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OVERVIEW

We are China's largest online tour guide provider with an 86.2% market share in the online tour guide service market, a 0.4% market share of the overall tour guide service market and a 0.02% market share of the online tourism market in terms of GMV in 2018, according to the Frost & Sullivan Report. As of June 30, 2019, we developed a total of 12,913 online tour guides, including 2,086 online tour guides covering overseas tourist attractions in Japan, South Korea, Australia, Italy, among others. As of the same date, our online tour guides covered 8,304 tourist attractions in the PRC, including Hong Kong, Macau and Taiwan, among which 259 were category AAAAA tourist attractions and 2,021 were category AAAA tourist attractions in the PRC.

We deploy software on our cloud system to provide online tour guides with proprietary contents, which include illustrated maps of tourist attractions, editorial contents and voice-over commentaries of points of interest in the tourist attractions, and are implemented to include functions such as real-time navigation. We generated a substantial portion of our revenue from sales of online tour guides through OTAs during the Track Record Period. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs so that the end users may purchase through OTAs and then use our H5 pages to access the online tour guides for each tourist attraction.

We recorded significant business growth during the Track Record Period which was mainly attributable to the key milestones of our corporate and business development and the rapid development of the online tourism market in China in recent years. Since our establishment in 2013, we invested in the establishment of our technology infrastructure and the improvement of product functions, system stability and marketing efforts. We secured the first engagement under our sale of online tour guide to travel agencies business for a category AAAAA tourist attraction in China in 2015. As our products become more mature and stable, the online tour guides market and OTAs in China continued to grow. We secured our first engagement under our content customization business with a tourist attraction administrator for a category AAAAA tourist attraction in China in 2016. Capitalizing on our existing tourist attractions resources and the industry growth, we expanded our business to cooperation with OTAs through sales and marketing activities, including industry conferences. We successfully established cooperation with three of the top five OTAs in China according to the Frost & Sullivan Report in 2016. As a result, we achieved profitability in the year ended December 31, 2016. In 2017, we covered at least 1,000 tourist attractions in China and developed online tour guides covering our first overseas tourist attractions in Japan, South Korea, Italy and Australia, among others. The number of our online tour guides purchased by the end users through OTAs grew significantly from approximately 2.0 million for the year ended December 31, 2016 to approximately 74.1 million for the year ended December 31, 2018. As of June 30, 2019, we covered 100% of all category AAAAA tourist attractions in China and secured an engagement under our content customization business for five tourist attractions for the development of a big data smart tourism system including AI voice interaction features.

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Our total revenues increased from approximately RMB13.5 million in the year ended December 31, 2016 to approximately RMB71.6 million in the year ended December 31, 2017, further to approximately RMB301.7 million in the year ended December 31, 2018, and increased from approximately RMB63.7 million in the six months ended June 30, 2018 to approximately RMB183.0 million in the six months ended June 30, 2019. Our net profit in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 was approximately RMB3.8 million, RMB25.6 million, RMB99.8 million and RMB51.9 million, respectively.

OUR STRENGTHS

The leading online tour guide provider in China with a dominant market share

We are the largest online tour guide provider in China with an approximately 86.2% market share in terms of GMV in 2018, according to the Frost & Sullivan Report. We are also the largest online tour guide provider in China in terms of number of tourist attractions covered in the PRC in 2018 according to the same report. In particular, as of December 31, 2018, our online tour guides covered 251 AAAAA tourist attractions and 1,702 AAAA tourist attractions, accounting for 96.9% and 56.1% of the total number of category AAAAA and AAAA tourist attractions in the PRC, respectively, according to Frost & Sullivan.

The types of tourist attractions for which we provide online tour guides include landscape, historical sites, cities, theme parks, zoos and botanical gardens. Our extensive tourist attraction coverage and high quality products enabled us to engage with major OTAs and establish strategic cooperation with them.

We believe we have created a significant entry barrier for the online tour guide service industry with our leading position in terms of tourist attraction coverage and our strategic relationship with the leading OTAs in the market. Leveraging on our dominant market position, and our strategy to continue to expand our tourist attraction coverage and diversify our product offerings, we believe we are well-positioned to capitalize on the future growth of the tourism industry in China.

Rapid growth achieved since our establishment, capitalizing on the growth of our industry

As a result of our leading market position and significant increase in market demand of our products, we achieved significant growth during the Track Record Period. During the Track Record Period, we made an aggregate of 112.1 million sales to the end users through our OTAs and our Lvji APP and we developed customized contents for more than 500 tourist attractions to over 300 customers. We also sold approximately 18,000, 237,000, 289,000 and 17,000 online tour guide activation codes, typically imbedded in physical cards, to travel agencies in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

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The tourism industry in China experienced significant growth in recent years. According to the Frost & Sullivan Report, the market size of the tourism industry in China increased from approximately RMB3.7 trillion in 2014 to approximately RMB6.0 trillion in 2018, representing a CAGR of approximately 12.9%. In particular, the online tourism industry achieved a significantly higher growth rate than the offline tourism industry with a CAGR of approximately 32.5% from approximately RMB456.8 billion in 2014 to approximately RMB1,406.5 billion in 2018. Such growth rates are expected to sustain a stable trend in the foreseeable future. According to the Frost & Sullivan Report, the tourism industry in China is expected to grow to approximately RMB9.4 trillion in 2023 at a CAGR of approximately 9.4% from 2018, while the online tourism industry is expected to grow to approximately RMB2,641.9 billion in 2023 at a CAGR of approximately 13.4% from 2018. The growth in the online tourism industry will drive market demand for our products, especially when smart phones continue to penetrate into a wider population.

Our revenue in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 was approximately RMB13.5 million, RMB71.6 million, RMB301.7 million and RMB183.0 million, respectively.

Strategic cooperations with leading OTAs

We provide a diversified source of income for OTAs. We established a mutually beneficial relationship with three of the top five OTAs in China during the Track Record Period according to the Frost & Sullivan Report. The online tour guides we sell through OTAs’ portals enhance end users’ experience and diversify OTA’s revenue sources. Our contents are seamlessly integrated into the platforms of the OTAs, including their stand-alone APPs, mini programs and official accounts. Such integration allows most of the end users to purchase and use our products without exiting the OTA platform they are using or making additional downloads.

We have gained the trust of major OTAs through our quality products. In 2018, we were the largest online tour guide provider in China in terms of GMV according to the Frost & Sullivan Report. In particular, we started our cooperation with one of the largest OTAs in China, who is also our largest OTA since 2016 in terms of revenue derived from. In September 2018, we entered into an exclusive cooperation agreement with this OTA pursuant to which we were engaged to be the exclusive online tour guide provider for this OTA till 2021. We will continue to seek further cooperation with major online travel platforms, which we see as an important strategic partner.

Being featured prominently on major OTA’s portals helps to increase the visibility of our products, which in turn enhances our brand recognition. In addition, we believe our strategic relationship with leading OTAs in the market has granted us a certain level of pricing power with end users. During the Track Record Period, we cooperated with three of the top five OTAs, whose market share represented a majority of the China’s online tourism market in 2018 in terms of their GMV. We can exert such pricing power to respond to market demands with flexibility and thus further expanding our market shares.

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Comprehensive and high quality online tour guide contents in multimedia forms

We were one of the earliest market entrants into the online tour guide service market and have popularized many innovations such as illustrated map, which has become a market standard according to Frost & Sullivan. Our high quality proprietary contents enable us to achieve end user satisfaction and secure strategic cooperation with major OTAs. Our online tour guides provide comprehensive tour guide information in multimedia formats, which mainly include illustrated maps of tourist attractions, and editorial contents and voice-over commentaries of points of interest at selected tourist attractions. Our online tour guides also provide features including tourist attraction introduction and route recommendations, service point direction, multi-language editorial contents, panoramic VR and other features for end users to select. We implemented and constantly improve a stream-lined content production process which allows us to quickly expand our tourist attraction coverage with high quality tour guide information.

All tour guide contents under our sale of online tour guide business provided to end users are owned by us. For each tourist attraction, we design an in-depth tour guide information package based on the nature, historical background and points of interest of the tourist attractions. We are in full control of each step of the content production process, which allows us to ensure accuracy and quality of information in a package. Having complete control over content production also enables us to implement a consistent, instantly recognizable overall design across our product portfolio, while granting us flexibility to supplement bespoke aesthetic varieties for different types of tourist attractions.

In a competitive market, we believe it is critical for us to deliver the best user experience possible through high quality products in order to enhance our market share and profitability. To this end, we developed technology systems to provide quick and responsive feedback to end users. We optimized our illustrated maps by implementing innovated segment-loading technique and image compression technology to optimize illustrated maps and the proficiency of H5 pages. All of the details of the features that we developed and implemented aim at giving an overall smooth and pleasant user experience.

As a result, we achieved high end user satisfaction. Generally, during the Track Record Period, over 96% of the end users of our online tour guides through OTA’s portals rated their experience as “good.” We believe such high satisfaction rating by the end users contributed to the increase in usage of our online tour guides during the Track Record Period.

According to the Frost & Sullivan Report, tourists in China have an increasing preference to travel to more obscure and less visited tourist attractions. Our online tour guides are especially valuable at such tourist attractions that are not yet well-developed and do not have the necessary ancillary and supporting facilities. Our high quality online tour guides provide convenience and easy accessibility across a broader range of tourist attractions. We believe consistently achieving high user satisfaction is critical to our brand image and build up our end user stickiness, which will in turn allow us to increase revenue from repeated end users and

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explore more cross-selling opportunities. By continuing to expand our tourist attraction coverage and ensure end user satisfaction, we believe we are well-positioned to maintain and strengthen our leading market position in the industry.

Visionary and experienced management

Our success was attributable to our visionary management team who first decided to enter into the fast-growing tourism market and accurately identified the largely unmet market demands for online tour guides. Our senior management team designed our operational strategies and oversaw their execution. As a result, we became profitable in less than four years after the inception of our business and quickly expanded our operation scale to become the market leader with a dominant market share.

We have built a team of technology experts which we rely on to develop our core technologies and conduct research, development, deployment and maintenance. Our technical executives come from renowned Internet companies. The managers of our technical team also have extensive management experience, research and development experience and industry experience.

Key members of our senior management team are entrepreneurs with rich experience in relevant industries, which enable them to efficiently implement our business plan. Our chief executive officer and our founder, Mr. Zang, has over 10 years of experience in the telecommunication industry. Our chief operating officer, Mr. Long, has over seven years of experience in the information technology industry.

OUR STRATEGIES

Further expand our tourist attraction coverage in China and explore new cooperation opportunities with tourist attractions

We, as an online tour guide provider, had an 86.2% market share in the online tour guide service market and a 0.4% market share of the overall tour guide service market in China in terms of GMV in 2018 according to the Frost & Sullivan Report. According to the same source, there were over 31,000 tourist attractions in China in the end of 2018, including 259 category AAAAA tourist attractions, 3,034 category AAAA tourist attractions, 4,344 category AAA tourist attractions, 2,481 category AA tourist attractions and 183 category A tourist attractions, whereas a large number of tourist attractions still only offered personal tour guides and audio tour guides, instead of online tour guides. As of December 31, 2018, we covered approximately 96.9% of all the AAAAA tourist attractions, 56.1% of all the AAAA tourist attractions and 14.6% of all the AAA tourist attractions in China.

We believe our considerable extensive tourist attraction coverage is a clear competitive advantage over our existing competitors and is an entry barrier to potential competitors. Our extensive tourist attraction coverage will both strengthen our cooperation with OTAs and increase user stickiness of our Lvji APP. Our strategy for growth aims at increasing the number of OTAs we cooperate with and entering into exclusive agreements with existing and new

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OTAs. During the Track Record Period and up to the Latest Practicable Date, we cooperated with 26 OTAs. In addition to the exclusive cooperation agreement that we entered into with our largest OTA in September 2018, we entered into (i) another exclusive cooperation agreement with this customer in April 2019; and (ii) a new exclusive agreement with our another existing OTA in April 2019, which was one of our top five largest customers during the Track Record Period. When we are OTAs’ exclusive online tour guide provider, the increase in the number of tourist attractions we cover may directly translate to the increase in the number of online tour guides we make available for sale through these OTAs’ platforms.

To maintain our dominant market position, we plan to continue to expand the number of tourist attractions for which we provide online tour guides in China, such as AAAA and AAA tourist attractions. We plan to develop approximately 2,000 online tour guides covering tourist attractions throughout China. When selecting additional tourist attractions for which we create online tour guides for, we aim to strike a balance between popularity and diversity. For example, in the Western China region, we will consider the popularity of tourist attractions first while striking a balance among different types of tourist attractions and their different geographical regions including Yunnan, Tibet, Sichuan, Inner Mongolia, among others. To determine the popularity of the tourist attractions, we reference information provided by OTAs and the category rating of the tourist attractions. We plan to develop online tour guides covering more popular tourist attractions in order to increase quickly our end user reach and market penetration, while selectively covering boutique or specialized destinations, such as certain non-rated tourist attractions, to provide our end users with variety.

We also generated revenue from content customization services for online tour guides provided for tourist attractions. During the Track Record Period, we provided content customization services to over 300 customers. Through our content customization services and subsequent maintenance services, we have established good cooperation relationship with the administrators of tourist attractions which placed us in better positions to negotiate for further and deeper collaborations.

To increase our content customization capacity, we plan to hire more quality professionals to join our content production team. We will also selectively engage more third-party data and content providers when the need arises.

Explore opportunities in traditional offline tourism market and increase our marketing effort

Growth in our end user base and the frequency of their purchase is a fundamental driver for our business. We will continue to attract new OTAs and end users through our diversified and high-quality product offerings, word-of-mouth promotion by consumers, and effective online and offline marketing. In addition, we plan to explore further cooperation opportunities with personal tour guides and travel agencies in order to expand our business.

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Having acquired a dominant market share in the online tour guide service industry, we believe we are well-positioned to explore the substantial growth opportunities in the offline travel market. According to the Frost & Sullivan Report, the revenue of the offline tourism market are primarily generated from food and beverage, ticketing, souvenir and goods, accommodation, traffic, culture and entertainment, and other services. Tour guide services are one of the essential services provided by tourist attractions administrators, travel agencies or other parties, which include personal tour guide, audio guide and online tour guide. According to the Frost & Sullivan Report, the total revenue of the tour guide service market has increased from approximately RMB38.5 billion in 2014 to approximately RMB66.7 billion in 2018, with a CAGR of approximately 14.8%. It is expected to increase to approximately RMB123.7 billion in 2023, representing a CAGR of approximately 13.1% from 2018. In 2018, the online tour guide service market contributed only approximately 0.5% to the overall tour guide service market. According to the Frost & Sullivan Report, benefiting from the convenience and rising penetration, online tour guide is expected to progressively take the place of audio guide and reduce the workload of personal tour guide. We plan to capture this growing trend of conversion from offline tour guide to online tour guide through offline marketing efforts by continuing to conduct selected sales and promotion activities at prominent locations at the tourist attractions. We believe these sales and promotion activities can help us to promote our brand recognition and stimulate the purchase of our online tour guide. We believe this is a cost-effective way to increase the visibility of our products and acquire new end users. For details of the specific sales and marketing activities we engage in, see “– Sales and Marketing.”

