the Group for the six months ended 30 June 2022 were approximately HK\$25.7 million as compared to approximately HK\$21.2 million for the six months ended 30 June 2021. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees. In addition, the Company has adopted a share option scheme on 7 May 2018 to attract and retain individuals with experience and ability and to reward them for their contributions. For details, please refer to the sub-section headed “Share option scheme” below.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2022, no material acquisition and disposal of subsidiaries, associates or joint ventures, or significant investments were conducted by the Group. Please refer to the sub-section headed “Events after the reporting period” above for details of the Group’s disposal of a joint venture on 4 August 2022.

PLEDGE OF ASSETS

As at 30 June 2022, the Group had government bond issued by the Canadian government of approximately HK\$1.5 million (31 December 2021: HK\$1.5 million). The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the OPC. The interest rate for the bond is 1.8% with a maturity date of 21 March 2023.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments and capital assets as at 30 June 2022.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 June 2018, with net proceeds received by the Company from the share offer in the amount of approximately HK\$49.7 million after deducting underwriting commission and all related listing expenses. The net proceeds received from the share offer will be used in the manner consistent with that set out in the section headed “Future plans and use of proceeds” of the prospectus of the Company dated 15 June 2018 (the “**Prospectus**”).

An analysis of the utilisation of the net proceeds from the listing date up to 30 June 2022 is set out below:

		Actual utilisation up to 30 June 2022 HK\$ million	Unutilised amounts as at 30 June 2022 HK\$ million	Expected year of full utilisation of remaining balance
Use of net proceeds	Net proceeds from the share offer HK\$ million			
Repayment of bank borrowings	21.5	21.5	—	—
Expansion of air ticket distribution business	13.4	1.0	12.4	2023
Upgrade the information technology infrastructure	6.7	4.8	1.9	2023
Expansion the travel business process management business	6.9	6.9	—	—
Advertising and promotion	1.2	0.9	0.3	2022
	<u>49.7</u>	<u>35.1</u>	<u>14.6</u>	

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 7 May 2018 (the “**Share Option Scheme**”). The Share Option Scheme is designed to motivate eligible participants, including executives and key employees, who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme. For the details of the Share Option Scheme, please refer to the Prospectus.

INTERIM DIVIDENDS

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2022 except the following deviation:

Code Provision C.2.1

CG Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Kou Chung Yin Mariana is the chairperson of the Board and the chief executive officer of the Company. The Board is of the opinion that vesting the roles of both chairman and chief executive in Ms. Kou has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believes that the balance of power and authority is not compromised and is adequately ensured by the composition of the existing Board. Therefore the Directors consider that the deviation from the CG Code provision C.2.1 is appropriate in such circumstances.

In addition, under the supervision of the Board which is now comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole.

The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance 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 contained in Appendix 10 to the Listing Rules (the “**Model Code**”). The Company has made specific enquiries to all Directors, and all Directors have confirmed that they have complied with the Model Code and its code of conduct during the six months ended 30 June 2022 and up to the date of this announcement.

The Board has also adopted the Model Code as the guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee on 7 May 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision D.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. It also acts as an important link between the Board and the Company’s auditor in matters within the scope of the group audit. Meetings of the audit committee shall be held at least twice a year. The audit committee currently consists of three independent non-executive Directors, namely Ms. Kwan Ka Yee, Mr. Fong Wai Bun Benny and Ms. Suen Yin Wah Chloe, with Ms. Kwan Ka Yee serving as the chairperson.

REVIEW OF ACCOUNTS

The unaudited interim results and financial report of the Group for the six months ended 30 June 2022 has been reviewed by the audit committee and the audit committee is of the view that the interim result for the six months ended 30 June 2022 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made. The external auditor has also reviewed the interim financial information of the Group for the six months ended 30 June 2022 in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the International Auditing and Assurance Standard Board.

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

During the six months ended 30 June 2022 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cighl.com>). An interim report of the Company for the six months ended 30 June 2022 containing all the information required under the Listing Rules will be dispatched to the Shareholders and available on the aforementioned websites in due course.

By order of the Board

Cinese International Group Holdings Limited

Ms. Kou Chung Yin Mariana

Chairperson and executive Director

Hong Kong, 31 August 2022

As at the date of this announcement, the executive Directors are Mr. Liu Xue Bin and Ms. Kou Chung Yin Mariana, the non-executive Director is Mr. Liu Jiefeng, and the independent non-executive Directors are Mr. Fong Wai Bun Benny, Ms. Suen Yin Wah Chloe and Ms. Kwan Ka Yee.