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Chinese 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 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Chinese 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 2023 together with the unaudited comparative figures for the six months ended 30 June 2022.

	Six months ended 30 June		Increase
	2023	2022	
	HK\$ million	HK\$ million	
Revenue	37.8	26.6	42.1%
Gross profit	17.9	12.6	42.1%
Profit/(loss) for the period	0.6	(13.4)	104.5%
Basic and diluted earnings/(losses) per share (HK cents)	0.05	(1.12)	104.5%

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	37,842	26,574
Cost of sales	6	<u>(19,975)</u>	<u>(13,948)</u>
Gross profit		17,867	12,626
Other income	5	—	1,649
Other gains/(losses), net	5	12	(6)
Reversal/(provision) of expected credit losses (“ECLs”) allowance on financial assets		4,204	(3,230)
Selling expenses	6	(1,358)	(1,813)
Administrative expenses	6	<u>(18,935)</u>	<u>(21,267)</u>
Operating profit/(loss)		1,790	(12,041)
Finance income		101	—
Finance costs		<u>(127)</u>	<u>(146)</u>
Finance costs, net	7	(26)	(146)
Share of net losses of joint venture		<u>—</u>	<u>(341)</u>
Profit/(loss) before income tax		1,764	(12,528)
Income tax expense	8	<u>(1,174)</u>	<u>(898)</u>
Profit/(loss) for the period attributable to owners of the Company		<u>590</u>	<u>(13,426)</u>
Other comprehensive loss			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Currency translation differences		271	(351)
<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		<u>(1,970)</u>	<u>(55)</u>
Other comprehensive loss for the period		<u>(1,699)</u>	<u>(406)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(1,109)</u>	<u>(13,832)</u>
Basic and diluted earnings/(losses) per share (HK cents)	10	<u>0.05</u>	<u>(1.12)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		861	1,380
Intangible assets		—	1
Right-of-use assets		2,086	2,936
Financial asset at fair value through profit or loss (“FVTPL”)		1,465	—
Financial asset at fair value through other comprehensive income (“FVTOCI”)		1,277	3,187
Deferred income tax assets		28,133	41,778
		<u>33,822</u>	<u>49,282</u>
Current assets			
Trade receivables	11	8,682	2,158
Prepayments, deposits and other receivables		48,801	36,005
Financial asset at FVTPL		—	1,426
Income tax recoverable		1,256	299
Cash and cash equivalents		54,374	43,780
		<u>113,113</u>	<u>83,668</u>
Total assets		<u>146,935</u>	<u>132,950</u>

		As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 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		(1,713)	257
Exchange reserve		5,663	5,392
Statutory reserve		242	—
Accumulated losses		(4,597)	(4,945)
Total equity		46,707	47,816
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,827	2,379
Loan from government		2,949	3,255
		4,776	5,634
Current liabilities			
Trade payables	13	4,771	12
Accruals and other payables		83,044	64,691
Contract liabilities		87	95
Lease liabilities		1,447	1,719
Loan from government		788	755
Income taxes payable		315	12,228
Amount due to immediate holding company		5,000	—
		95,452	79,500
Total liabilities		100,228	85,134
Total equity and liabilities		146,935	132,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Cinese International Group Holdings Limited (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.

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, the United States (the “**U.S.**”) and the People’s Republic of China (the “**PRC**”).

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 for the six months ended 30 June 2023 (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 unaudited condensed consolidated interim financial statements is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Statements does 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 2022 (“**2022 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.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the 2022 annual report, except for the application of certain accounting policies which became relevant to the Group and the adoption of new or revised standards as set out below.

3.1 Accounting policies newly applied by the Group

In the current interim period, the Group has applied the following accounting policies which became relevant to the Group.

Employee benefits

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs, subject to a certain ceiling, as stipulated by the relevant regulations.

3.2 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 2023 for the preparation of the Interim Financial Statements.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts

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.