Further to our existing sale of online tour guide business, we continue to explore new ways for growth. Particularly, we are exploring business that may have synergy effect with and is able to further promote the sale of online tour guide business in a tourist attraction. For example, since January 2019, we have commenced our cooperation with a few tourist attraction administrators for the operation of the sightseeing bicycles. The sightseeing bicycles are shared between tourists in a tourist attraction via mini programs, where we provide a link to our online tour guides and recommend online tour guides to tourists during their tours between points of interest in the tourist attraction. We are planning to introduce audio functions and riding-route recommendation functions to enable the tourists to listen to our online tour guides while riding within the attractions and thus improving the end user’s experience in the tour. The sightseeing bicycles are an offline promotion and advertising channel for our online tour guides and enriching the end user experience while using our online tour guides and increase user stickiness.

We have established cooperation relationship with more than 70 travel agencies through the sale of online tour guides and with a significant number of tourist attraction administrators and government offices through our content customization services. We plan to leverage such relationship to tap into the offline tourism market including providing comprehensive solutions in relation to smart tourism and all-for-one tourism. In February 2019, we entered into an all-for-one tourism cooperation agreement with the government office of a well-known category AAAAA tourist attraction for the development of all-for-one tourism online tour guides of the city where the category AAAAA tourist attraction is located in. Based on the existing online tour guides customization we developed for this category AAAAA tourist

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attraction, we expanded our service offering to a wider range of all-for-one tourism features and functions production and development. Moreover, with our big-data capabilities, we will be able to provide information to the tourist attraction administrators to strategically place amenity facilities or explore cross-sale opportunities based on tourist preferences, following which we aim to selectively engage in other offline tourism services.

Capitalizing on China’s policy encouragement, we aim to continuously develop smart tourism cooperation with tourist attractions. The State Council issued the 13th Five-Year Tourism Informatization Plan (《“十三五”全國旅遊信息化規劃》) on March 7, 2017 under its 13th Five-Year Tourism Development Plan (《“十三五”旅遊業發展規劃》) on smart tourism, which stated that all AAAA and AAAAA tourist attractions in China must be able to provide online booking services, online tour guides and free Wi-Fi to all tourists by 2020. Digital technologies will be adopted to improve tourists’ experiences, from smart hotels offering check-in via mobile devices to real-time collection of tourist data for tailoring personalized hotel or sightseeing services according to the Frost & Sullivan Report.

In response to these, we plan to develop smart tourism management service system for tourist attractions. Our smart tourism management service system includes multiple products and features. For example, the big data platform includes parking lot statistics analysis, Wi-Fi management statistical analysis, weather and environmental monitoring statistical analysis, ticketing analysis, traffic analysis, catering and accommodation analysis, tourist behavior analysis and other business analysis. As of the Latest Practicable Date, we are actively discussing with 13 tourist attraction administrators and government offices under our content customization business in relation to the customized development of smart tourism management service system for those tourist attractions under their management, among which three are in contract negotiation stage. We plan to further explore the smart tourism and all-for-one tourism cooperation opportunities to capture the offline tourism market in this regard, facilitate our offline customers’ development of an attractive tourism destination for domestic and overseas tourists and in the meantime increase our market share and brand value.

Expand our presence in overseas markets

We developed 2,086 online tour guides for overseas destinations as of June 30, 2019. We plan to continue to expand our presence in overseas tourism markets by expanding our coverage of overseas tourist attractions and increase the sales of our online tour guides through OTAs and our Lvji APP.

Our short term goal is to increase revenue generated by the sales of our online tour guides for overseas destinations. According to the Frost & Sullivan Report, the revenue related to Chinese tourists’ overseas tours grew from approximately RMB877.6 billion in 2018 to approximately RMB1,315.8 billion in 2023, representing a CAGR of approximately 8.4%. We plan to develop approximately 4,500 online tour guides for overseas tourist attractions in countries, including those in Europe, Australia and New Zealand, Japan, Thailand, Singapore, the United States and Canada. Among these overseas countries, Thailand, Japan, Singapore, the United States, Australia and a number of European countries were among the top 20 most popular tourist destinations for outbound Chinese tourists in 2018, according to the “2018 China Visitors Outbound Big Data Report” jointly released by China Tourism Research Institute and one of the largest OTAs in China. We plan to utilize our strong and stable

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relationship with our existing OTAs and develop more online tour guides for Chinese outbound tourists visiting overseas. We expect to leverage on our experiences and standardized production process when producing contents for overseas tourist attractions.

Our long term goal is to establish cooperation with overseas tourist attractions administrators and expand our end user base to all tourists visiting such destinations. To achieve such goals, the first step is to provide online tour guide information for selected overseas tourist attractions, starting with Chinese language versions, followed by introducing more language versions that can serve all tourists visiting the overseas tourist attractions. In terms of sales channel, we plan to enter into cooperation agreements with international leading OTAs to sell online tour guides to international tourists. We plan to participate in online and offline promotional activities organized by overseas OTAs, which may enhance our brand recognition in the international tourism market. Furthermore, we are exploring the opportunity to expand our reach to renowned overseas local travel agencies with rich tourist resources and package our online tour guides with their hot-sale travel resources such as tour itineraries and travel discount plans.

Overseas operations may expose online tour guide service providers to risks associated with conducting business in foreign countries and territories. Therefore, in formulating our overseas expansion plan, we plan to set up an internal project-based specialized team to carry out studies on our targeted expansion countries or regions with respect to intellectual property, customs, laws and regulations, policy barriers and political environment, among others. We will also conduct due diligence on the market position, competitive advantage and business operation of our potential cooperation partners and formulate a stringent internal control procedure in respect of our product improvement, technical support and operational procedure in order to ensure the smooth operation and profit realization of our overseas business. We plan to cooperate with third-party overseas content providers for content production. As such, we expect the cost of such production to be generally higher than those for domestic destinations. We have also adopted stringent internal control policies and risk management policies to ensure our compliance with local regulations when expanding our presence in target overseas markets. See “– Risk Management and Internal Control” for details of our internal control and risk management measures.

Strengthen our technical capabilities by developing a big data-driven software platform and AI-enabled online tour guides

Strong technical capability is the key entry barrier of the online tour guide service market. With the support of Internet access and technology, the application of various latest technologies such as big data and AI in the online tour guide service market is a natural development according to the Frost & Sullivan Report. A big data-driven software platform and AI-enabled online tour guides will allow us to have a better understanding of tourists’ preferences and strengthen our ability to provide customized information in a timely manner. Tourism consumption is becoming more diversified, including family tours, self-planned tours, high-end tours that require high-quality services, and leisure tours that require unique user experiences. We need to constantly upgrade our technical capabilities to maintain our current high user satisfaction rating and market share.

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With our online tour guides provided through OTAs, we can access certain information of the end user, including time of purchase, time of use, identity of telecom carrier, and other end user viewing data. We can gain access to more information of end users who purchase our products through our Lvji APP, such as end user origin location, real-time location of the end user, personal data of the end user, time spent in tourist attractions and other behavior data. We plan to explore opportunities to effectively utilize the user and transaction data generated on our system and monetize such information by establishing a platform that offers enhanced services. The platform will collect end user information and conduct data mining in order to derive information on user behavior and preference, which can then be utilized to generate feedback and provide value-added services to both our customers and end users.

In addition, we plan to revamp the current online tour guides by introducing an AI-enabled online tour guides that can interact with end users. In the initial stage, we plan to implement an AI program with a set of functions to enhance the general tour experience, such as the capability to understand and answer questions from end users, and analyze real-time foot traffic of various points of interest and provide optimization of visiting routes. Furthermore, we will be able to recommend end users consumer products based on our analysis of their interests. We believe such recommendation will stimulate consumer spending, and subsequently create value for our customers. We plan to continue technology innovations to enhance end-user experience and improve our customers’ operational efficiency. We intend to leverage our database, big data capabilities, AI programs to enhance personalized recommendations, increase conversion from tourist visits to tourist transactions, and enhance end user stickiness to our products. With respect to big data-driven software platform, AI-enabled online tour guides, and our other planned technological development, in addition to generating direct income by selling them as features for customized content or leveraging them to increase usage of our products, we believe as future development trend of our industry they will provide further opportunities going forward. We intend to explore actively other monetization possibilities when opportunities arise.

In addition, we plan to upgrade our software and hardware to support the high load of service driven by expected increase of amount of data. From software perspective, we plan to introduce in-memory database, Hadoop database, ElasticSearch database and other softwares to strengthen our storage capacity for big data, and we plan to introduce Spark to analyze and process massive amounts of business data. From hardware perspective, we intend to purchase more cloud servers to ensure the reliability and availability of our data and services. We plan to recruit top-notch industry talent, including industry-leading researchers, experienced engineers and top graduates from renowned institutions.

We plan to hire more information technology professionals and big data analysis specialists to expand our research and development team to conduct research and development of new functionalities of our product offerings. See “– Research Development” for more details of our research and development plan.

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Explore acquisition opportunities to complement organic growth

To complement our organic growth strategy and effectively and expediently capitalize on opportunities presented by the fast growth of the tourism industry in China, we plan to actively and prudently explore acquisition opportunities that we believe can enhance the features and functionality of our product and services offering, accelerate the expansion of our platforms and network of strategic partners, and solidify and extend our market leadership position.

We plan to seek acquisition targets which possess factors including (1) profitability, (2) nature of product and/or services offered and whether they are complementary to our existing business, (3) number of end users, and (4) tourist attractions that they cooperate with, as means to enhance our competitive strength in the relevant field. With regard to profitability, we plan to select target companies that have generated profit with stable and sustainable cash flow in the past two years. We will also assess whether the nature of the products and services provided by the target companies, which may include online or offline online tour guide service providers, Internet tourism companies, tourist attraction ticketing service companies, among others, are complementary to our existing business. Particularly, we may seek online or offline online tour guide providers that are able to strengthen our online and offline channel capabilities and increase our market share, and tourist attraction ticketing service companies that are able to promote our online tour guide contents to the end users or travel agencies that sell hotel or air tickets and tourist attractions entry tickets together with our online tour guides in one package. The multi-latitude penetration into the industry chain can improve our penetration rate in the pre-tour sales channel and help us improve the end user experience. We will also consider whether the target company is able to reach out to a large number of end users in the tourism industry and provide end user with data for R&D of our big data analytics as well as enlarge our own end user base. We expect the potential acquisitions to enhance our industry reputation, market recognition and open up new markets.

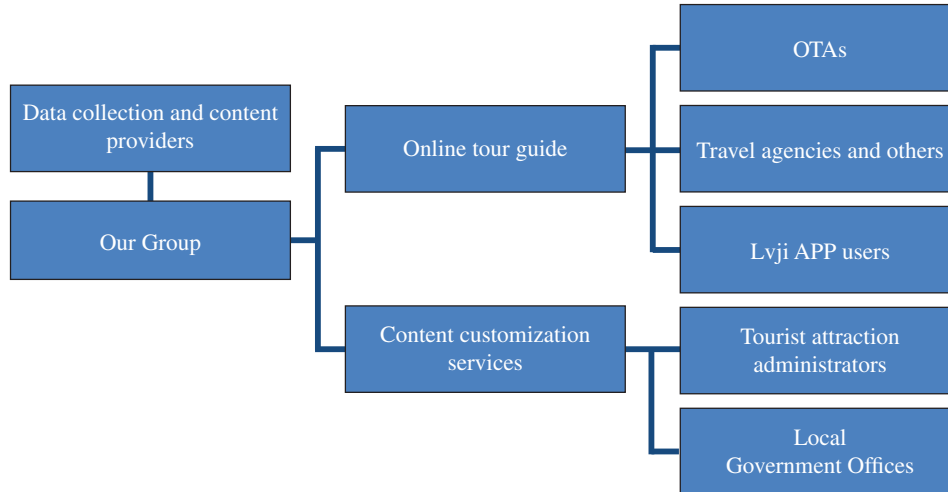
Our acquisition plan will focus on domestic enterprises for the foreseeable future. However, when appropriate opportunities arise, we might also seek acquisitions that would allow us entry into selected overseas markets. As of the Latest Practicable Date, we had not identify any potential acquisition target or enter into any definitive agreement or memorandum of understanding with any potential acquisition target.

OUR BUSINESS MODEL

We develop proprietary online tour guides that include illustrated maps of tourist attractions, and editorial contents and voice-over commentaries for points of interest in the tourist attractions. Tourists having interests in a tourist attraction can purchase and access our standard online tour guides from our cloud system through OTAs, to travel agencies or our Lvji APP. We also provide content customization services by developing bespoke online tour guide products for tourist attractions at the request of the administrators of such destinations or local government offices.

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Our business model can be illustrated in the chart below:



We deploy software on our cloud system to provide online tour guides with proprietary contents, which include illustrated maps of tourist attractions, and editorial contents and voice-over commentaries of points of interest at selected tourist attractions, and are implemented to include the functions such as real-time navigation. We generated a substantial portion of our revenue from sale of online tour guide through OTAs during the Track Record Period. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs so that the end users may purchase through OTAs and then use our H5 pages to access the online tour guides for each tourist attraction. When end users purchase our online tour guides through OTAs, we would settle the fees paid by the end user with the OTAs on a monthly basis in accordance with the unit prices and sales volumes, while we recognize the gross fees paid by the end user through the OTA platforms as revenue. For sales to travel agencies, we charge one-time fees from the travel agencies for a batch of our online tour guides to be resold to the end users. An end user can also purchase our online tour guides through our Lvji APP, in which case we charge and receive the fees directly from end users. For the bespoke online tour guide contents that we customize for the tourist attraction administrators, we charge an one-time service fee.

We have benefited from the synergies among different products provided by us. As our business scale grows, a virtuous cycle has been created for long-term development by attracting more participants into the ecosystem, expanding our product offerings, providing better customer services, and capturing and maintaining more end users and OTAs. For example:

- the product matrix of sharing illustrated maps, editorial contents and voice-over commentaries are common features that can be used by different end users through different channels, including OTAs travel agencies and our Lvji APP; and

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- we collaborate with selected tourist attractions to produce tour guide contents. The administrators of the tourist attractions may engage us to develop customized APP for them and in the meantime, bring us access to end users who may be interested in our online tour guides for other tourist attractions.

As of June 30, 2019, we developed 12,913 online tour guides covering tourist attractions in the PRC including Hong Kong, Macau, Taiwan, and overseas, among which we developed 585 online tour guides for category AAAAA tourist attractions and 2,776 online tour guides for category AAAA tourist attractions in the PRC.

