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Lvji Technology Holdings Inc.

驢跡科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1745)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The Board is pleased to announce the consolidated results of the Group for the year ended December 31, 2019 with the comparative figures for the year ended December 31, 2018.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY HIGHLIGHTS

For the year ended December 31, 2019:

- Revenue increased by approximately 79.6% year-to-year to RMB541.8 million from RMB301.7 million in 2018.
- Profit for the year increased by approximately 61.1% year-to-year to RMB160.8 million from RMB99.8 million in 2018. Net profit margin decreased from approximately 33.1% in 2018 to 29.7% in 2019.
- Excluding listing expenses, our adjusted profit for the year (a non-GAAP measure) increased by approximately 68.6% year-to-year to RMB178.8 million from RMB106.1 million in 2018. Adjusted net profit margin (a non-GAAP measure) decreased slightly from approximately 35.2% in 2018 to 33.0% in 2019.
- Number of online tour guides increased by approximately 142.0% year-to-year from 8,056 for the year ended December 31, 2018 to 19,493 for the year ended December 31, 2019.
- Number of tourist attractions in China that the Group’s online tour guides covered increased by approximately 106.4% year-to-year from 5,445 for the year ended December 31, 2018 to 11,238 for the year ended December 31, 2019.

1. Financial summary

	Year ended December 31,		Year-to-year
	2019	2018	change
	(RMB'000)	(RMB'000)	
Revenue	541,813	301,692	79.6%
Gross profit	232,382	141,153	64.6%
Profit before tax	171,363	115,794	48.0%
Profit for the year	160,784	99,783	61.1%
Net profit margin	29.7%	33.1%	(3.4) percentage points
Profit for the year excluding listing expenses*	178,796	106,057	68.6%
Net profit margin excluding listing expenses*	33.0%	35.2%	(2.2) percentage points

*Non-GAAP measure

2. Operating metrics

	Year ended December 31,		Year-to-year
	2019	2018	change
Online tour guides developed	19,493	8,056	142.0%
Tourist attractions covered in China	11,238	5,445	106.4%

BUSINESS REVIEW AND OUTLOOK

2019 was a remarkable year for the Company. We achieved solid growth and profitability. We listed our Shares on the Main Board of the Hong Kong Stock Exchange on January 17, 2020. Through our successful Listing, we have built our name in the capital market as an industry innovator, a market leader as well as a pioneer in the online tourism industry. As we continue to focus on user reach, product innovation and user experience, we have achieved strong business growth for the year ended December 31, 2019 and continued our momentum, which we believe makes us one of the fastest growing companies in China's online tourism industry.

2019 Results Highlights

Our total revenue increased by approximately 79.6% from RMB301.7 million for the year ended December 31, 2018 to RMB541.8 million for the year ended December 31, 2019. Our profit for the year increased by approximately 61.1% from RMB99.8 million for the year ended December 31, 2018 to RMB160.8 million for the year ended December 31, 2019. Our net profit margin was approximately 33.1% in 2018 and 29.7% in 2019.

Benefited from faster penetration and continuous innovation on various ancillary value-added tourism products and services, we have maintained high growth in our online tour guides developed and the number of tourist attractions our online tour guides covered. For the year ended December 31, 2019, our online tour guides increased by 142.0% year-to-year from 8,056 in 2018 to 19,493 in 2019. Over the same period, the number of tourist attractions in China our online tour guides covered increased by 106.4% year-to-year from 5,445 in 2018 to 11,238 in 2019, of which the number of A to AAAAA tourist attractions we covered in China increased by approximately 50.6% year-to-year.

In August 2019, we were awarded The 8th China Innovation and Entrepreneurship Competition (Guangdong District) Internet Industry Champion by the Ministry of Science and Technology of China (中華人民共和國科學技術部), Ministry of Finance of China (中華人民共和國財政部), Ministry of Education of China (中華人民共和國教育部), Cyberspace Administration of China (中央網路安全和信息化委員會辦公室), All-China Federation of Industry and Commerce (中華全國工商業聯合會), in recognition of our outstanding product and service innovation and our industry influence.