3.3 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 2022 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 during the six months ended 30 June 2023. 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 travellers 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 gains/(losses), net, reversal/(provision) of ECLs allowance on financial assets, share of net losses of joint venture, finance costs, net and income tax expense 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 2023 (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	
Revenue from external customers	9,786	10,771	17,285	—	37,842
Timing of revenue recognition					
At a point in time	9,786	10,771	97	—	20,654
Over time	—	—	17,188	—	17,188
Segment results	4,753	4,156	3,062	—	11,971
Other gains, net					12
Reversal of ECLs allowance on financial assets					4,204
Employee benefit expenses (including directors' emoluments)					(9,470)
Depreciation and amortisation					(463)
Depreciation of right-of-use assets					(413)
Legal and professional fees					(1,679)
Other administrative expenses					(2,372)
Finance costs, net					(26)
Profit before income tax					1,764
Income tax expense					(1,174)
Profit for the period					590
Other segment items:					
Depreciation and amortisation	19	16	35	—	70
Capital expenditure	1	2	—	—	3
Depreciation of right-of-use assets	117	379	—	—	496

	Six months ended 30 June 2022 (Unaudited)				Total HK\$'000
	Air ticket distribution HK\$'000	Travel	Travel	Other	
		business	Travel	business	
		process management	products and services	process 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)
Provision of 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 venture					(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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Company A - travel business process management segment	10,725	10,861
Company B - travel business process management segment (Note)	N/A	4,292
Company C - travel products and services	7,016	—
Company D - travel products and services	4,061	—
	<u>10,725</u>	<u>10,861</u>

Note: The customer did not contribute 10% or more of the total revenue of the Group in current interim period.

There is no material inter-segment revenue.

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Canada	19,396	26,414
United States	1,258	160
The PRC	17,188	—
	<u>37,842</u>	<u>26,574</u>

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Subsidies (Note)	—	24
Compensation income	—	1,625
	<hr/>	<hr/>
	—	1,649
	<hr/> <hr/>	<hr/> <hr/>
Other gains/(losses), net		
Foreign exchange gains/(losses)	12	(6)
	<hr/>	<hr/>
	12	(6)
	<hr/> <hr/>	<hr/> <hr/>

Note: 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.

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of package tours	13,978	—
Employee benefit expenses (including directors' emoluments)	16,538	25,667
Office, telecommunication and utility expenses	1,275	2,073
Depreciation of right-of-use assets	909	799
Short-term leases expenses	884	844
Credit card fees	12	17
Auditor's remuneration		
– Audit service	750	790
– Non-audit service	450	467
Depreciation of property, plant and equipment	532	987
Amortisation of intangible assets	1	285
Legal and professional fees	1,679	1,144
Service fees	2,300	2,672
Others	960	1,283
	<hr/>	<hr/>
Total cost of sales, selling and administrative expenses	40,268	37,028

7 FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– Bank interest income	<u>101</u>	<u>—</u>
Finance costs		
– Interest expense on lease liabilities	(70)	(85)
– Imputed interest expense on loan from government	<u>(57)</u>	<u>(61)</u>
	<u>(127)</u>	<u>(146)</u>
Finance costs, net	<u>(26)</u>	<u>(146)</u>

8 INCOME TAX EXPENSE

Canadian corporate income tax has been provided at the rate of 26.5% for the six months ended 30 June 2023 (2022: 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 2023 (2022: 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 2023 (2022: 14.95%). PRC enterprise income tax has been provided at the rate of 25% for the six months ended 30 June 2023 (2022: nil) on the Group's respective taxable income.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Canadian corporate income tax	—	(328)
– PRC enterprise income tax	(335)	—
– Over provision in prior years (Note)	13,293	—
Deferred income tax (Note)	<u>(14,132)</u>	<u>(570)</u>
Income tax expense	<u><u>(1,174)</u></u>	<u><u>(898)</u></u>

Note: On 2 February 2023, the Canada Revenue Agency issued the tax assessment on the Canadian departure and deemed disposition tax of the Company, in which HK\$13,283,000 of income tax expense was allowed to offset against the tax loss carried forward from prior years.

9 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2023 (2022: Nil).

10 EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share is calculated by dividing the profit/(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	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u><u>590</u></u>	<u><u>(13,426)</u></u>
Weighted average number of ordinary shares in issue (Number of shares in thousand)	<u><u>1,200,000</u></u>	<u><u>1,200,000</u></u>
Basic and diluted earnings/(losses) per share (HK cents)	<u><u>0.05</u></u>	<u><u>(1.12)</u></u>

Diluted earnings/(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 losses per share. During the six months ended 30 June 2023 and 2022, the Group has no dilutive potential ordinary shares.