The table below set forth our revenue breakdown for the period indicated:

	Year ended December 31,						Six months ended June 30,			
	2016	2017		2018		2018	2019			
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Sales of online tour guides										
OTAs	12,758	94.7	66,102	92.3	288,147	95.5	60,536	95.1	175,726	96.0
Travel agencies	299	2.2	3,991	5.6	4,429	1.5	275	0.4	130	0.1
Lyji APP	31	0.2	417	0.6	559	0.2	232	0.4	309	0.2
Sub-total	13,088	97.1	70,510	98.5	293,135	97.2	61,043	95.9	176,165	96.3
Sales of customized content										
	391	2.9	1,103	1.5	8,557	2.8	2,637	4.1	6,797	3.7
Total	13,479	100.0	71,613	100.0	301,692	100.0	63,680	100.0	182,962	100.0

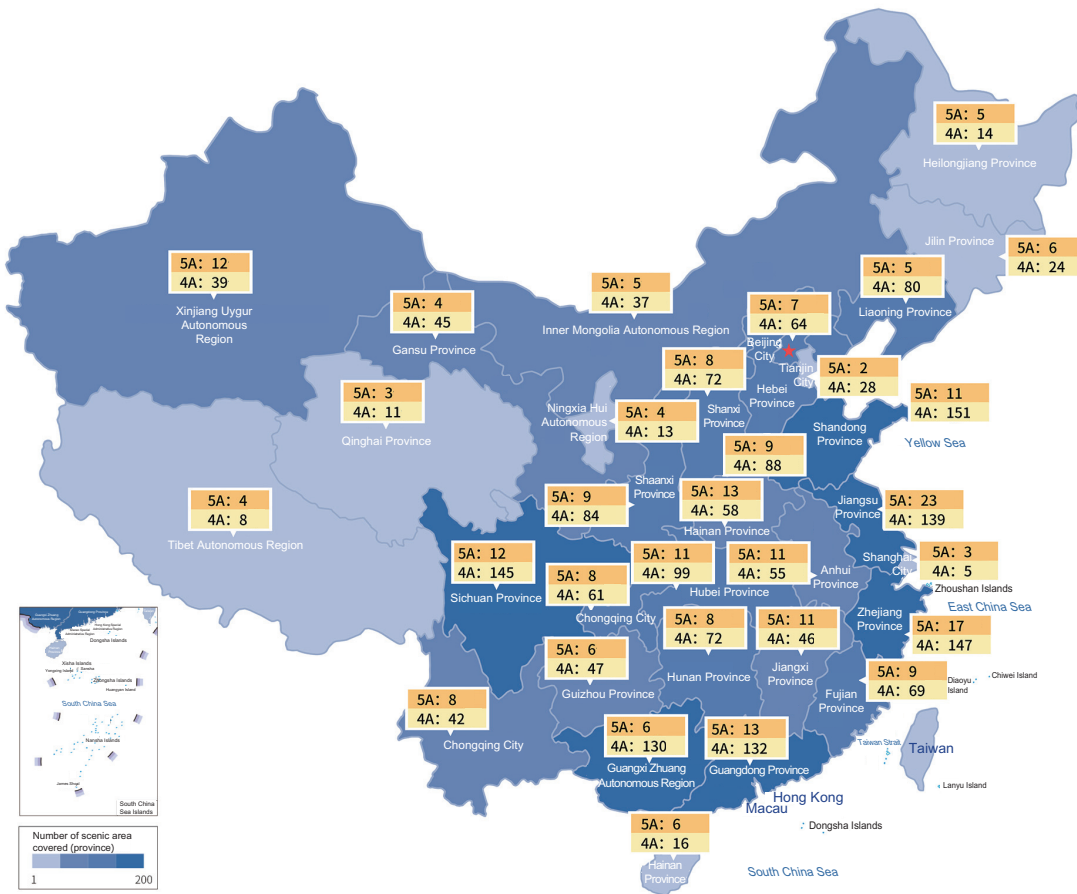
OUR PRODUCTS AND SERVICES

Online Tour Guides

We provide comprehensive online tour guides to end users with respect to the tourist attractions that we cover. Our online tour guides can be purchased by the end users from OTAs, travel agencies and through our Lyji APP. We provide a convenient and reliable means for tourists to purchase online tour guide packages for tourist attractions nationwide and also overseas.

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The map below illustrates some of our major tourist attractions in the PRC, including Hong Kong, Macau and Taiwan, for which we provide online tour guides:



The table below sets forth the number of online tour guides we developed by types of tourist attraction as of the indicated dates:

	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018	As of June 30, 2019
PRC				
A	0	4	18	25
AA	1	16	99	193
AAA	40	208	850	1,284
AAAA	312	849	2,250	2,776
AAAAA	174	302	500	585
Others ^(Note)	92	601	2,756	4,828
Hong Kong, Macau and Taiwan	0	33	999	1,136
Overseas	0	224	584	2,086
Total	619	2,237	8,056	12,913

Note: Others include tourist attractions that have not been rated in the PRC.

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The table below sets forth the number of tourist attractions in the PRC that we covered by category as of the indicated dates:

	As of December 31,			As of
	2016	2017	2018	June 30, 2019
A ⁽¹⁾	0	0	3	7
AA ⁽¹⁾	1	15	98	167
AAA ⁽¹⁾	22	160	635	1,022
AAAA ⁽¹⁾	291	768	1,702	2,021
AAAAA ⁽¹⁾	121	197	251	259
Others ⁽²⁾	92	601	2,756	4,828
Total	527	1,741	5,445	8,304

Notes:

- (1) The number of tourist attractions are derived from the total number of the tourist attractions in this category in China as of December 31, 2018 as provided by the Ministry of Culture and Tourism of the PRC and the F&S Report.
- (2) We generally develop one online tour guide for the tourist attraction that has not been rated in the PRC.

As of June 30, 2019, our online tour guides covered 259 category AAAAA and 2,021 category AAAA tourist attractions in the PRC. As of December 31, 2018, we covered 251 AAAAA, 1,702 AAAA tourist attractions and 635 AAA tourist attractions in the PRC, representing approximately 96.9%, 56.1% and 14.6%, respectively, of the total number of tourist attractions of the respective category. As of June 30, 2019, we covered 4,828 non-rated tourist attractions in the PRC, which increased substantially from 92 non-rated tourist attractions in the PRC that we covered as of December 31, 2016. We mainly focused on (a) well-known tourist attractions that are not rated in China, such as Mogao Caves in Dunhuang City, Gansu Province, (b) different types of museums which typically are not rated, (c) cultural tourist attractions, such as temples, that are mostly not rated, and (d) obscure and less visited tourist attractions which are benefiting from an increasing tourist preference according to the Frost & Sullivan Report. The number of non-rated tourist attractions that we covered increased substantially during the Track Record Period as we enhanced our effort to develop online tour guides covering a wide variety of tourist attractions for our end users. Since 2017, we also started to provide online tour guides on selected tourist attractions overseas.

We create a illustrated map for each of our tourist attractions. The maps are of high quality, accuracy and incorporate a variety of esthetic styles and highlights of popular points of interest. Our large variety of visual styles varies according to the type of attractions, the requirements of the tourist attractions, the targeted tourists, including ink painting style or cartoon-style illustrated map of the features in the attraction. The degree of the drawing’s resolution is high in order to achieve a pleasant visual experience. Our online tour guides are also GPS-enabled and serves as a basis for our LBS at points of interest. We provide recommended visiting routes to end users on our online tour guides. Our editorial contents and voice-over commentaries include historical and geographical background information of the points of interest can be accessed at each point of interest in the tourist attraction on our illustrated map. We also manually measure and verify the GPS coordinates of each point of interest, and when an end user enters into the vicinity of the point of interest, the voice-over commentaries are automatically triggered.

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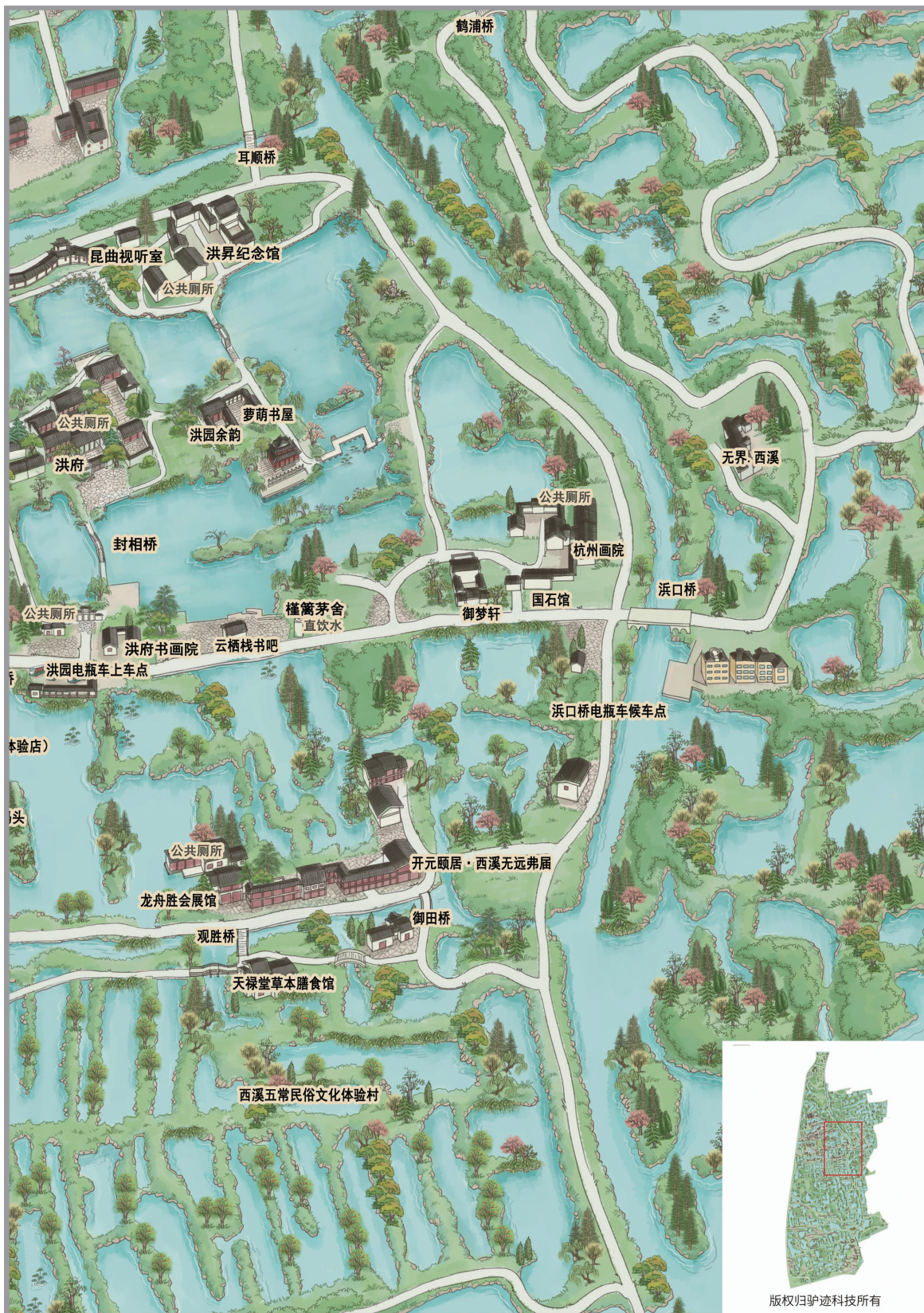
The following screenshots illustrate our illustrated maps for four category AAAAA tourist attractions in the PRC:

Baiyun Mountain, Guangzhou City, Guangdong Province



BUSINESS

Xixi National Wetland Park, Hangzhou City, Zhejiang Province



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Mulan Yunwu Mountain, Wuhan City, Hubei Province



BUSINESS

Laojie Ling, Xixia County, Nanyang, Henan Province



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The table below sets forth the number of our online tour guides purchased by the end users through OTAs and our Lvji APP during the Track Record Period:

	For the year ended December 31,			For the six months ended
	2016	2017	2018	June 30, 2019
	('000)	('000)	('000)	('000)
Number of online tour guides purchased through OTAs	2,023	12,102	74,077	23,845
Number of online tour guides purchased through our Lvji APP	4	25	34	19

We sold approximately 18,000, 237,000, 289,000 and 17,000 online tour guide activation codes, typically embedded in physical cards and include multiple online tour guides covering citywide, nationwide, worldwide and overseas tourist attractions, to travel agencies in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The number of our online tour guides sold grew substantially during the Track Record Period.

The table below sets forth the revenue contribution from the (a) top 100; (b) top 500; (c) top 1,000; and (d) top 1,500 tourist attractions we covered and as a percentage of our revenue generated from the sales of online tour guides through OTAs and Lvji APP for the periods indicated:

	Year ended December 31,						Six months ended	
	2016		2017		2018		June 30, 2019	
	RMB,000	% of revenue	RMB,000	% of revenue	RMB,000	% of revenue	RMB,000	% of revenue
Top 100 tourist attractions	9,328	71%	33,993	48%	84,573	26%	41,115	21%
Top 500 tourist attractions	13,070	99%	61,612	88%	184,412	58%	85,501	44%
Top 1,000 tourist attractions	13,137 ²	100%	67,981	97%	233,430	73%	109,615	56%
Top 1,500 tourist attractions	13,137 ²	100%	69,742	99%	258,965	81%	123,899	63%

Notes:

- The revenue from the (a) top 100; (b) top 500; (c) top 1,000; and (d) top 1,500 tourist attractions covered by us as set forth in the table above are inclusive of sales tax.
- As of December 31, 2016, we covered a total of 527 tourist attractions, therefore revenue contributions by the top 1,000 tourist attractions and the top 1,500 tourist attractions were the same in the year ended December 31, 2016.