Business Review

We are a market leader in China's online tourism industry. Benefiting from years of experience and technological development, we have achieved greater economies of scale, solidified our market leading position, and enhanced our ability to provide online tour guides and customized contents.

We achieved significant growth for the year ended December 31, 2019 as the market demand for our online tour guides grew.

The number of tourist attractions we covered in the PRC continue to increase in 2019. The types of tourist attractions for which we provide online tour guides include landscape, historical sites, cities, theme parks, zoos and botanical gardens. In particular, as of December 31, 2019, our online tour guides covered 258 AAAAA tourist attractions and 2,097 AAAA tourist attractions. Our online tour guides are especially valuable at obscure and less visited 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. The number of AAA tourist attractions we covered increased from 635 in 2018 to 1,394 in 2019 and the number of AA tourist attractions we covered increased from 98 in 2018 to 290 in 2019. Our extensive tourist attraction coverage and high quality online tour guides continue to enable us to engage with end users and major OTAs for strategic cooperation.

In the past few years, we have established a mutually beneficial relationship with the top OTAs in China. 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. Our online tour guide contents are seamlessly integrated into the platforms of the OTAs, including their stand-alone APPs, mini programs and official accounts. We expanded our cooperation network from 22 OTAs in 2018 to 27 OTAs in 2019. In particular, we entered into an exclusive cooperation agreement with one OTA in 2018 and subsequently increased to two OTAs in 2019. Being featured prominently on major OTA's portals continues to help us to gain visibility of our online tour guides and enhances our brand recognition.

As a technology-driven company, we prioritize the development of our software and information technology. 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 in the tourist attractions. Our online tour guides have 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, etc, that we developed prior to 2018, and we have introduced new features such as city tour recommendation and Lvji points tasks and points mall in 2019. Our high quality proprietary contents enable us to achieve high end user satisfaction. In 2019, over 95% of the end users of our online tour guides through OTA's portals rated their experience as "good."

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 and development efforts in 2019 was aimed to provide our end users and customers 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 2019, we continued to update our electronic navigation platform, which enhances the ability of multi-channel integration, such as the development of an in-car-use version of the navigation system and a map version of the navigation system. We also spent our R&D efforts in tourist attraction playground platform and smart tourism marketing, service, management and control platform. We also use Hadoop technology to build a guided big data platform and a unified R&D and DevOps platform.

Business Outlook and Strategies

China's online tourism market is rapidly developing and is expected to continue to grow exponentially, driven by the continuous increases in consumption power and urbanization as well as the continuously rising penetration rate of the Internet and mobile Internet. Despite the uncertainty of 2020 due to the impact of the coronavirus ("COVID-19") outbreak, we believe that opportunities for sustained global economic growth remain. Chinese consumers' demand for personalized and in-depth tourism experiences as tour guide services play an important role in tourist attractions and city sightseeing by providing in-depth historical, cultural and geographical background information to tourists. The growing preference for personalized and in-depth tourism experiences is expected to lead to an overall upgrade in the quality and diversity of product and service offerings in tour guide services, which favors the online tour guide service market. As a leading online tour guide provider in China, we offer the convenient and superior user experience and is well positioned to capitalize on the enormous growth potential as China's online tourism market continues to evolve. Faced with so many uncertainties in the industry, we will pay more attention to cash flow, maintain effective capital investment, and firmly implement our growth strategy.

We strive to fulfil our mission and further solidify our market leadership through the following initiatives: further expand our tourist attraction coverage in China and explore new cooperation opportunities with tourist attractions; explore opportunities in traditional offline market and increase our marketing effort; expand our presence in overseas markets; strengthen our technical capabilities by developing a big data-driven software platform and AI-enabled online tour guides; and explore acquisition opportunities to complement organic growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2019 compared to Year ended December 31, 2018

Revenue

We generate our revenue from sales of online tour guides through OTAs, to travel agencies and through Lvji APP, and from sales of customized content to administrators of tourist attractions and local government offices. The following table sets forth a breakdown of our revenue for the years indicated:

	Year ended December 31,	
	2019	2018
	(RMB'000)	(RMB'000)
Sale of online tour guides through OTAs	522,185	288,147
Sale of online tour guides to travel agencies	10,276	4,429
Sale of online tour guides through Lvji APP	680	559
Sale of customized content	8,672	8,557
	<hr/>	<hr/>
Total revenue	541,813	301,692
	<hr/> <hr/>	<hr/> <hr/>

Sale of 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 Lvji APP.