11 TRADE RECEIVABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Incentive commission receivables	4,713	1,831
Less: ECLs allowance	<u>(474)</u>	<u>(436)</u>
	<u>4,239</u>	<u>1,395</u>
Other trade receivables	4,728	795
Less: ECLs allowance	<u>(285)</u>	<u>(32)</u>
	<u>4,443</u>	<u>763</u>
	<u>8,682</u>	<u>2,158</u>

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
0 to 60 days	3,023	1,096
Over 60 days	<u>5,659</u>	<u>1,062</u>
	<u>8,682</u>	<u>2,158</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 2022, 31 December 2022 (audited) and 30 June 2023 (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 2022, 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>1,200,000</u>	<u>120</u>

13 TRADE PAYABLES

As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables based on invoice date are as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
0 to 30 days	2,237	12
31 to 60 days	1,906	—
Over 60 days	628	—
	<u>4,771</u>	<u>12</u>

14 BANKING FACILITIES

As at 30 June 2023, the Group has banking facilities available in the form of letters of guarantee of HK\$14,796,000 (2022: HK\$14,394,000) in which HK\$5,105,000 (2022: HK\$4,935,000) was utilised by the Group 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 2023 and 31 December 2022.

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 customers; 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 2023 continued to recover steadily following the ease of the COVID-19 pandemic. There was a continuous recovery of the travel industries worldwide, and the Group recorded an increase in transaction volume and revenue for its air ticket distribution services for the six months ended 30 June 2023, as compared to the corresponding period in 2022. Leveraging its knowledge and experience as a travel services provider, the Group successfully extended its presence to the Guangdong-Hong Kong-Macao Greater Bay Area (“**Greater Bay Area**”) and generated revenue in 2023 following the ease of the COVID-19 pandemic. In such connection, the Group recognised revenue of approximately HK\$17.3 million from its travel products and services segment for the six months ended 30 June 2023 primarily in relation to the provision of company-operated cultural tours in the Greater Bay Area.

The total revenue of the Group increased by approximately HK\$11.2 million or approximately 42.1%, from approximately HK\$26.6 million for the six months ended 30 June 2022 to approximately HK\$37.8 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in revenue generated from the air ticket distribution segment and travel products and services segment as further discussed below. Alongside with the increase in revenue, the gross profit of the Group increased by approximately HK\$5.3 million or approximately 42.1%, from approximately HK\$12.6 million for the six months ended 30 June 2022 to approximately HK\$17.9 million for the six months ended 30 June 2023. The overall gross profit margin of the Group for the six months ended 30 June 2023 remained relatively stable at approximately 47.2%, as compared to the gross profit margin of approximately 47.5% for the corresponding period in 2022.

Air ticket distribution

Air ticket distribution business segment experienced a remarkable improvement for the six months ended 30 June 2023 as compared to the corresponding period in 2022 following the ease the COVID-19 pandemic. Segment revenue substantially increased by approximately 81.5% or approximately HK\$4.4 million, from approximately HK\$5.4 million for the six months ended 30 June 2022, to approximately HK\$9.8 million for the six months ended 30 June 2023. 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 the continuous recovery of the travel industries 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 2023, the Group had ticketing authority for more than 150 airlines, including top airlines based in Canada, the United States and the People's Republic of 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 decreased by approximately 42.6% or approximately HK\$8.0 million, from approximately HK\$18.8 million for the six months ended 30 June 2022, to approximately HK\$10.8 million for the six months ended 30 June 2023. Such decrease in segment revenue was mainly attributable to the Group's reduced business cooperation with certain customers with lower profit margins to improve the operational efficiency and profitability. As a result, the Group recorded an increase in gross profit margin for the travel business process management segment of approximately 13.3 percentage points from approximately 50.1% for the six months ended 30 June 2022 to approximately 63.4% for the six months ended 30 June 2023. 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, while at the same time optimise the Group's customer profile.

Other business process management

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. As the COVID-19 testing requirement for international travellers in Canada has been removed following the ease of the COVID-19 pandemic, the Group ceased to provide such business process management services for the six months ended 30 June 2023 and the revenue generated from other business process management segment decreased to nil from approximately HK\$2.3 million for the six months ended 30 June 2022. Going forward, the management will continue to explore new business opportunities for its other business process management segment.

Travel products and services

The Group has resumed providing package tours in the first quarter of 2023 following the ease of the COVID-19 pandemic and thereby recognised revenue from its travel products and services segment for the six months ended 30 June 2023. With the Group expanding its presence to the Greater Bay Area, the Group recognised segment revenue of approximately HK\$17.3 million for the six months ended 30 June 2023, primarily in relation to the provision of company-operated cultural tours in the Greater Bay Area. The management will continue to consolidate and expand the Group's presence in the Greater Bay Area through sourcing new customers.