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We do not rely on a small number of tourist attractions. The top 10 tourist attractions we covered (in terms of revenue contribution) contributed to approximately 19.9%, 7.5%, 4.7% and 2.3% of the total number of purchases of the online tour guides we sold in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The table below sets forth the number of our online tour guides purchased by the end users for all the A to AAAAA tourist attractions that we covered for the years indicated:

	For the year ended December 31,		
	2016	2017	2018
	('000)	('000)	('000)
A to AAAAA tourist attractions	1,880	11,170	64,051

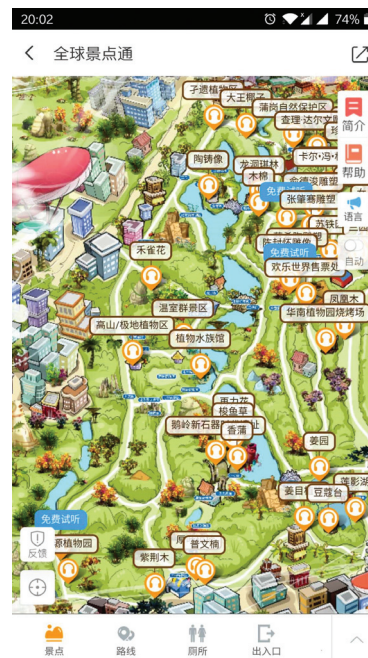
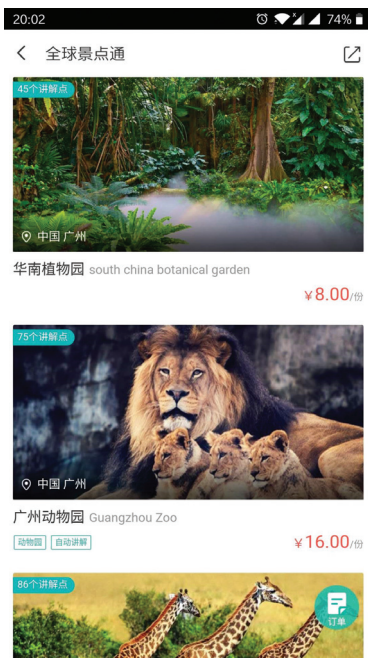
We sold approximately 1.9 million online tour guides to the end users visiting the A to AAAAA tourist attractions that we covered for the year ended December 31, 2016, whereas for the same period, approximately 4.4 billion tourists visited the categories A to AAAAA tourist attractions according to Frost & Sullivan Report. We sold approximately 11.2 million online tour guides to the end users visiting the A to AAAAA tourist attractions that we covered for the year ended December 31, 2017, whereas for the same period, approximately 5.4 billion tourists visited the categories A to AAAAA tourist attractions according to Frost & Sullivan Report. We sold approximately 64.1 million online tour guides to the end users visiting the A to AAAAA tourist attractions that we covered for the year ended December 31, 2018, whereas for the same period, approximately 6.2 billion tourists visited the categories A to AAAAA tourist attractions according to Frost & Sullivan Report.

Sales of online tour guide through OTAs

We generated a substantial portion of our revenue from sales of online tour guides through OTAs during the Track Record Period. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs in order for the end users to purchase our standard online tour guides for different tourist attractions. We formed strategic alliance with three of the top five OTAs in China during the Track Record Period. End users' access to our cloud system is through our H5 pages embedded into OTA's stand-alone APPs and mini programs by our open API. Our largest OTA during the Track Record Period in terms of revenue derived from, is one of the top three OTAs in China in terms of GMV in 2018, according to the Frost & Sullivan Report. Our strategic alliance with OTAs enables us to broaden our reach by leveraging the vast end user base of these OTAs. In 2018, we entered into an exclusive agreement with our largest OTA pursuant to which we are the exclusive third-party online tour guide provider to end users through its platforms.

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The screenshots below illustrate the embedded portals on our largest OTA platform through which end users can purchase our online tour guides:

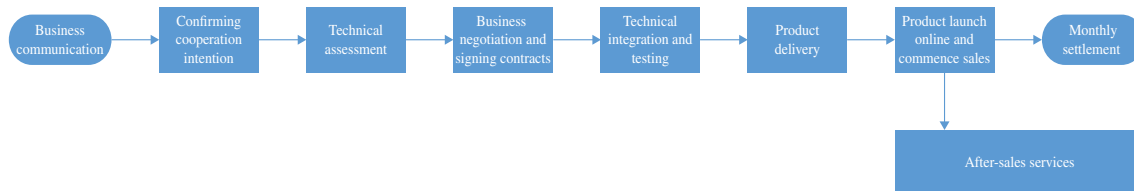


As seen from the screenshots, our largest OTA mobile APP's all-service page can lead to our dedicated link in their holiday section. Our dedicated link leads to Global Attractions* (全球景点通), which is a dedicated page on the OTA's APP for us. On this page, end users can purchase and use our online tour guides without exiting the OTA's APP or downloading any additional tools.

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During the Track Record Period, we generated the majority of our revenue by sales of online tour guides to end users who purchased our tour guides through the OTAs. We verify the number of purchases made by end users of our online tour guides with OTAs against our internal system on a monthly basis and OTAs pay us the fees based on the number of purchases and the unit price of the online tour guides purchased.

The flowchart below illustrates the business process between us and the OTAs:



Our business process with the OTAs commences with business communication. After we confirm mutual intention to collaborate, we conduct technical assessments on OTAs’ platforms for product and system integration. During such assessment process, we begin discussions on commercial terms and formalize the scope and terms of the collaboration agreements. We deliver our online tour guide content to the OTAs for their internal assessment after we enter into collaboration agreements. We assist OTAs in adjusting the formats of our online tour guide contents to facilitate the embedding of our online tour guides on their platforms. After our product is launched on OTAs’ platforms, our customer service team would stand by to resolve any queries and perform after-sales services to OTAs and end users. When end users purchase the online tour guides through OTAs and make payments directly to them, the OTAs provide us the end users’ purchase information through its online system in real time. These purchase information include each end user’s mobile phone number (partially redacted), purchase order number, name of the tourist attraction purchased by the end user, time of purchase, quantity of purchases made, among others. Our IT operation platform generally captures the identity of the OTA, whether the online tour guide purchased has been used by the end users that is when the users input the activation code of the online tour guide on our H5 page to verify the code, sales unit price of the online tour guide purchased. Generally, OTAs settle with us on a monthly basis for all end users’ purchases during the previous month.

The salient terms of collaboration agreements with OTAs are as set forth below:

Scope of collaboration: We provide the OTAs with our online tour guides and the OTAs will, under our authorization, publish them on their platform.

OTAs will, on its platforms set up a product marketing information column for us, introducing user guide, product screenshots and highlights of our product, providing interactive information such as customer comments, product FAQs and blogs, and offering online booking services. The OTAs will also collaboratively publish our event information for marketing purposes.

BUSINESS

Rights and obligations:

Our obligations are to:

- (i) ensure the legality and the quality standard of our software products;
- (ii) ensure that we have the copyrights of the content we provided to the OTAs;
- (iii) ensure that the end user is able to use the illustrated maps, photos, editorial contents and voice-over commentaries provided by us;
- (iv) make timely replies to the OTAs in relation to any questions raised by the end users in connection with the software and deal with any end users complaint collaboratively with the OTAs. If we do not reply promptly, the OTAs can resolve the questions first and send a written notice informing us of the result. The OTAs have the right to seek for damages for the losses suffered therefrom, if any; and
- (v) upon written notification from OTAs to deal promptly with the complaints in connection with the products, and other related complaints.

The OTAs are obligated to:

- (i) provide an online platform for us to sell our products based on the materials and requirements provided by us;
- (ii) provide end users with confirmation of their purchases;
- (iii) delete any inappropriate text and pictures within 10 business days of requesting by us; and
- (iv) ensure that we can exercise our right of supervision.

The OTAs and our joint obligations:

Neither party shall be liable for any end users' personal injury nor any accidents occurred during the tour or any end users' complaints in relation to the tourist attraction services.

Pricing:

The price of the online tour guides are determined by us. We must notify the OTAs three to five business days in advance to alter the price. We are responsible for the legality, accuracy and stabilization of price alternation, and be liable for all the damages caused if the OTAs are not duly notified. The order placed before the alteration of the price is settled based on the unaltered price and the order placed after the alteration of price we notify the OTAs of the price change. We negotiate with the OTAs with regard to their concession fees, which generally is 40% to 50% of the price of the online tour guides.

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Payment: An end user purchases our online tour guides through the OTAs and pays directly to the OTAs. The OTAs send us the monthly statement for the previous months' sales results for review. We verify the number of purchases made by end users provided by the OTA against the record of the number of online tour guides we sold in our internal system to confirm the sales amount, and issue the monthly invoice to the OTAs. The OTAs, after receiving our invoice, pay us the amount after deducting its concession fees according to the agreed contract terms.

Payment term: The payment term is generally 45 days.

Intellectual property: We have the sole and exclusive intellectual property rights of the content and software products provided by us under the agreement.

Term: The agreements generally have a term of one to three years. The term can be automatically extended for another term if neither one of the parties gives written request to terminate the agreement within one month before the expiration of the agreement. In the absence of such termination notice, the term can be extended for unlimited times.

Confidentiality: Both parties undertake not to leak any confidential information of the other party to any third party by any means.

Liability of breach: The party in default is liable for any customer complaints and economic losses caused by its breach. The party in default can also be required to correct the breach within reasonable time.

The defaulting party shall actively resolve and assume responsibility for breaches of its obligations under the agreement. In the event the non-defaulting party suffers a loss as a result of a breach, the defaulting party shall be liable to pay compensation to the non-defaulting party which includes, but is not limited to, costs arising out of dispute resolution, litigation, arbitration, and attorney fees.

We are responsible for the legality of the software and information contained therein, and will be solely liable for any relevant liabilities caused.

The OTAs are solely responsible for the legality of the materials provided by the OTAs, and be solely liable for any relevant liabilities caused.

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- Exclusivity:** The agreement we entered into with our largest OTA in 2018, pursuant to which we are the exclusive third-party online tour guide provider to end users through its platforms for a term of three years. Such exclusivity is subject to both parties fulfilling our obligations under the agreement.
- Amendment of the agreement:** The agreement can only be amended by mutually written agreements. Any party seeking to amend or terminate the agreement shall give a one-month written notice to the other party in advance.
- Termination clause:** Either party can terminate the collaboration agreement by notifying the other party in writing 30 days in advance.
- Anti-corruption policy:** We shall not use any cash, gift or service to pay any individual employee of the OTAs or his/her respective family members in the form of improper rebate or reward.
- We shall not conduct any corruptive behavior in dealing with the employees of the OTAs and shall report to the OTAs any of misbehavior of its employees. If we are in breach of such anti-corruption policy:
- (i) the OTAs can terminate the collaboration with us;
 - (ii) the OTAs can refuse to pay any remaining funds to us; and
 - (iii) the OTAs can seek for any economical loss from us and reserve the rights to report the misconduct to government authorities.
- Dispute resolution:** Any disputes between the OTAs and us shall be resolved at a court in the jurisdiction of the plaintiff's residency, after failure to reach dispute resolution through negotiation.

We have entered into exclusive collaboration agreements with our top two OTAs in September 2018 and April 2019, pursuant to which we are the exclusive third-party online tour guide provider to the end users through their platforms. The salient terms of the exclusive collaboration agreements are as set forth below:

- Scope of collaboration:** We provide the OTAs with our online tour guide contents and the OTAs will, under our authorization, publish them on their platform.

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Exclusivity:	We are appointed as the exclusive third-party online tour guide provider for domestic and overseas tourist attractions to the end users through the OTAs' platforms. Such exclusivity is subject to both parties fulfilling their respective obligations under the agreement.
Rights and obligations:	<p>In additional to the rights and obligations set forth under the general collaboration agreements with OTAs, the OTAs' obligations are:</p> <ul style="list-style-type: none">(i) to terminate cooperation with other online tour guide providers except us and our related companies; and(ii) not to cooperate with other online tour guide providers for the sale of online tour guides to the end users through the OTAs' platforms other than us.
Pricing:	The price of the online tour guides are determined by us. We must notify the OTAs five business days in advance to alter the price. The OTAs' concession fees are 50% of the price of the online tour guides.
Term:	The agreements generally have a term of three years with automatic extension mechanisms for one year at the end of the contract term with unlimited number of extensions.
Intellectual property:	We have the sole and exclusive intellectual property rights of the content and software products provided by us under the agreement.
Termination:	Either party can terminate the collaboration agreement by notifying the other party in writing 30 days in advance.

In addition to the exclusive cooperation agreement that we entered into with our largest OTA in September 2018, we entered into another exclusive cooperation agreement with this OTA in April 2019 whereas the salient terms of the two exclusive cooperation agreements are the same but they have different contracting parties as we underwent a restructuring process among the businesses of our entities in the end of 2018. We were able to establish exclusive cooperation with our top two OTAs as we offer high quality online tour guide contents, including rich product features such as tourist attraction introduction and route recommendations, service point direction and other features for end users to select, as a result of which we offer overall smooth and pleasant user experience. Our reputation as a fast growing market leader and our cooperation history with these OTAs also helped us secure the exclusive cooperation agreements. We believe establishing the exclusive collaboration is mutually beneficial, as the exclusive cooperation with a single online tour guide provider allows OTAs to have (i) stable product quality to maintain and attract more end users to their platforms; and (ii) smooth operational cooperation with the online tour guide provider to save operational costs.

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As of December 31, 2016, 2017, 2018, the six months ended June 30, 2019 and the Latest Practicable Date, we entered into separate collaboration agreements with a total of nine, 19, 22, 24 and 26 OTAs, which we provide our online tour guides to end users through their platforms.

Our sales and marketing department is responsible for daily communication with OTAs. We have established a number of functional groups for our OTA business, namely:

- Sales and marketing department: expand and maintain the corresponding OTA channel, facilitate communication between OTA headquarters and regional business leaders, and continuously deepen cooperation and promote our products on the OTA platform;
- Operations department: responsible for providing OTA with products to and from the production line, price adjustment, handling related end-user and OTA feedback and complaints, coordinating system daily docking, daily order check and statistics;
- Product team under our content production department: provide product service and technical support for OTA, and connect with OTA system to realize transmission and check between content data and order data;
- Project team under our operations department: coordinate with product technical team to produce contents, development functions and systems; and
- Management team under our operations department: be responsible for developing business policies and strategies, monitoring and advancing the implementation of policies and strategies.

To the best knowledge of our Directors, during the Track Record Period, all of our OTAs were Independent Third Parties, and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of those OTAs.

Sale of Online Tour Guide to Travel Agencies

We sell online tour guides in a form of activation codes, which may be embedded in a physical card, to travel agencies, which in turn sell to the end users. The end user may input the activation code to access and use our online tour guides through our H5 pages, which can be accessed by official accounts of the travel agencies or the tourist attractions, our mini programs, or others.

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We sell online tour guide's activation codes to travel agencies and mainly charge a one-time fee. The travel agencies may imprint the activation codes onto physical VIP cards or package them into their other travels packages and on-sell to the end users. When an end user activates our online tour guide, our internal system is able to automatically capture the status of the activation of our online tour guide as a request must be sent to our server during the activation process. When the activation code is verified, the status of the activation code in our system automatically changes to show such activation status and records the time of activation. The activation codes may cover different packages of tourist attractions, including a single tourist attraction or multiple online tour guides covering nationwide, overseas and global tourist attractions. The average time interval between the date of the sales of online tour guide activation codes to travel agencies and the date on which the end users activated the online tour guides is 52 days during the Track Record Period.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the number of online tour guide activation codes sold to travel agencies that have been not activated as at the Latest Practicable Date was nil, approximately 2.4%, 7.4% and 6.3%, respectively, of the total number of online tour guide activation codes sold to travel agencies while the revenue generated from the number of online tour guide activation codes sold to travel agencies that have not been activated as at the Latest Practicable Date was nil, approximately 1.2%, 0.5% and 6.1%, respectively, of our revenue generated from the sales of online tour guide activation codes to travel agencies.

In the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, we sold approximately 18,000, 237,000, 289,000 and 17,000 online tour guide activation codes respectively, typically imbedded in physical cards.