Sale of online tour guide through OTAs

We generated a substantial portion of our revenue from sale of online tour guides through OTAs in 2019. 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. 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 strategic alliance with major OTAs enables us to broaden our reach by leveraging the vast end user base of these OTAs. In 2019, we entered into two exclusive agreements with our top two OTAs pursuant to which we are the exclusive third-party online tour guide provider to end users through their platforms.

We generated the majority of our revenue from the sale of our online tour guides through OTAs, which accounted for approximately 96.4% of our total revenue in 2019. The number of OTAs we cooperated with increased from 22 in 2018 to 27 in 2019. Revenue from the sale of online tour guides through OTAs increased by approximately 81.2% from RMB288.1 million in 2018 to approximately RMB522.2 million in 2019. The increase was primarily due to an increase in the number of OTAs we cooperated with, an increase in the number of purchases from end users through OTAs which was in turn driven by an increase in the number of tourist attractions we covered, and an increase in the sales volume of our online tour guides at popular tourist attractions. We present revenue from online tour guides business received from the OTAs on a gross basis as it represents the gross amount of unit price generated from the end users for the online tour guides we sold, while the concession fees retained by the OTAs are recorded as our cost of sales.

Sale of Online Tour Guides 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.

The number of travel agencies we sold to increased from 70 in 2018 to 78 in 2019. Revenue from sale of online tour guides to travel agencies increased by approximately 132% from RMB4.4 million in 2018 to RMB10.3 million in 2019. The increase was mainly attributable to the increase in sales volume of our online tour guide activation codes to travel agencies and the increase in the number of tourist attractions we covered.

Sale of Online Tour Guides through our Lvji APP

Tourists may access almost all of our online tour guides directly through our Lvji APP. 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.

The number of registered users of our Lvji APP increased from 743,467 in 2018 to 1,823,271 in 2019. Revenue from sale of online tour guides through our Lvji APP increased by approximately 21.6% from RMB0.6 million in 2018 to RMB0.7 million in 2019. The increase was mainly driven by the increase in the sales volume of our online tour guides for popular tourist attractions.

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.

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 tourists. 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. The customized content services that we sell to government offices mainly focused on smart tourism and all-for-one tourism 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.

The number of tourism attractions we customized online tour guide contents increased from 435 in 2018 to 568 in 2019. Revenue from sale of customized content increased by approximately 1.3% from RMB8.6 million in 2018 to RMB8.7 million in 2019. The increase was mainly attributable to the increase in demand as a result of which we provided customized online tour guide contents for increasing number of tourist attractions.

Cost of Sales

Our cost of sales consists of concession fees retained by OTAs, amortization of other intangible assets, tax and expenses and costs of content customization.

Cost of sales increased by approximately 92.7% from RMB160.5 million in 2018 to RMB309.4 million in 2019. The increase was mainly due to: (i) a significant increase in the OTA concession fees attributable to the growth of our sales of online tour guides through OTAs business; (ii) an increase in the amortization of other intangible assets attributable to the increase in the number of tourist attractions we covered and the number of online tour guides we developed; and (iii) an increase in taxes and expenses.

Gross Profit

As a result of the foregoing, our gross profit increased by approximately 64.6% from approximately RMB141.2 million in 2018 to approximately RMB232.4 million in 2019 on a year-to-year basis. Our gross profit margin decreased from approximately 46.8% in 2018 to 42.9% in 2019 as a result of the increase in amortization of other intangible assets.

Other Income and Gains

Other income and gains increased by approximately 26.8% from RMB11.8 million in 2018 to RMB14.9 million in 2019. The increase was mainly due to an increase in government grants mainly as a result of the VAT rebate benefit which took effect in September 2018.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 25.0% from RMB21.3 million in 2018 to RMB26.6 million in 2019. The increase was mainly due to increases in employee salary and welfare expenses driven by the development of our business and the increase in the number of headcount.