FUTURE PROSPECT

Air travel demand is off to a very healthy start in 2023, which bodes well for the continued and steady recovery from the COVID-19 pandemic. The airline, travel and tourism industries worldwide have significantly improved alongside with steady demand for travel and increasing flight numbers. Airlines of different countries have increased their number of destinations while passenger demand and bookings have demonstrated a continued growth. In particular, the Group has resumed providing package tours in the first quarter of 2023. The Group therefore believes that the travel industries as a whole are improving, which will in turn create business opportunities for the Group.

The Group will continue to establish its presence in the travel industries of the Greater Bay Area. 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 industries by leveraging its knowledge and experience, so as to create business synergy, enhance earning capability and potential, 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			
	2023		2022	
	HK\$'000 (Unaudited)	% (Unaudited)	HK\$'000 (Unaudited)	% (Unaudited)
Air ticket distribution	9,786	25.9	5,405	20.4
Travel business				
process management	10,771	28.5	18,849	70.9
Travel products and services	17,285	45.6	—	—
Other business				
process management	—	—	2,320	8.7
Total	<u>37,842</u>	<u>100.0</u>	<u>26,574</u>	<u>100.0</u>

The Group's revenue increased by approximately HK\$11.2 million or approximately 42.1%, from approximately HK\$26.6 million for the six months ended 30 June 2022 to approximately HK\$37.8 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in revenue generated from the air ticket distribution segment and travel products and services segment.

Air ticket distribution

The revenue from air ticket distribution segment increased by approximately HK\$4.4 million, or approximately 81.5%, from approximately HK\$5.4 million for the six months ended 30 June 2022, to approximately HK\$9.8 million for the six months ended 30 June 2023. Such increase in revenue was mainly due to an increase in transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of the continuous recovery of the travel industries worldwide.

Travel business process management

The revenue from travel business process management segment decreased by approximately HK\$8.0 million or approximately 42.6%, from approximately HK\$18.8 million for the six months ended 30 June 2022, to approximately HK\$10.8 million for the six months ended 30 June 2023. Such decrease in revenue was mainly because the Group reduced business cooperation with certain customers with lower profit margins to improve operational efficiency and profitability.

Travel products and services

The revenue from travel products and services segment was approximately HK\$17.3 million for the six months ended 30 June 2023, as the Group has resumed providing package tours since the first quarter of 2023 following the ease of the COVID-19 pandemic. No segment revenue from travel products and services was reported for the six months ended 30 June 2022, as 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.

Other business process management

No revenue was recorded from this segment for the six months ended 30 June 2023. The Group ceased to provide business process management services as the testing requirement for international travellers in Canada was removed following the ease of the COVID-19 pandemic. The revenue from other business process management segment was approximately HK\$2.3 million for the six months ended 30 June 2022.

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 periods indicated:

	For the six months ended 30 June			
	2023		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Air ticket distribution	7,736	79.1	2,767	51.2
Travel business				
process management	6,824	63.4	9,440	50.1
Travel products and services	3,307	19.1	—	—
Other business				
process management	—	—	419	18.1
Total	17,867	47.2	12,626	47.5

The gross profit of the Group increased by approximately HK\$5.3 million or approximately 42.1%, from approximately HK\$12.6 million for the six months ended 30 June 2022 to approximately HK\$17.9 million for the six months ended 30 June 2023, primarily attributable to an increase in revenue generated from the Group's air ticket distribution services and travel products and services, with air ticket distribution services having a higher gross profit margin.

The overall gross profit margin of the Group for the six months ended 30 June 2023 remained relatively stable at approximately 47.2%, as compared to the gross profit margin of approximately 47.5% for the corresponding period in 2022.

Air ticket distribution

The gross profit attributable to the air ticket distribution segment increased by approximately HK\$4.9 million or approximately 175.0%, from approximately HK\$2.8 million for the six months ended 30 June 2022 to approximately HK\$7.7 million for the six months ended 30 June 2023, 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 the continuous recovery of the travel industries worldwide. The gross profit margin for the air ticket distribution segment substantially increased by approximately 27.9 percentage points from approximately 51.2% for the six months ended 30 June 2022 to approximately 79.1% for the six months ended 30 June 2023, 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 decreased by approximately HK\$2.6 million or approximately 27.7%, from approximately HK\$9.4 million for the six months ended 30 June 2022 to approximately HK\$6.8 million for the six months ended 30 June 2023, which was in line with the decrease in revenue of the travel business process management segment. The gross profit margin for the travel business process management segment increased by approximately 13.3 percentage points from approximately 50.1% for the six months ended 30 June 2022 to approximately 63.4% for the six months ended 30 June 2023, which was mainly because the Group reduced business cooperation with certain customers with lower profit margins to improve operational efficiency and profitability.