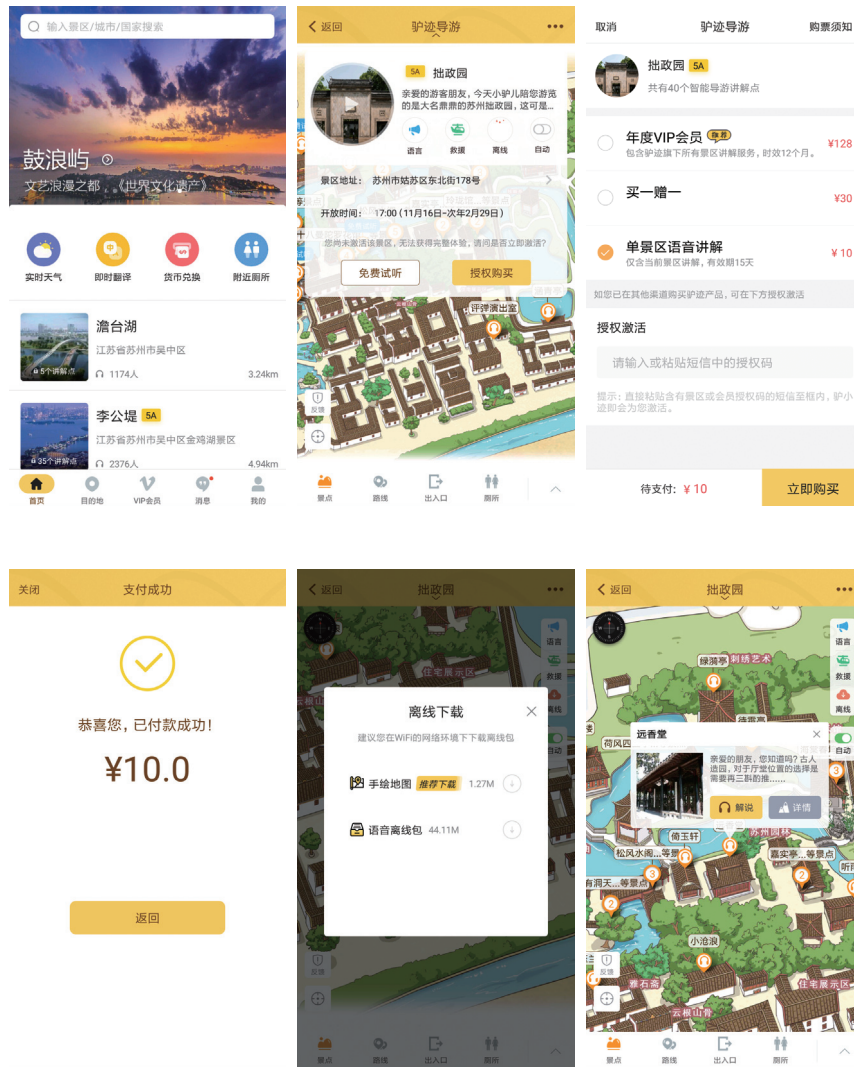
Sale of Online Tour Guide through our Lvji APP

Consumers may access almost all of our online tour guides directly through our Lvji APP. We launched our own APP on iOS platform in November 2014 and on Android platform in December 2014. It is available for download and mobile users can purchase online tour guides directly from us through the APP.

The Lvji APP is built to enable access to our full online tour guides offerings with clear and functional interfaces. We offer certain location-based features that are only available on our Lvji APP, such as weather information, push notifications of nearby attractions, businesses or places of interest when the mobile APP detects that the user is arriving at such destinations or places, real time Chinese-to-English and English-to-Chinese translation features and enable sharing to social media platforms.

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The screenshots below illustrate the online tour guides we provide on our Lvji APP:



Sale of Customized Content

We also sell customized online tour guide products and services to administrators of tourist attractions and to a lesser degree, local government offices. We typically create bespoke, proprietary online tour guide contents for tourist attractions in a form of an independent APP or mini program or H5 pages commissioned by the administrators of the tourist attractions or local government offices and charge one-time service fees.

Local government offices are responsible for the planning, overall administration and development of tourism for local cities and towns in China. The customized content services that we sell to government offices mainly focused on smart tourism and all-for-one tourism

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products based on the online tour guides for the tourist attractions in the region, including list of all tourist attractions in local cities and rural areas, navigation in the illustrated maps of tourist attractions, surrounding urban commercial services, among others.

An administrator of a tourist attraction is an operating entity which has the rights to manage and operate a particular tourist attraction and is responsible for centralized planning, infrastructure, staff management, environment maintenance, operation management and tourist service management within the attraction. We mainly customize online tour guides for tourist attractions administrators and such guides may include AI commentaries, automatic positioning, and additional functions including big-data analysis, among others.

Our comprehensive coverage of tourist attractions, quality online tour guides and advanced technology allow us to have a better understanding of the demand from the OTAs, travel agencies, tourist attraction administrators, local government offices and the tourists. According to Frost & Sullivan, it is unlikely for a tourist attraction administrator to engage more than one online tour guide service provider for content customization services whereas the online tour guide service provider is usually the provider of the first successful online tour guide to such tourist attraction administrator. The stickiness between the tourist attraction administrators and their first online tour guide service providers results from the fact that upon the first successful cooperation, such online tour guide service providers are proven qualified to provide comprehensive customized online tour guide products and services.

The development process usually begin with us typically collaborate with tourist attraction administrators to collect the information of the attractions and we proceed to conduct development plans. After we approve the development plans internally, we enter into formal agreements with the relevant administrators of the tourist attractions or local government offices to further collect GPS data, images and text description of the tourist attractions to facilitate our content and functionality development efforts of the customized online tour guide products and services. Certain extra features that our customers may request in addition to our standard online tour guides include big-data analysis capabilities such as end user profiling and thermodynamic diagram, indoor maps, among others. Prices for content customization are determined on a case by case basis at arm's length negotiation. We may be restricted from developing standard online tour guides for these tourist attractions as our customized online tour guide products of the same tourist attraction are sold to the tourist attraction administrators and government offices. The tourist attraction administrators and government offices in turn may make the customized online tour guide products and services available to the end users on their online platforms, printed maps or post boards in the tourist attractions.

During the Track Record Period, we developed customized contents for more than 500 tourist attractions for over 300 customers.

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OUR CUSTOMERS

During the Track Record Period, we provided services to our end users but we collected related sales proceeds from OTAs. Accordingly, based on the flow of revenue collection stream, OTAs are deemed as our customers. The other types of customers include travel agencies, users of our Lvji APP, tourist attraction administrators and government offices.

The table below sets out our top five customers and their relevant information during the Track Record Period:

Customers ⁽¹⁾	Revenue (RMB'000)	% of total revenue	Principal business	Number of tour guides/ activation codes sold through the customer ('000)	Business relationship started from
2016					
1. Customer A ⁽²⁾	6,394	47.4%	OTA	1,189	2016
2. Customer B ⁽³⁾	2,787	20.7%	OTA	326	2016
3. Customer C ⁽⁴⁾	2,268	16.8%	OTA	332	2016
4. Customer D ⁽⁵⁾	1,233	9.1%	OTA	162	2016
5. Customer E ⁽⁶⁾	243	1.8%	Government office	– ⁽¹³⁾	2015
2017					
1. Customer A ⁽²⁾	34,956	48.8%	OTA	6,303	2016
2. Customer B ⁽³⁾	16,352	22.8%	OTA	3,574	2016
3. Customer D ⁽⁵⁾	13,978	19.5%	OTA	2,120	2016
4. Customer F ⁽⁷⁾	595	0.8%	OTA	65	2016
5. Customer G ⁽⁸⁾	149	0.2%	Tourist attraction administrator	– ⁽¹³⁾	2017
2018					
1. Customer A ⁽²⁾	160,674	53.3%	OTA	31,448	2016
2. Customer B ⁽³⁾	84,367	28.0%	OTA	20,665	2016
3. Customer D ⁽⁵⁾	43,056	14.3%	OTA	21,831	2016
4. Customer H ⁽⁹⁾	2,414	0.8%	Travel agency	140	2018
5. Customer I ⁽¹⁰⁾	1,604	0.5%	Technology distribution	– ⁽¹³⁾	2018
Six months ended June 30, 2019					
1. Customer A ⁽²⁾	105,568	57.7%	OTA	14,939	2016
2. Customer B ⁽³⁾	68,311	37.3%	OTA	8,595	2016
3. Customer D ⁽⁵⁾	1,846	1.0%	OTA	301	2016
4. Customer J ⁽¹¹⁾	1,727	0.9%	Travel agency	– ⁽¹³⁾	2019
5. Customer K ⁽¹²⁾	1,549	0.8%	Travel agency	– ⁽¹³⁾	2019

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Notes:

1. Some of our customers are grouped together with their respective affiliated and related companies.
2. Customer A consists of (i) a subsidiary owned by a Hong Kong listed company, namely Group C as stated in “Industry Overview,” headquartered in Suzhou and (ii) affiliated and related companies of this listed group. Customer A is based in Suzhou. Its principal business is providing comprehensive and innovative selection of travel products and services, including transportation ticketing, accommodation reservation and various ancillary value-added products and services designed to meet users’ evolving travel needs throughout their trips. We procured this customer through one of the domestic business connections of Mr. Zang.
3. Customer B is a private company based in Shanghai. Its principal business is travel agency services. We procured this customer through a tourism industry conference in Guangzhou.
4. Customer C is a group of subsidiaries owned by a NASDAQ listed company, namely Group A as stated in “Industry Overview,” headquartered in Shanghai. It principally provides online travel and related services, including accommodation reservation, transportation ticketing, packaged tour and in-destination services, corporate travel management, and other travel related services. We procured this customer through one of our business development personnel in our sales and marketing team.
5. Customer D is a group of private companies headquartered in Guangzhou. Its principal business is tourism services in China. We procured this customer through a tourism industry conference in Guangzhou.
6. Customer E is a government institution based in Jiangmen. Its principal business is overall administration of local tourism industry in Jiangmen. We were approached by this customer after visiting one of the tourist attractions we covered.
7. Customer F is a private company headquartered in Guangzhou. Its principal business is agency for tourism, transport, hospitality and catering services to tourists. We procured this customer through one of our business development personnel in our sales and marketing team.
8. Customer G is a private company headquartered in Lu’an. Its principal business is tourist attraction management. We procured this customer through one of our business development personnel in our sales and marketing team.
9. Customer H is a group of companies headquartered in Chongqing. Its principal business is tourism services in China. We procured this customer through one of our business development personnel in our sales and marketing team who participated in a marketing event in Guangzhou.
10. Customer I is a private company based in Beijing. Its principal business is technology distribution. We provided content customization service to this customer in 2018 though it is not a typical type of customer we provide service to. We procured this customer through one of our business development personnel in our sales and marketing team.
11. Customer J is a private company based in Shenzhen. Its principal business is tourism services. We procured this customer through one of our business development personnel in our sales and marketing team.
12. Customer K is a private company based in Shenzhen. Its principal activity is tourism services. We procured this customer through a tourism industry conference.
13. This customer was our content customization customer. As we develop and sell customized online tour guide products and services directly to our content customization customers, we do not capture the number of tour guides or activation codes sold through them.

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Our top five customers accounted for approximately 95.9%, 92.2%, 96.8% and 97.8% of our total revenue in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. Revenue generated from our largest customer accounted for approximately 47.4%, 48.8%, 53.3% and 57.7% of our total revenue in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

Four, four, three and three of our top five customers in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 are OTAs. Revenue generated from these OTAs accounted for approximately 94%, 91.9%, 95.2% and 96% of our total revenue in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019. According to the Frost & Sullivan Report, China’s online tourism market is highly concentrated. Among more than 100 OTAs in China, the top five OTAs accounted for 82.0% of China’s online tourism market in terms of GMV in 2018. The reliance on major OTAs is an industry norm. Our largest customer over the Track Record Period, Customer A, was among the top five OTAs in China in 2018 to which we are their exclusive online tour guide provider since September 2018. We have also entered into an exclusive agreement with Customer B in April 2019 with an automatic extension mechanism for three years at the end of the contract term with unlimited number of extensions.

We plan to cooperate with more OTAs. In addition, we plan to explore opportunities in traditional offline market and provide comprehensive solutions to administrators of tourist attractions to enhance tourists’ experience. According to the Frost & Sullivan Report, China’s offline tourism market comprised 76.4% of the total tourism market in 2018.

As of the Latest Practicable Date, we maintained stable relationship with our top five customers ranging from one to four years. See “– Sale of online tour guide through OTAs” for the salient terms of collaboration agreement with OTAs. The credit term is generally 45 days, and the average turnover days of trade receivables were 19 days, 16 days, 25 days and 31 days in the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, respectively. See “Financial Information – Selected items of Combined Statements of Financial Position – Trade Receivables” for more details.

Our Directors confirm that, as of the Latest Practicable Date, all of our five largest customers of each of the periods during the Track Record Period were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of those five largest customers.

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Pricing

We set the prices for our online tour guides and contents based on our pricing policy. In formulating our pricing policy for each of the tourist attractions, we take into account factors such as the geographical location, size of the tourist attractions, our content production costs, category of the tourist attractions and tourists’ preference. Prices of our online tour guides generally range from RMB2 to RMB20. In certain cases, we also package multiple online tour guides according to citywide, nationwide, worldwide and overseas tourist attractions for a single purchase by the end users. For more details, see “– Our Products and Services.”

After-sales service

User experience is at the core of our business. While our strong brand awareness, and comprehensive product offerings have all contributed to our fast growth, we believe that our ability to deliver best-in-class user services is the key to growth in the long run. Our after-sale service team under the operation department, which consisted of 10 members as of June 30, 2019, engages our customers and end users through service hotlines or interactive live chat. We use toll-free hotlines to communicate with our users for Lvji APP.

Our after-sales officers collect after-sales feedback from OTAs through return calls. We constantly review feedback from OTAs with reference to our after-sales service standard and continue to promote a highly satisfactory end-user experience within the scope of our after-sales service.

In addition, we have established a close quality control communication channel with our OTAs. OTA’s service policy typically has prompted them to provide us feedback on certain end user product complaints. We will also provide customer support and assist OTAs in first response time possible. Our after-sales officers also collect and evaluate customer after-sales requests with reference to our internal guidelines, which includes usage issues occurred during their use of our online tour guides and refunds. We generally investigate the refundable incidents together with OTAs and resolve the dispute together. The refund is deducted from the monthly settlement with the relevant OTA. During the Track Record Period, we did not have any major customer complaint or refund.

Seasonality

The tourism industry is seasonal by nature. The periods during which we experience higher or lower levels of demand may vary depending upon the location, climate, and the competitive mix within the specific location. During the Track Record Period, we generally had better operational performance and derived a higher amount of revenue from the operations in summer due to school holidays and certain statutory holidays, such as the National Day holiday compared to the rest of the year. For details, see “Financial Information – Key Factors Affecting Our Group’s Results of Operations – Seasonality.” As a result of the above factors, our results of operations may fluctuate significantly from period to period and comparisons between revenue generated at different periods of the year may not be meaningful. The results

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for a given period are not necessarily indicative of results to be expected for any other periods of the year. See “Risk Factors – Risks Relating to Our Business and Industry – Our results of operations may fluctuate due to seasonality, and the results for any period in a year are not necessarily indicative of full-year results.”