Administrative Expenses

Administrative expenses increased by approximately 211.2% from RMB15.7 million in 2018 to RMB48.8 million in 2019. The increase was mainly due to increases in employee salary and welfare expenses and consultancy service and listing expenses, as well as the increase in research and development cost.

Income Tax Expense

We recorded an income tax expense of approximately RMB10.6 million in 2019 compared to RMB16.0 million in 2018, as a result of the tax refund we received in 2019.

Profit for the Year

Profit for the year increased by approximately 61.1% year-to-year to RMB160.8 million in 2019 from RMB99.8 million in 2018. Net profit margin decreased from approximately 33.1% in 2018 to 29.7% in 2019. Excluding listing expenses, our adjusted profit for the year (a non-GAAP measure) increased by approximately 68.6% year-to-year to RMB178.8 million from RMB106.1 million in 2018. Our adjusted net profit margin (a non-GAAP measure) decreased slightly from approximately 35.2% in 2018 to 33.0% in 2019. The decrease in our net profit margin and adjusted net profit margin was mainly due to the decrease in our gross profit margin.

OTHER FINANCIAL INFORMATION

Liquidity and Capital Resources

We fund our liquidity needs mainly from net cash generated from our operation and the net proceeds received from the Global Offering. We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

As of December 31, 2019, we had cash and cash equivalents of approximately RMB77.3 million (2018: RMB91.4 million), net current assets of approximately RMB101.1 million (2018: RMB194.0 million) and total equity of approximately RMB664.7 million (2018: RMB406.0 million). Our current ratio was approximately 2.76 times as of December 31, 2019 (2018: 5.06 times). The decrease in our cash and cash equivalents, net current assets and current ratio was mainly due to the additions to other intangible assets. We had no bank borrowings as of December 31, 2019 (2018: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (2018: not applicable).

Capital Expenditure

Our capital expenditures consist of acquisition of property, plant and equipment and acquisition of other intangible assets.

Property, plant and equipment comprise mainly our furniture and fixtures, leasehold improvements and construction in progress. Decrease of approximately RMB591,000, or 22.1% was mainly due to a decrease in purchases.

Other intangible assets comprised copyrights and computer software and are amortized over its expected useful life. Increase of approximately RMB225.5 million, or 137.1% was mainly due to an increase in the number of tourist attractions we covered and the number of online tour guides we developed in 2019.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

In 2019, we did not have any significant investment, material acquisition nor disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As stated in the Prospectus, approximately 3.5% (approximately HK\$25 million) of the net proceeds from the Listing is intended to use for upgrading our existing hardware and software and procuring servers and approximately 20% (approximately HK\$142.9 million) of the net proceeds from the Listing is intended to use for strategic investments and acquisitions. For further details of the proposed use of the net proceeds from the Listing, please refer to the Prospectus.

From the Listing Date and up to the date of this announcement, we have commenced the process of improving our development capabilities, but no actual purchases has been made, and, while we have been exploring and tracking potential opportunities in the market in a diligent and prudent manner, however, no suitable investment objective has been found due to the relatively short history of listing.

Save as disclosed in the Prospectus, there was no any other plans for material investments and capital assets as at the date of this announcement.

Employee and Remuneration Policies

As of December 31, 2019, we had a total of 200 full-time employees (2018: 176). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The Company has adopted a share option scheme on December 20, 2019 as an incentive to the employees, Directors and other eligible participants.

As required by the 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 the 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.

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

None of our employees is currently represented by labor unions. We believe that it maintains a good working relationship with our employees and did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations in 2019.

Contingent Liabilities

The Group did not have any material contingent liabilities as at December 31, 2019.