Travel products and services

The gross profit attributable to travel products and services segment for the six months ended 30 June 2023 was approximately HK\$3.3 million, with a gross profit margin of approximately 19.1% as the Group has resumed providing package tours since the first quarter of 2023 following the ease of the COVID-19 pandemic. 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 business process management

There was no gross profit attributable to other business process management segment for the six months ended 30 June 2023, as no segment revenue was recognised as a result of the Group ceasing to provide other business process management services as a result of the removal of the testing requirement for international travellers in Canada following the ease of the COVID-19 pandemic. 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%.

Other income

There was no other income recorded for the six months ended 30 June 2023. Other income for the six months ended 30 June 2022 was approximately HK\$1.6 million, mainly represented one off compensation income from early termination of lease contract for an office premise in Canada.

Selling expenses

The selling expenses decreased by approximately HK\$0.4 million or approximately 22.2%, from approximately HK\$1.8 million for the six months ended 30 June 2022 to approximately HK\$1.4 million for the six months ended 30 June 2023, which was mainly due to the closure of the Group's retail branches in Canada under its travel products and services segment.

Administrative expenses

The administrative expenses decreased by approximately HK\$2.4 million or approximately 11.3%, from approximately HK\$21.3 million for the six months ended 30 June 2022 to approximately HK\$18.9 million for the six months ended 30 June 2023, which was mainly due to a decrease in office expenses after relocation of the Group's office in Canada in April 2022.

Expected credit losses (“ECLs”) allowance on financial assets

The ECLs allowance on financial assets changed from provision of ECLs allowance of approximately HK\$3.2 million for the six months ended 30 June 2022 to reversal of ECLs allowance of approximately HK\$4.2 million for the six months ended 30 June 2023. Such turnaround was mainly attributable to an improvement in repayment pattern of the Group's debtors in general in 2023 in light of the continuous recovery of the travel industries, where certain receivables of which provisions had been made in prior years were settled during the six months ended 30 June 2023.

Profit/(loss) for the period

The Group recognised a profit before income tax of approximately HK\$1.8 million for the six months ended 30 June 2023, as compared to the loss before income tax of approximately HK\$12.5 million for the six months ended 30 June 2022. Such turnaround was mainly attributable to the following:

- an increase in the Group's revenue by approximately HK\$11.2 million or approximately 42.1%, from approximately HK\$26.6 million for the six months ended 30 June 2022 to approximately HK\$37.8 million for the six months ended 30 June 2023 as discussed in the sub-section headed “Revenue” above;

- an increase in the Group’s gross profit by approximately HK\$5.3 million or approximately 42.1% from approximately HK\$12.6 million for the six months ended 30 June 2022 to approximately HK\$17.9 million for the six months ended 30 June 2023 as discussed in the sub-section headed “Gross profit and gross profit margin” above; and
- a turnaround in ECLs allowance on financial assets from provision of ECLs allowance of approximately HK\$ 3.2 million for the six months ended 30 June 2022 to reversal of ECLs allowance of approximately HK\$4.2 million for the six months ended 30 June 2023 as discussed in the sub-section headed “ECLs allowance on financial assets” above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2023, 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 generated from operating activities was approximately HK\$5.7 million for the six months ended 30 June 2023, as compared to the net cash used in operating activities of approximately HK\$6.6 million for the six months ended 30 June 2022. Such turnaround was primarily due to an improvement in repayment pattern of the Group’s debtors in general in 2023 in light of the continuous recovery of the travel industries. Net cash generated from investing activities was approximately HK\$96,000 for the six months ended 30 June 2023, as compared to the net cash generated from investing activities of approximately HK\$1.2 million for the six months ended 30 June 2022. Net cash generated from financing activities was approximately HK\$4.1 million for the six months ended 30 June 2023, as compared to the net cash used in financing activities of approximately HK\$0.8 million for the six months ended 30 June 2022.

As at 30 June 2023, the Group’s cash and cash equivalents amounted to approximately HK\$54.4 million, representing an increase of approximately 24.2% from approximately HK\$43.8 million as at 31 December 2022.

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 decreased by approximately 0.4 percentage point from approximately 8.4% as at 31 December 2022 to approximately 8.0% as at 30 June 2023. 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 assets

As at 30 June 2023, the Group had net current assets of approximately HK\$17.7 million as compared to the net current assets of approximately HK\$4.2 million as at 31 December 2022.