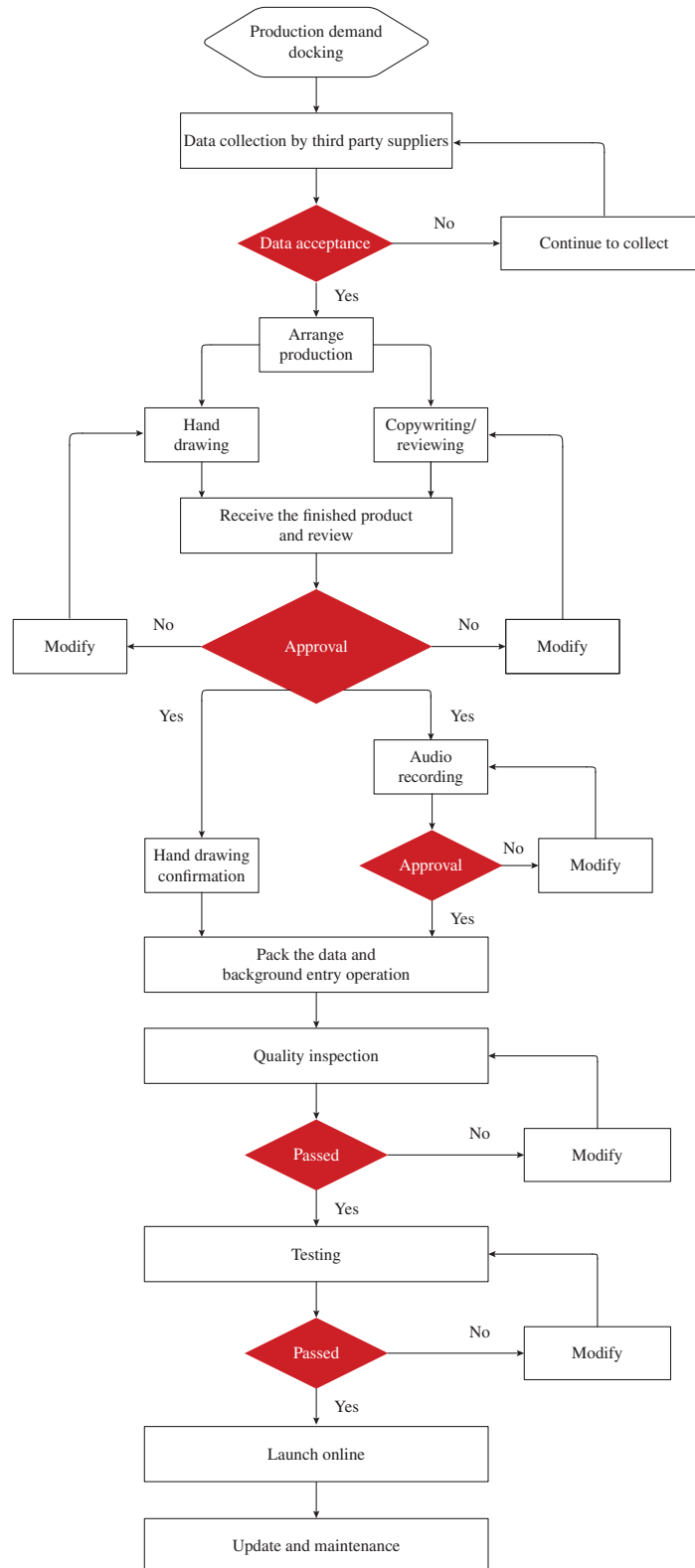
We seek to mitigate the off-season impact by geographic diversification of our product portfolio and customer base. For example, we provide a variety of tourist attractions, such as non-seasonal museums, and expand our overseas markets to benefit from seasonal differences in different countries. We also provide more flexible promotion policies and activities in off-season to reduce the impact of seasonality on our business.

CONTENT PRODUCTION

We design our proprietary online tour guides and mainly engage third party content suppliers to provide the basic contents. Our content production department is responsible for the design, integration and distribution of our online tour guides and oversee the production and maintenance of illustrated maps, editorial contents and voice-over commentaries of point of interests in the tourist attractions. Our content production department consists of 73 members including quality control team as of June 30, 2019. Our quality control personnel in the content production department also check the contents produced by third party suppliers to make sure that they conform to the specifications of our design and meet our quality standards. For more details, see “– Quality Control.”

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Our overall content production process takes one to three months. The flowchart below illustrates the steps of our content production process:



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OUR SUPPLIERS

From financial perspective, OTAs are categorized as suppliers as their pre-deducted concession fees are recognized as our cost of sales. During the Track Record Period, OTA concession fees amounted to RMB6.4 million, RMB33.1 million, RMB144.1 million and RMB87.9 million, respectively. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, the OTA concession fees attributable to the largest OTA (in terms of OTA concession fees contribution) amounted to approximately RMB3.2 million, RMB17.5 million, RMB80.3 million and RMB52.8 million, respectively, representing approximately 45.4%, 46.7%, 50.0% and 49.5% of our cost of sales for the corresponding periods. The OTA concession fees attributable to the five largest OTAs (in terms of OTA concession fees contribution) amounted to approximately RMB6.3 million, RMB33.0 million, RMB144.1 million and RMB87.9 million for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 respectively, representing approximately 90.1%, 88.1%, 89.7% and 82.5% of our cost of sales for the corresponding periods. Such percentages of our cost of sales for the corresponding periods suggest concentration during the Track Record Period. See “– Our Customers” for details on our reliance on major OTAs to sell our online tour guides which is an industry norm.

The suppliers of our operation, to whom we directly make payments for the purchases, primarily consist of (i) data collection and content providers, (ii) data storage, server hosting and bandwidth providers, and (iii) human resource outsourcing agents who provide experienced staff for us. Our top five suppliers in terms of purchase amount, which excluded OTA concession fees, consulting expenses costs and [REDACTED] fees, accounted for approximately 98.8%, 96.3%, 96.3% and 95.6% of our total purchase amount in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. Our major suppliers were mainly responsible for labor-intensive work, including data collection, voice and text production, and translation. Due to the rapid increase of tourist attractions we cooperate with, we outsource data collection and part of the content production to content providers.

The table below sets out our top five suppliers and their relevant information during the Track Record Period:

Suppliers ⁽¹⁾	Amount (RMB'000)	% of total purchase amount ⁽²⁾	Business activities	Products and services procured by us	Business relationship started from
2016					
1. Huatu Bronze	7,355	88.2%	Contractor service and tourism development	Data collection	2016
2. Xuelangzhai Artwork	597	7.2%	Contractor service	Data collection	2016
3. Supplier A ⁽³⁾	122	1.5%	Internet data center business	Cloud services	2015
4. Supplier B ⁽⁴⁾	108	1.3%	Property leasing and property management	Property leasing and property management	2016

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Suppliers ⁽¹⁾	Amount (RMB'000)	% of total purchase amount ⁽²⁾	Business activities	Products and services procured by us	Business relationship started from
5. Supplier C ⁽⁵⁾	48	0.6%	Hotel accommodation services and catering services	Venue rental	2016
2017					
1. Supplier D ⁽⁶⁾	31,474	66.0%	Contractor service and talent recruitment service	Data collection and content production	2016
2. Supplier E ⁽⁷⁾	6,134	12.9%	Contractor service, data processing	Data collection and technical consulting	2017
3. Supplier F ⁽⁸⁾	6,090	12.8%	Surveying service	Data collection	2017
4. Supplier G ⁽⁹⁾	1,114	2.3%	Property leasing and other services	Property leasing and other services	2017
5. Supplier H ⁽¹⁰⁾	1,106	2.3%	Contractor service	Data collection and content production	2017
2018					
1. Supplier D ⁽⁶⁾	156,503	88.5%	Employment agent and talent recruitment service	Data collection and content production	2016
2. Supplier I ⁽¹¹⁾	4,486	2.5%	Marketing service	Marketing service	2018
3. Supplier J ⁽¹²⁾	4,032	2.3%	Advertising services	Advertising services	2018
4. Supplier K ⁽¹³⁾	3,600	2.0%	Advertising services	Advertising services	2018
5. Supplier G ⁽⁹⁾	1,690	1.0%	Property leasing and other services	Property leasing and other services	2017
June 30, 2019					
1. Supplier D ⁽⁶⁾	127,120	93.6%	Employment agent and talent recruitment service	Data collection and content production	2016
2. Supplier G ⁽⁹⁾	890	0.7%	Property leasing and other services	Property leasing and other services	2017
3. Supplier L ⁽¹⁴⁾	625	0.5%	Human resources agent	Human resources agency	2018
4. Supplier M ⁽¹⁵⁾	545	0.4%	Manufacturing, processing, sales, leasing of sightseeing vehicles and bicycles	Sale of sightseeing vehicles and bicycles	2019
5. Supplier N ⁽¹⁶⁾	537	0.4%	Motor-bicycle manufacturing	Sale of sightseeing vehicles and bicycles	2019

Notes:

1. Some of our suppliers are grouped together with their respective affiliated and related companies.
2. Purchase amount excluded OTA concession fees, consulting expenses costs and [REDACTED] fees.

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3. Supplier A is a private company based in Hangzhou. Its principal business is Internet data center business.
4. Supplier B is a private company based in Guangzhou. Its principal business is property leasing and property management services.
5. Supplier C is a branch office of a private company based in Guangzhou. Its principal business is hotel hospitality and catering services.
6. Supplier D is a private company based in Shanghai. Its principal business are contractor service and talent recruitment service.
7. Supplier E is a private company based in Beijing. Its principal business is contractor service and data processing service.
8. Supplier F is a private company based in Guangzhou. Its principal business is surveying service.
9. Supplier G, based in Guangzhou, is a company listed on Shenzhen Stock Exchange. Its principal business is financial self-service devices and integrated solutions for the retail banking industry.
10. Supplier H is a private company based in Shanghai. Its principal business is contractor services.
11. Supplier I is a private company headquartered in Khorgas. Its principal business is marketing service.
12. Supplier J is a private company based in Xinjiang. Its principal business is advertising services.
13. Supplier K is a private company based in Guangzhou. Its principal business is providing advertising services.
14. Supplier L is a private company based in Shanghai. Its principal business is human resources agent services.
15. Supplier M is a private company based in Shaoshan. Its principal business is manufacturing, processing, sales, leasing of sight-seeing vehicles and bicycles.
16. Supplier N is a private company based in Guangzhou. Its principal business is motor-bicycle manufacturing.

Our top five suppliers in terms of purchase amount, which excluded OTA concession fees, consulting expenses costs and [REDACTED] fees, accounted for approximately 98.8%, 96.3%, 96.3% and 95.6% of our total purchase amount in the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, respectively, among which purchase amount of our largest supplier accounted for approximately 88.2%, 66.0%, 88.5% and 93.6% of our total purchase amount. See “– Our Suppliers – Relationship with Our Largest Supplier” for more details.

We select our suppliers based on a number of factors, including quality, price, product function, product customization capability, response time, flexibility in customer preference changes and customer satisfaction at a later stage. We conduct on-going quality assessment during each assignment and we conduct performance-based award or penalty.

We generally enter into annual non-exclusive supply contracts with our suppliers, where some are automatically renewed based on our estimated demand for products and/or services for the year. All the intellectual property rights derived from the working products belongs exclusively to us. Our supply contracts also set out the pricing policy for the products and services provided. Our suppliers typically provide us a credit term of approximately 30 days, which is generally in line with market practice. See “Financial Information – Selected Items of Combined Statements of Financial Position – Trade and other payables” for more details. We normally settle our payables to our suppliers by bank transfer.

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Our largest and second largest suppliers in 2016 were owned as to 80% and 100% respectively by Mr. Zang Zhen, a nephew of our Controlling Shareholder, Mr. Zang. Such services were discontinued in 2017. Other than the above suppliers, all of our five largest suppliers of each of the periods during the Track Record Period were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of those five largest suppliers.

Relationship with Our Largest Supplier

Supplier D is our largest supplier for the year ended December 31, 2017 and 2018 and the six months ended June 30, 2019. In the year ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our purchase amount from Supplier D amounted to approximately nil, 66.0%, 88.5% and 93.6% of our total purchase amount (which excluded OTA concession fees, consulting expenses costs and [REDACTED] fees). We entered into business relationship with Supplier D in November 2016. During the Track Record Period, Supplier D primarily provided data collection and content production services to us. For our concentration risk of suppliers, see "Risk Factors – Risks Relating to Our Businesses and Industries – Failure to maintain our relationships and renew agreements with major suppliers may materially and adversely affect our business prospects, financial condition and results of operations" for more details.

The salient terms of current data collection and content production agreements with Supplier D are as set forth below:

- Scope of service: Supplier D provides services including the collection of tourist attraction information and GPS data, voice and sound production, and translation services.
- Rights and obligations: Supplier D's rights and obligations are to:
- (i) require us to provide lists of requisite information of the tourist attractions;
 - (ii) timely coordinate various resources and ensure timely provision of various data and content to us;
 - (iii) timely provide the data and contents on the tourist attractions required by us; and
 - (iv) be responsible for the legality of the data and contents provided and any losses caused by any legal dispute arisen from its provision of information shall be borne by Supplier D.

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Our rights and obligations are:

- (i) to provide Supplier D with lists of tourist attractions and other relevant information that we require data and content for;
- (ii) to examine and review the information collected and provided by Supplier D; and
- (iii) own the intellectual property rights to all data collected and contents produced by Supplier D.

Pricing: The price is determined based on the amount of contents produced and numbers, size and category (i.e. category category A to AAAAAA) of the tourist attractions and their respective jurisdiction.

Payment term: We are required to pay in advance for Supplier D's provision of service for the following month.

Term: The term is usually for one year and can be automatically renewed for one more year.

Termination: Either party can terminate the agreement by 30 days advance notice.

Our Directors confirm that, as at the Latest Practicable Date, there was no breach of the terms of the data collection and content production agreements entered into between us and Supplier D.

According to the Frost & Sullivan Report, it is common for online tour guide providers to procure data collection and content production service from a limited number of selected service providers. Leading online tour guide providers generally demonstrate a preference towards cooperating with several key service providers with proven capability and track record. As high-standard and consistent data and contents are crucial to this industry, online tour guide providers therefore do not regularly change or engage many data collection and content suppliers.

During the Track Record Period, in respect of data collection, we sourced data collection service from seven suppliers, and content production service from 28 suppliers. From time to time, we engaged different data collection suppliers and content production providers to accommodate our business growth. It generally takes one to two months for a new supplier to pass our supplier selection and testing process and successfully establish a service relationship. The process involves the testing of the quality of services supplied from the new suppliers and the approval by our management to include the new supplier in our approved list of suppliers. Due to consistently high-standard contents provided and our smooth cooperation with Supplier D, we gradually increased our purchase from Supplier D during the Track Record Period.