Charge on Assets

As of December 31, 2019, the Group had a pledged deposit of RMB0.4 million (2018: RMB0.2 million), which was pledged to the government authorities for conducting tourist related business in the PRC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Notes	2019 (RMB'000)	2018 (RMB'000)
REVENUE	4	541,813	301,692
Cost of sales		<u>(309,431)</u>	<u>(160,539)</u>
Gross profit		232,382	141,153
Other income and gains	4	14,906	11,751
Selling and distribution expenses		(26,618)	(21,296)
Administrative expenses		(48,793)	(15,677)
Other expenses		(464)	(14)
Finance costs	6	<u>(50)</u>	<u>(123)</u>
PROFIT BEFORE TAX	5	171,363	115,794
Income tax expense	7	<u>(10,579)</u>	<u>(16,011)</u>
PROFIT FOR THE YEAR		<u>160,784</u>	<u>99,783</u>
Attributable to:			
Owners of the parent		<u>160,784</u>	<u>99,783</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted (RMB)		<u>0.15</u>	<u>0.09</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	2019 (RMB'000)	2018 (RMB'000)
PROFIT FOR THE YEAR	160,784	99,783
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Exchange differences on translation of financial statements	408	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	408	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	408	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	161,192	99,783
Attributable to:		
Owners of the parent	161,192	99,783

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2019

	<i>Notes</i>	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		3,764	3,951
Other intangible assets	9	554,444	207,900
Right-of-use assets		5,201	1,659
Deferred tax assets		–	106
Other non-current assets	10	5,000	–
Total non-current assets		<u>568,409</u>	<u>213,616</u>
CURRENT ASSETS			
Trade receivables	11	47,488	37,107
Prepayments, deposits and other receivables	12	33,228	13,643
Amounts due from related parties	18(c)	–	99,294
Pledged deposit		350	200
Cash and cash equivalents		77,323	91,441
Total current assets		<u>158,389</u>	<u>241,685</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	13	11,269	20,815
Other payables and accruals	14	17,529	9,154
Contract liabilities	15	2,780	720
Deferred income	16	549	957
Tax payable		23,508	14,568
Lease liabilities		1,686	1,510
Total current liabilities		<u>57,321</u>	<u>47,724</u>
NET CURRENT ASSETS		<u>101,068</u>	<u>193,961</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>669,477</u>	<u>407,577</u>
NON-CURRENT LIABILITIES			
Deferred income	16	1,343	1,376
Lease liabilities		3,448	170
Total non-current liabilities		<u>4,791</u>	<u>1,546</u>
Net assets		<u><u>664,686</u></u>	<u><u>406,031</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	758	345
Reserves		663,928	405,686
Total equity		<u><u>664,686</u></u>	<u><u>406,031</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on November 7, 2018. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on January 17, 2020 (the “Listing Date”).

The Company is an investment holding company. During the year, the Group was principally engaged in the business of providing online tour guides.

Pursuant to the reorganization of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the “Reorganization”), the Company became the holding company of the companies now comprising the Group on July 29, 2019. Details of the Reorganization are set out in the section headed “History, Reorganization and Corporate structure” in the Prospectus.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted throughout the years ended 31 December 2019 and 2018, and the adoption did not have a significant impact on the financial position and performance of the Group.

The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. OPERATING SEGMENT INFORMATION

The Group is principally an online tour guide provider in Mainland China.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, since the majority of the Group's revenue and operating profit were generated from the sale of online tour guides and customized content in Mainland China, all of the Group's identifiable assets and liabilities were located in Mainland China, and overseas income from any individual district did not exceed 10% of total revenue, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

No revenue from a single customer contributed to 10% or more of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 (RMB'000)	2018 (RMB'000)
<i>Revenue from contracts with customers</i>		
Sale of online tour guides through OTAs	522,185	288,147
Sale of online tour guides to travel agencies	10,276	4,429
Sale of online tour guides through Lvji APP	680	559
Sale of customized content	8,672	8,557
	<u>541,813</u>	<u>301,692</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 (RMB' 000)	2018 (RMB' 000)
Type of goods or services		
Sale of online tour guides	533,141	293,135
Sale of customized content	<u>8,672</u>	<u>8,557</u>
	<u>541,813</u>	<u>301,692</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>541,813</u>	<u>301,692</u>

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 (RMB' 000)	2018 (RMB' 000)
Revenue recognized that was included in contract liabilities		
Sale of customized content	<u>720</u>	<u>562</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

Revenue from the sale of online tour guides through OTAs and Lyji APP

The performance obligation is satisfied when the online tour guides are activated by end users. The end users make the payments in advance. OTAs reconcile and settle the payments received from the end users with the Group on a monthly basis and the credit term is usually 45 days.

Revenue from the sale of online tour guides to travel agencies

The performance obligation is satisfied when the right to use the online tour guide is transferred to travel agencies and travel agencies generally pay in advance.