Borrowings

As at 30 June 2023, the Group had interest-free borrowings from the Government of Canada under the Regional Economic Growth Through Innovation program of approximately HK\$3.7 million (31 December 2022: HK\$4.0 million), which were denominated in Canadian dollars. The Directors expect that such borrowings will either be repaid by internally generated funds or continue to provide funding for 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.

Financial asset at FVTPL

The current financial asset at FVTPL of approximately HK\$1.4 million as at 31 December 2022 represented a government bond issued by the Canadian government with an interest rate of 1.8% per annum. Upon the maturity of such government bond on 21 March 2023, the Group subscribed for a new government bond in the principal amount of CAD250,000 issued by the Canadian government, with an interest rate of 3.6% per annum and maturity date of 15 February 2025. Accordingly, the Group recorded non-current financial asset at FVTPL of approximately HK\$1.5 million as at 30 June 2023. As the highest applicable percentage ratio under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) in respect of the subscription of government bond mentioned above was less than 5.0%, such transaction was exempted from the notification, publication and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Amount due to immediate holding company

As at 30 June 2023, the Group had amount due to immediate holding company of HK\$5.0 million, as compared to nil as at 31 December 2022. Such amount due to immediate holding company was non-trade in nature, interest-free, unsecured, repayable on demand and on normal commercial terms or better, and constituted a fully exempt financial assistance received by the Group pursuant to Rule 14A.90 of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to the end of the reporting period which would materially affect the Group’s operating and financial performance as at the date of this announcement.

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in the respective group companies' functional currencies. 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 United States dollar, Canadian dollar and Renminbi at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange gain of approximately HK\$12,000 was recorded for the six months ended 30 June 2023 and a net foreign exchange loss of approximately HK\$6,000 was recorded for the six months ended 30 June 2022.

During the six months ended 30 June 2023, 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 2023, the Group had a total of 69 employees as compared to 70 employees as at 31 December 2022. The total staff costs incurred by the Group for the six months ended 30 June 2023 were approximately HK\$16.5 million as compared to approximately HK\$25.7 million for the six months ended 30 June 2022. 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 paragraph headed "Share option scheme" below.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2023, no material acquisition and disposal of subsidiaries, associates or joint ventures, or significant investments were conducted by the Group. The Group had no significant investments as at 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, the Group had government bond issued by the Canadian government of approximately HK\$1.5 million (31 December 2022: HK\$1.4 million). The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the Québec L'Office de la protection du consommateur. The interest rate for the bond is 3.6% with a maturity date of 15 February 2025 (2022: 1.8% with a maturity date of 21 March 2023).

CONTINGENT LIABILITIES

As at 30 June 2023, 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 2023.

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 have been and 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 received from the share offer from the listing date up to 30 June 2023 is set out below:

		Actual utilisation up to 30 June 2023 HK\$ million	Unutilised amounts as at 30 June 2023 HK\$ million	Expected year of full utilisation of remaining balance
Use of net proceeds	Net proceeds from the share offer HK\$ million	HK\$ million	HK\$ million	
Repayment of bank borrowings	21.5	21.5	—	—
Expansion of air ticket distribution business	13.4	1.0	12.4	2024
Upgrade the information technology infrastructure	6.7	4.8	1.9	2024
Expansion of the travel business process management business	6.9	6.9	—	—
Advertising and promotion	1.2	0.9	0.3	2023
	<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**”). Other than the Share Option Scheme, the Group has no share schemes under Chapter 17 of the Listing Rules. 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. There were 120,000,000 share options available for grant as at both 1 January 2023 and 30 June 2023, as no share options had been granted during the six months ended 30 June 2023.

INTERIM DIVIDENDS

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

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 2023 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 separate and should not be performed by the same individual. Dr. 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 Dr. 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 2023 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 C.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 2023 have been reviewed by the audit committee and the audit committee is of the view that the interim results and financial report for the six months ended 30 June 2023 are 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 2023 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 2023 and up to the date of this announcement, neither the Company nor any of its subsidiaries has 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>). The interim report of the Company for the six months ended 30 June 2023 containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and available on the aforementioned websites in due course.

By order of the Board

Cinese International Group Holdings Limited

Dr. Kou Chung Yin Mariana

Chairperson and executive Director

Hong Kong, 31 August 2023

As at the date of this announcement, the executive Directors are Mr. Liu Xue Bin and Dr. 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.