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Notwithstanding our ongoing cooperation with Supplier D, we aim to diversify our data collection and content production procurement models to reduce reliance and mitigate concentration risk. We also set out contingency plans to sustain our needs for data collection and content production in case of cessation of business relationship with Supplier D. For instance, as at the Latest Practicable Date, in our approved list of suppliers which are capable of providing data collection and content production services in lieu of Supplier D, we had two alternative suppliers of data collection and content production of tourist attractions. Nevertheless, given our established relationship with Supplier D, our Directors believe that the possibility of Supplier D ceasing cooperation with us is relatively low. Going forward, our Directors are of the view that the reliance on and the procurement from Supplier D will remain steady, if not reduced.

QUALITY CONTROL

We are committed to providing a pleasant user experience and ensuring that our products and services are stable, reliable, and of the highest quality.

Our quality control process begins with the selection of third party content suppliers. We conduct a preliminary evaluation of the professional testing, resource evaluation, and delivery cycle of the partner suppliers to ensure that the suppliers can provide contents according to our time and quality requirements. At the same time, we also provide relevant trainings to suppliers before cooperation to ensure that they can deliver according to our requirements and standards.

At in-house quality audit stage, we have a professional content audit team under our content production department to carry out quality control on the contents submitted by the supplier: our graphic review team which include art-related professionals and hand-drawn pictures experienced practitioners to review the illustrated maps at every step until the final delivery meets the requirements; the text review team who all have editor-related majors in their bachelor degrees, to review the editorial contents. In order to ensure the accuracy and richness of the contents, other process inspections are conducted frequently on all data including illustrated maps, editorial contents and voice-over commentaries. The acceptance criteria are being upgraded frequently to ensure better quality contents.

We generally update our online tour guides every two to four weeks. These updates consist of, where applicable, (a) product contents update, (b) product performance optimization, (c) bug-fixing, (d) promotional activities updates, (e) product function updates and (f) backend updates. Some of our recent updates include bug-fixing, National Day holiday special promotional activities, real-time weather reporting functions, real-time translation functions, one-click emergency help functions, and backend update of our Lvji APP, among others. The editorial contents, illustrated maps, audios and voice-over commentaries in our online tour guides are not modified frequently as the basic information of the points of interest and infrastructure of the tourist attractions typically remain unchanged. We only make modifications on the content in accordance with the changes of information published by the relevant authorities, including the contact information and rating of the tourist attractions. During the Track Record Period, we have formulated internal policies to regulate the procedures and requirements on modification to the contents of our online tour guides.

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RESEARCH AND DEVELOPMENT

As of June 30, 2019, we had a research and development team of 17 employees mainly focusing on software development. Our research and development team is responsible for assisting in the formulation of our product development roadmap, exploring and developing new products and services based on the product development roadmap, as well as technological advancement which would support our long-term business plan. Our research and development expenses amounted to nil, nil, RMB163,000 and RMB1.6 million, respectively, for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019.

Since 2015, we have deployed our system on Aliyun to provide online tour guides to our customers. Through the service cluster we built by cloud services, we provide our customers with consistent, flexible, highly reliable and highly available service capabilities based on different business requirements.

In an intensively competitive market, we believe that it is critical for us to deliver the best user experience possible through high-quality products in order to enhance our market share and profitability. Much of our research effort during the Track Record Period was aimed to provide our customers and end users with an overall smooth and pleasant user experience. Particularly, we developed and implemented relevant technology to provide quick and responsive feedback to end users. For example, we optimized our illustrated maps by implementing the innovative segment-loading technique and image compression technology to optimize illustrated maps and the proficiency of H5 pages. Furthermore, we developed location-based voice-over commentaries, so that the relevant voice explanations are triggered and pushed to the end user timely and accurately when the end user arrives at a point of interest in a tourist attraction.

In the next phase, we plan to explore opportunities to utilize effectively the user and transaction data generated on our platform and monetize such information to offer enhanced services to end users and our customers. Our platform will collect end user information and conduct data mining in order to derive information on user behavior and preference, which can then be utilized to generate feedback and provide value-added services to both our customers and end users. In addition, we plan to revamp our current online tour guides by introducing an AI-enabled function that can interact with end users. In the initial stage, we plan to implement an artificial intelligent program with a set of functions to enhance the general tour experience, such as the capability to understand and answer questions from end users, and analyze real-time foot traffic of various points of interest and provide optimization of visiting routes. Furthermore, we will be able to recommend end users consumer products based on our analysis of their preference, including restaurants, photo spots, entertainment venues, souvenir shops, etc. We believe such recommendation will stimulate consumer spending, and subsequently create better value for our customers.

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We expect to see increased demand for various functionalities from customers and end users. However, our cost may increase substantially if we need to develop all required functionalities to meet market demands. Thus, we intend to explore SaaS micro application platform and low-code platform, which will be able to empower our customers to construct simple applications for an interface with our system and tourist attraction administrators' system, in order to provide required functions to end users. The SaaS micro-application platform technology enables us to decompose the tourist attraction service system into several atomic, highly cohesive, low-coupling, flexible and reconfigurable components, each of which can be deployed, released, and authorized independently. The advantage of using the micro-application platform is that when the tourist attraction administrators require us to develop customized functions features on top of the standard online tour guides we sell, we would be able to deliver fast, efficient, flexible programming, rapid implementation of customer functional requirements with high delivery efficiency and shortened lead times. The low-code platform technology is a technique for visualizing, graphing, and dragging components to generate logic function code. In the SaaS tourist attraction service platform, we use low-code platform technology to provide tourist attraction system capability and open to tourist attraction system development partners. The typical feature turns each service API of the packaged tourist attraction into a graphical component, such as a user service API, order service API, map navigation service API, payment service API, among others. Developers can develop products for tourist attractions by dragging and dropping graphical components. The advantage of using low-code technology is that when the tourist attraction administrator has a wide variety of business function requirements, we would be able to open a platform based on the low-code platform to many development partners and realize rapid delivery of large-scale functions and features while monitoring and ensuring the quality of the product.

In addition to our OTA business, we aim to expand the service offering, namely our smart management service system, to the tourist attraction administrators based on SaaS platform. Our smart management service system include:

- face recognition at the entry point of tourist attraction, which enables unmanned management of the tourist attraction;
- monitoring system that can be used to target individual end users or for emergency monitoring;
- analyzing end user's points of interest through algorithms, which would enable tourist attraction administrators to project dynamic mobile advertisement;
- efficient dispatching schedule for maintenance workers, sanitation workers, etc.;
- a management system which can oversee unmanned vending machines, shared bicycles, shared cruises and other facilities through location tracking, usage statistics and equipment status management.

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INFORMATION TECHNOLOGY

We have built a consistent, reliable, scalable and secure information technology infrastructure to provide high-availability online tour guides and to support the operation of our business, including platform operation, data collection and analytics, product development and user services, and to accommodate demands for new features and functionalities. This infrastructure is maintained by our dedicated and experienced information technology employees in our content production and operation departments.

From software perspective, we plan to introduce in-memory database, Hadoop database, ElasticSearch database and other software to strengthen our storage capacity for big data analysis, and we plan to introduce Spark to analyze and process massive amounts of business data. From hardware perspective, we currently leased Aliyun services to host our software platform. Since 2015, we have paid monthly rentals to Aliyun for leasing the cloud services, which include MySQL database service, storage service and domain name service. We intend to purchase more cloud servers and data centers to ensure the reliability and availability of our data and services.

INTELLECTUAL PROPERTIES

Our brand, trademarks, copyrights (including audio, editorial content copyrights, graphics, softwares and other art-related copyrights), patents and other intellectual property rights are crucial to our business. To protect our proprietary rights, we rely upon a combination of copyright, trademark, and other intellectual property laws and confidentiality agreements with both employees and third parties. In general, our employees must enter into confidentiality agreements that transfer to us any intellectual property rights they may have in relation to their working products. In addition, prior to discussing business and technologies with third parties, we require them to enter into a non-disclosure agreement with us. If these discussions result in a business relationship, we also require them to include provisions protecting our intellectual property rights in definitive agreements. Despite our precautions, however, third parties may obtain and use intellectual properties that we own or license without our consent. See “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to prevent third party infringements of our intellectual property rights, which may harm our business and expose us to litigation.”

We own the proprietary right to all the online tour guide contents we created, including the illustrated maps, editorial contents and voice-over commentaries. See “Statutory and General Information – B. Further Information about our Business – 2. Intellectual property rights of our Group” for more details. To begin the copyright registration process, the content production department provides the relevant application materials to the legal department where a thorough review of the materials takes place. The application materials and other relevant information are uploaded onto the Guangdong Province Copyright System, and a formal copyright application is filled out and uploaded to the system. The copyright application is then reviewed and, pending approval of the copyright application, an electronic certificate will become available for download and the original paper certificate is mailed to us. See

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“Regulatory Overview – Regulations relating to Intellectual Property” for more details. As of the Latest Practicable Date, we registered 226 audio copyrights, 425 editorial content copyrights, 359 graphic copyrights, 11 other art-related copyrights, 28 software copyrights, two patents, 15 trademarks in China and six trademarks overseas. In addition, we are in the process of registering 749 editorial content copyrights, 309 graphic copyrights, three other art-related copyrights, seven patents, 38 trademarks in China and seven trademarks overseas.

As of the Latest Practicable Date, we owned six registered domain names in PRC. We generally renew our domain name registrations annually, and applications for their renewal are usually made one to three months prior to their expiration. The domain name registrations typically take effect immediately after the payment of renewal fees. As of the Latest Practicable Date, all of our registered domain names were in effect.

Further details of our intellectual property rights registered which we consider to be or may be material to our business are set out in “Appendix IV – B. Further Information about Our Business – 2. Intellectual Property Rights of our Group.”

AWARDS AND RECOGNITIONS

We have received recognition for the quality and popularity of our products and services. The following table sets forth some of the awards and recognition we have received during the Track Record Period:

Year	Award/Recognition	Awarding Institution/Authority
2016	Guangdong Province High-and New Technology Enterprise Certificate	Guangdong Provincial Department of Science and Technology/Guangdong Provincial Department of Finance/Guangdong Provincial State Taxation Bureau/Guangdong Provincial Local Taxation Bureau
2016	Vice President of Guangdong Provincial Tourism Industry Association	Guangdong Provincial Scenic Area Industry Association
2017	2016 Internet Industry Quality Credit 100 Enterprise Certificate	China Enterprise National Quality (Beijing) Credit Evaluation Center/National Enterprise Credit Rating Inquiry and Certification Platform
2017	National 315 Quality Service Customer Satisfaction Integrity Enterprise Certificate	China Enterprise National Quality (Beijing) Credit Evaluation Center/National Enterprise Credit Rating Inquiry and Certification Platform

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Year	Award/Recognition	Awarding Institution/Authority
2017	Quality Service Credit AAA Credit Enterprise Certificate	China Academy of Management Science/Industry Development Research Institute/China Market Research Center/China Industry Leading Brand Enterprise Promotion Activities Organizing Committee
2017	Honor Certificate	Organizing Committee of Guangzhou First Tourism Commodity Innovation Design Competition
2017	Software Enterprise Certificate	Guangdong Software Industry Association
2017	Guangdong Province Contract and Credit Enterprise Certificate	Guangzhou Administration for Industry and Commerce
2017	Scientific and Technological Achievement Certificate	Guangzhou Science and Technology Innovation Committee
2017	Intellectual Property Management System Certificate	Zhonggui (Beijing) Certification Co., Ltd.
2017	Yangcheng “Science Innovation Cup” Innovation and Entrepreneurship Competition Honorary Certificate	Guangzhou Science and Technology Innovation Committee
2018	Tencent Honorable Business Partner Award	(Shenzhen) Tencent Computer System Co., Ltd.
2019	Certificate of Membership	China Tourist Attractions Association
2019	Member Certificate	Guangzhou Software Industry Association

COMPETITION

China’s tourism industry is highly competitive. We compete primarily with other online tour guide providers, as well as personal tour guides, audio guides and others. As China’s online travel market continues to evolve, we may face increasing competition from new domestic online tour guide providers or international players that seek to expand into China.

We compete based on a number of factors, including, among other things, brand recognition, price, ease of use, quality of content, breadth of products offered, convenience, and user service and satisfaction. We believe we are well-positioned to effectively compete on the basis of the factors listed above. Our online tour guides for the tourist attractions, including illustrated maps, editorial contents and voice-over commentaries that we created and own is a significant entry barrier. See “Industry Overview” for more information about the market where we operate and the competition we face.

BUSINESS

SALES AND MARKETING

We participate in sales and marketing activities, including industry conferences, and conduct a combination of online and offline campaigns to market our products and services and increase brand awareness. The online marketing activities we engage in include search engine advertising, streaming media advertising, new media matrix advertising, among others. The offline marketing activities we engage in include:

- Regular promotional activities at the tourist attractions: we participate in flash stores, holiday activities, mobile stalls and other activities and facilitate tourist attraction promotional fun activities such as treasure hunt, riddles, among others, in order to promote the usage of our online tour guides in the tourist attraction;
- Immersive marketing activities at the tourist attractions: combining the historical, cultural and natural scenery of the tourist attractions, we carry out immersive marketing activities such as temple fairs, beer festivals, lighting festivals, among others, at the tourist attractions to continuously attract the end users and build a closer relationship with the tourist attraction administrators; and
- Traffic advertisement at the tourist attractions: we cover the tourist attractions with posters and exhibition stands at tourist attraction reception and customer service center, shuttle bus station and ticket offices of points of interests in the tourist attractions to increase end users' conversion from personal tour guides and audio guide to online tour guide.

In addition, we carry out survey at the tourist attractions in order to collect end user feedback and suggestions locally which are able to provide references for our internal product optimization.

As of June 30, 2019, our sales and marketing department had 25 employees, who are responsible for negotiating cooperation with OTAs, travel agencies, administrators of the tourist attractions and local government offices and customer relations maintenance with other upstream and downstream business partners, and our business-side revenue and scenic area cooperation maintenance. Our sales teams are divided to cover five large regions in the PRC where each region is assigned two to three sales representatives.

We make efforts to be invited by the OTAs, tourist attraction administrators and local government offices to develop their products in a joint effort as a qualified supplier. We believe brand recognition is critical to our ability to attract new end users and drive traffic and transactions on our Lvji APP and mini programs. We put advertisements on popular mobile APP to generate premium traffic and maximize return from mobile marketing channels. We also publish online tour guides for single tourist attractions as a re-skinned APP for sales and marketing purposes to direct end user traffic to our Lvji APP. In addition, we engage in various forms of offline branding activities to augment our overall marketing and branding strategies. We work with merchants and local business partners for offline promotion campaigns. In 2018, we organized promotional events onsite at various tourist attractions to enhance our brand recognition and encourage more sales. We also aim to develop business through trade shows and conferences, public tendering process and customer referrals.

BUSINESS

EMPLOYEES

As of the Latest Practicable Date, we had a total of 191 full-time employees, most of them were based in Guangzhou, China. The following table sets forth the number of full-time employees by their departments and the percentage of our total number of employees as of the dates indicated:

Team	As of December 31,				As of June 30,			
	2016		2017		2018		2019	
Content production	38	58.5%	51	52.6%	71	40.3%	68	36.0%
Research and development	–	–	–	–	19	10.8%	17	9.0%
Operations	6	9.2%	21	21.6%	22	12.5%	41	21.7%
Sales and marketing	12	18.5%	14	14.4%	43	24.4%	25	13.2%
Finance and legal	3	4.6%	5	5.2%	12	6.8%	19	10.1%
Administration	6	9.2%	6	6.2%	9	5.1%	19	10.1%
Total	65	100%	97	100%	176	100%	189	100%

We primarily recruit our employees through human resources agencies and online channels, including our websites and social networking platforms. We have adopted robust and complete internal training policies, pursuant to which management and technology-related trainings and other trainings are regularly provided to our employees by in-house trainers or third party consultants.

As required by PRC laws, we participate in various statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, a work-related injury insurance plan, maternity insurance, unemployment insurance and a housing provident fund. We are required under PRC laws to contribute to employee benefit plans at specified percentages of salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local governments from time to time. See “– Non-Compliance and Legal Proceedings” and “Risk Factors – Rising employee benefit expenses and the long-term trend of wage increases may lead to declines in our margins and profitability.”

None of our employees is currently represented by labor unions. We believe that we maintain good working relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations during the Track Record Period.

BUSINESS

LICENSE AND PERMIT

We conduct our business mainly in the PRC and are therefore subject to applicable PRC legal and regulatory requirements. As confirmed by our PRC Legal Advisors and a written confirmation dated November 29, 2019 issued from Guangdong Communications Administration, being the competent authority to confirm matters relating to the operation of ICP services and application for ICP License in Guangdong province as advised by our PRC Legal Advisors, there is no relevant policy or regulation that requires us to obtain an ICP License. For detailed analysis, see “Regulatory Overview.” Our Directors and our PRC Legal Advisors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with all the applicable PRC laws, regulatory requirements and guidelines in relation to the ICP License and we have obtained all material approvals, licenses and permits necessary for our business operations in the PRC in accordance with the PRC laws and regulations. Our Directors confirmed that we will continue to comply with all the applicable PRC laws, regulatory requirements and guidelines in relation to our business and operations in all material respects.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our business model generally involves online sales of online tour guides to our end users. Therefore, we are not subject to significant health, safety or environmental risks. We do not expect to incur any material liabilities or expenditures in these respects. To ensure compliance with applicable laws and regulations, our human resources team under our administration department would, if necessary, adjust our human resources policies from time to time to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance mainly consists of pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing funds, as required by PRC laws and regulations.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors – We rely on information technology to operate our business and maintain our competitiveness, and any failure to adapt to technological developments could harm our business.”

BUSINESS

PROPERTIES

As of the Latest Practicable Date, we operated our businesses predominantly through three leased properties in China with a total GFA of 1,933.8 square meters, including 1,856.7 square meters leased in Guangzhou, 40 square meters in Guangxi and 37.1 square meters leased in Huoer Guosi. These properties are principally used as office premises for our business operations.

As of the Latest Practicable Date, the lessor in Huoer Guosi had not provided us with the relevant valid building ownership certificates or other documentation proving their right to lease such properties to us. As advised by our PRC Legal Advisors, the lessor did not obtain the building ownership certificate is due to the completion of the building in July 2018. As advised by our PRC Legal Advisors, we may encounter difficulties in continuing to occupy such premises if building ownership certificate can not be obtained in the future. However, as confirmed by our Directors, (i) the aforesaid premises are used as Huoer Guosi Lvji's office which is small and does not carry any core content production or R&D function; (ii) no third party has objected to nor has there been any dispute over the occupation of the aforesaid premises by Huoer Guosi Lvji; and (iii) if the aforesaid premises cannot be used, we can easily find alternative properties in the neighboring area with building ownership certificates to move into. Having considered the above, we consider that the title defect of the premises for Huoer Guosi Lvji does not have material adverse impact on our operation.

Moreover, as of the Latest Practicable Date, two of our lease agreements had not been registered with the competent PRC government authorities as required by applicable PRC laws and regulations. Our PRC Legal Advisors have advised us that the lack of registration will not affect the validity and enforceability of the lease agreement. However, the relevant government authorities may require us to register the unregistered lease agreement within a certain period of time and, if we fail to so rectify during the prescribed period, the relevant government authorities may impose a fine of up to RMB10,000 for each unregistered lease agreement.

NON-COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, our PRC Legal Advisors has advised us that we were in compliance in all material respects with PRC legal regulations and requirements applicable to us.

BUSINESS

Non-compliance incident	(i) Reason(s) identified; and (ii) responsible person(s) involved	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence or the non-compliance
<p>Failure of our Group to make adequate social security insurance, register housing provident fund account and make housing provident funds contributions</p> <p>During the Track Record Period, for some of our employees of Lyji Technology, Guangzhou Lyji and Huoer Guosi Lyji, we failed to pay the required social security insurance contribution and housing provident fund amount, whereby payments were historically made based on the basic salaries of these employees instead of their actual salaries.</p> <p>For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, the amount of underpaid social security insurance and housing provident fund contributions was approximately RMB22,000, RMB109,000, RMB568,000 and RMB966,000; and the aggregate underpaid social security insurance and housing provident fund contributions of our Group was approximately RMB1,665,000 in total as of the Latest Practicable Date.</p>	<p>Such non-compliance incidents were mainly due to (i) the managers of our human resource department being unfamiliar with the relevant laws and regulations at the material time; (ii) the absence of timely professional legal advice; and (iii) the reluctance of certain employees to contribute social security insurance contributions and housing provident fund contributions based on their actual salaries, or at all, due to personal reasons or the fact that their places of origin were outside the provinces or cities where we operate our business and they had no plan to continue to stay in these provinces or cities after retirement.</p>	<p>According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if an employer does not pay or underpays social security insurance contributions, the relevant social security insurance authority may order the employer to pay the outstanding social security insurance contributions within a given period, and may impose a late charge of 0.05% per day of the unpaid social insurance contributions; If the employer fails to pay the unpaid social insurance contribution within the given period, a fine ranging from one to three times of the amount due may be imposed.</p> <p>According to the Housing Provident Fund Management Regulations in the PRC (《住房公積金管理條例》), if an employer fails to register the housing provident fund accounts for its employees, the relevant housing provident fund authority may order the employer to register housing provident fund accounts within a given period and if the employer fails to do so, the relevant housing provident fund authority may impose a fine ranging from RMB10,000 to RMB50,000. If the employer fails to pay the unpaid housing provident fund contributions, the housing provident fund authority may apply for a court order from the relevant court to enforce such repayment.</p> <p>As of the Latest Practicable Date, we had not been ordered by any government authorities to make up for the contributions previously underpaid or to pay any fines or penalties, nor are we aware of any employee complaints or demands for additional payment with respect to the previously underpaid contributions.</p>	<p>We have partly paid the social insurance and housing provident fund contributions based on the relevant employees' actual salaries, instead of the rate currently agreed with such employees, since July 2019, and we have paid the social insurance and housing provident fund contributions based on the relevant employees' actual salaries since December 2019.</p> <p>We had liaised with the relevant social security insurance and housing provident fund authorities in Guangzhou. Pursuant to (i) the confirmation letters issued by the relevant competent and responsible social security insurance authorities and housing provident fund authorities in Guangzhou; and (ii) the interviews conducted by our PRC Legal Advisors with the relevant competent and responsible tax authorities in charge of social security insurance and housing provident fund authorities in Guangzhou:</p> <p>(a) we have duly arranged for social insurance registration and set up housing provident fund accounts;</p> <p>(b) since the commencement of the Track Record Period, we had never been subject to any penalty or punishment imposed by the relevant social security insurance authorities for any violation of social insurance contributions regulations; and</p> <p>(c) since the setting up of the housing provident funds accounts, we had never been subject to any penalty or punishment imposed by the relevant housing provident fund authorities for any violation of housing provident fund regulations.</p> <p>As confirmed by the relevant social security insurance authorities and housing provident fund authorities in Guangzhou, in the absence of any complaint from our employees, the authorities will not impose any penalty against us, or order us to pay the relevant contributions in arrears, for failing to make the social security insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations.</p>	<p>Since July 2019, we have adopted the following measures to prevent recurrence of the non-compliance:</p> <p>(i) adopting internal policies to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of employees who are required to make social security insurance and housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contribution;</p> <p>(ii) enhancing the awareness of our employees with respect to the importance of participation in social security insurance and housing provident fund schemes by regularly reminding them to make their part of contributions;</p> <p>(iii) conducting internal checking from time to time to ensure that we have paid social security insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations; and</p> <p>(iv) seeking advice from external advisors on the latest requirements of applicable laws and regulations of the PRC.</p>

BUSINESS

Non-compliance incident	(i) Reason(s) identified; and (ii) responsible person(s) involved	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence or the non-compliance
			<p>As advised by the PRC Legal Advisors, Guangzhou Municipal Human Resources and Social Security Bureau, Guangzhou Housing Provident Fund Management Center and Guangzhou Bureau of State Taxation Administration, which issued the confirmation letters or were interviewed by our PRC Legal Advisors, are the competent authorities to provide the confirmations in relation to the social security insurance contributions and housing provident fund contributions for our employees.</p> <p>Lyji Technology, Guangzhou Lyji and Huoer Guosi Lyji have undertaken that in the event that they receive requests from the relevant authorities to rectify and pay the unpaid social security insurance and housing provident funds contributions or any late charges, they will rectify and pay the unpaid contributions and any late charges within the specified time.</p> <p>As advised by our PRC Legal Advisors, in light of the confirmation letters issued by the relevant and competent PRC government authorities and the interviews conducted and the undertaking made by Lyji Technology, Guangzhou Lyji and Huoer Guosi Lyji, the likelihood that we will be fined for the unpaid or underpaid social security insurance and housing provident fund contributions is relatively low.</p> <p>In light of the above, we have made RMB1,665,000 provisions for the underpaid social security insurance and housing provident fund contributions. Mr. Zang has undertaken that in the event that we receive requests from the relevant authorities to pay the unpaid social security insurance and housing provident funds contributions, or that we are required to pay any late charges or penalties, Mr. Zang will pay for us the unpaid contributions and any late charges or penalties imposed by the relevant authorities.</p> <p>We have also engaged an independent external consulting firm as our internal control consultant to review our internal controls over financial reporting for certain areas at some of our entities based on a pre-agreed scope and approach, and have implemented the recommendations made by the independent internal control consultant.</p>	

BUSINESS

Based on (i) the nature and reasons of the historical non-compliance incidents; (ii) the confirmation letters issued by the relevant competent PRC government authorities; (iii) our PRC Legal Advisors' views set forth below in respect of such non-compliance; and (iv) rectification measures and enhanced internal control measures that have been implemented, our Directors believe that the non-compliance matters mentioned below will not have any material adverse effect on our business, financial conditions and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation, and compliance with applicable laws and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board recognizes the significance of risk management and internal control and takes the responsibility to closely monitor our risk management and internal control system to identify internal control deficiencies and implement additional measures so as to maintain sound and effective internal control on our business operation. Below are the highlights of our risk management and internal control system:

- ***Internal audit function:*** we put in place an internal audit charter that clearly states the objectives, organization, roles and responsibilities, working scope and procedures of our internal audit function. Results of our internal assessments, internal inspections and internal surveys would be reported to the audit committee of our Board, which oversees our financial reporting, risk management and internal control systems.
- ***Internal control policies and procedures:*** we have adopted various policies and procedures to enhance our internal control, including (i) staff manual established by our management which outlines our guidance and expectations in terms of conduct and integrity; (ii) control over segregation of duties, approvals and authorizations; and (iii) conflict of interest monitoring and reporting policies.
- ***Protection of personal information:*** in order to avoid any breach or misappropriation of personal information, we have adopted a data privacy policy. According to our privacy policy, we authorize our operations department to uniformly manage network devices of our internal network and prohibited interference with network devices and alternation of network settings by any other individuals. We implemented password protection manual to distribute and protect passwords used on our network devices, and prohibit unauthorized use of our passwords. We implemented data backup measures to store and back up end user data and to ensure the timely recovery under major alternations to system applications and database. We disallow any activities to disturb our network users, jeopardize our network services and network devices. In addition, we implemented virus prevention measures to install and periodically update our anti-virus software. We require all of our employees to fully comply with network laws and regulations. Our employees are also required to keep confidential personal information they have knowledge of or have access to confidential.

BUSINESS

- **Whistleblowing policy:** we have adopted a whistleblowing policy offering anonymous channels for our employees, customers, suppliers and other stakeholders to report any suspected case of misconduct.

We plan to set up a special project team within the operation department to conduct detailed research on local customs, laws and regulations, policy access, intellectual property rights, and political environment for the target countries and regions when formulating the overseas expansion plan. This project team will also conduct surveys on the target overseas tourism industry strength and business operations to formulate product transformation, technical support and operational process to facilitate the development of our overseas business. We plan to formulate corresponding tax management systems in all aspects of business development such as investment, financing, operation and tax planning. Tax risk prevention and control is an important part of our overall risk management and control. We will seek professional advisors' support before the project planning stage, namely, on one hand, study the macro environment, including the political, economic, social and cultural environment of the target country, and on the other hand, understand the specific legal, financial, accounting, taxation, auditing and other laws and regulations of the target market. Specifically, the following measures are introduced:

- obtain legal advice from overseas lawyers, tax agents, secretarial companies, among others, of the country where the target market is located;
- understand the tax structure of the country where the target market is located, such as corporate income tax, value-added tax, withholding tax, customs duties, among others;
- understand the tax collection system of the country where the target market is located, that is, to understand the declaration, tax refund, application for reconsideration, among others; and
- understand tax exemptions and preferential policies (if any) and make full use of tax treaty preferential policies between China and the country where the target market is located in order to reduce our tax costs.

We have also formulated an on-going monitoring policy on the purchase of wealth management products. The financial controller of our Company reviews the cash flow before proposing investments on wealth management products. A proper approval mechanism is adopted according to various threshold amounts, and a thorough monitoring system is in place, to avoid counterparty and liquidity risks. Our treasury management policy also covers wealth management products, our Directors will only consider to invest in wealth management products which have minimal risks. As of the Latest Practicable Date, we did not have any intention to purchase further wealth management products after [REDACTED].

Having considered our risk management and internal control measures the we have put in place, our Directors are of the view that we had implemented adequate corporate governance measures to protect the interests of our Shareholders.