Revenue from the sale of customized content

The performance obligation is satisfied when the content is checked and accepted by the customers and payment is generally due within 30 days from acceptance.

Other income and gains

	2019 (RMB' 000)	2018 (RMB' 000)
<i>Other income and gains</i>		
Government grants (note (i))	12,423	10,745
Franchise income (note 16)	769	800
Others	1,714	206
	<u>14,906</u>	<u>11,751</u>

Note (i): The amount represents subsidies received from local government authorities in connection with certain tax refunds and various industry-specific subsidies. There are no unfulfilled conditions relating to such government subsidies recognized.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019 (RMB' 000)	2018 (RMB' 000)
Concession fee	261,093	144,073
Depreciation of property, plant and equipment	1,901	1,027
Depreciation of right-of-use assets	1,422	1,422
Amortization of other intangible assets (note 9)	43,340	12,638
Research and development costs	2,265	163
Listing expenses	18,012	6,274
Auditor's remuneration	1,600	–
Impairment of trade receivables (note 11)	(709)	709
Lease payments not included in the measurement of lease liabilities	60	35
Employee benefit expense (including directors' remuneration)		
Wages and salaries	25,408	8,439
Pension scheme contributions (defined contribution scheme)	3,501	1,163
	<u>357,893</u>	<u>175,943</u>
Bank interest income	(225)	(44)
Other interest income from short term investments measured at fair value through profit or loss	(228)	(92)
Government grants	(12,423)	(10,745)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 (RMB' 000)	2018 (RMB' 000)
Interest portion of lease liabilities	<u>50</u>	<u>123</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/ jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group operating in Mainland China as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

Guangzhou Shi Lvji Technology Company Limited (“Lvji Technology”) qualified as a “High-and-New Technology Enterprise” (“HNTE”) under the Corporate Income Tax Law in December 2016. Lvji Technology is entitled to a preferential income tax rate of 15% for three years starting from December 2016, if the criteria for HNTE are met each year. After reapplication of HNTE in December 2019, Lvji Technology is entitled to a preferential income tax rate of 15% for three years starting from December 2019, if the criteria for HNTE are met each year.

Huoer Guosi Lvji Software Technology Limited (“Huoer Guosi Lvji”) was incorporated in Khorgos, Xinjiang, the PRC on 31 May 2017. According to the applicable regulations, Huoer Guosi Lvji is exempted from corporate income tax for four years from the first year of operation which was 2017.

Guangxi Lvji Software Technology Limited (“Guangxi Lvji”) was incorporated in Beihai, Guangxi, the PRC on 21 September 2018. According to the applicable regulations, Guangxi Lvji is entitled to a preferential income tax rate of 9% for three years from the first year of operation which was 2018.

The major components of income tax expense of the Group are as follows:

	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Current income tax – Mainland China	26,113	16,117
Reversal of CIT payment made in prior year (note (i))	(15,640)	–
Deferred income tax	106	(106)
Total tax charge for the year	<u>10,579</u>	<u>16,011</u>

Note (i): This amount represented a one-off tax refund received from the local tax bureau in October 2019 with regards to Lvji Technology’s being awarded as a qualified software enterprise issued by Guangdong Software Industry Association covering one year from 10 June 2019 to 9 June 2020. Pursuant to MOF/STA PN [2019] No. 68 jointly released by the Ministry of Finance (“MOF”) and State Taxation Administration (“STA”) on 17 May 2019, Lvji Technology was then approved by local tax authorities to be entitled to a corporate income tax exemption for the year ended 31 December 2018.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate are as follows:

	2019 (RMB'000)	%	2018 (RMB'000)	%
Profit before tax	<u>171,363</u>		<u>115,794</u>	
Tax at the statutory tax rate	42,841	25.0	28,949	25.0
Lower tax rates for specific provinces or enacted by local authority	(17,292)	(10.1)	(11,785)	(10.2)
Reversal of CIT payment made in prior year	(15,640)	(9.1)	–	–
Expenses not deductible for tax	1,220	0.7	16	–
Tax losses not recognized	455	0.3	246	0.2
Income not subject to tax	<u>(1,005)</u>	<u>(0.6)</u>	<u>(1,415)</u>	<u>(1.2)</u>
Tax charge at the Group's effective tax rate	<u>10,579</u>	<u>6.2</u>	<u>16,011</u>	<u>13.8</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable tax rate of the Group is 10%. At the end of the reporting period, deferred tax has not been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized at 31 December 2019 was RMB260,116,000 (2018: RMB115,952,000). There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,100,000,000 (2018: 1,100,000,000) in issue during the year, as adjusted for the assumption that 1,089,000,000 new shares issued pursuant to the Capitalisation Issue (as defined in Note 19) had been issued on 1 January 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

	2019 (RMB'000)	2018 (RMB'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	<u>160,784</u>	<u>99,783</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,100,000,000</u>	<u>1,100,000,000</u>

9. OTHER INTANGIBLE ASSETS

31 December 2019

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At 1 January 2019:			
Cost	224,531	31	224,562
Accumulated amortization	<u>(16,658)</u>	<u>(4)</u>	<u>(16,662)</u>
Net carrying amount	<u>207,873</u>	<u>27</u>	<u>207,900</u>
Cost at 1 January 2019, net of accumulated amortization	207,873	27	207,900
Additions	389,777	107	389,884
Amortization provided during the year	<u>(43,327)</u>	<u>(13)</u>	<u>(43,340)</u>
At 31 December 2019	<u>554,323</u>	<u>121</u>	<u>554,444</u>
At 31 December 2019:			
Cost	614,308	138	614,446
Accumulated amortization	<u>(59,985)</u>	<u>(17)</u>	<u>(60,002)</u>
Net carrying amount	<u>554,323</u>	<u>121</u>	<u>554,444</u>

31 December 2018

	Copyright (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At 1 January 2018:			
Cost	60,097	31	60,128
Accumulated amortization	<u>(4,023)</u>	<u>(1)</u>	<u>(4,024)</u>
Net carrying amount	<u>56,074</u>	<u>30</u>	<u>56,104</u>
Cost at 1 January 2018, net of accumulated amortization	56,074	30	56,104
Additions	164,434	-	164,434
Amortization provided during the year	<u>(12,635)</u>	<u>(3)</u>	<u>(12,638)</u>
At 31 December 2018	<u>207,873</u>	<u>27</u>	<u>207,900</u>
At 31 December 2018:			
Cost	224,531	31	224,562
Accumulated amortization	<u>(16,658)</u>	<u>(4)</u>	<u>(16,662)</u>
Net carrying amount	<u>207,873</u>	<u>27</u>	<u>207,900</u>

10. OTHER NON-CURRENT ASSETS

	2019 (RMB'000)	2018 (RMB'000)
Deposits and other receivables (note (i))	5,000	–
	<u>5,000</u>	<u>–</u>

Note (i): During the year ended 31 December 2019, the Group entered into a service agreement with a independent third party service provider to render its professional service with regards to business development, products promotion and related activities for the Group, and as stipulated under the terms of the agreement, the Group made a down payment deposit amounted to RMB5,000,000 for a two years service contract duration from 1 July 2019 to 30 June 2021. The deposit is refundable upon the expiry of the agreement by June 2021.

11. TRADE RECEIVABLES

	2019 (RMB'000)	2018 (RMB'000)
Trade receivables	47,488	37,816
Impairment of trade receivables	–	(709)
	<u>47,488</u>	<u>37,107</u>

The Group's trading terms with OTAs are mainly on credit. The credit period for OTAs is generally 45 days. Each OTA has a maximum credit limit. The credit period for other customers is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019 (RMB'000)	2018 (RMB'000)
Within 3 months	46,559	37,107
3 to 6 months	525	–
6 months to 1 year	404	–
	<u>47,488</u>	<u>37,107</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 (RMB'000)	2018 (RMB'000)
At beginning of year	709	–
Impairment for the year	923	709
Impairment provision reversed for the year	(1,632)	–
	<u>–</u>	<u>709</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group performed an impairment analysis at the end of the reporting period, by considering the probability of default of the debtors or comparable companies with published credit ratings. At the end of the reporting period, the probability of default is minimal for debtors other than defaulted receivables, with expected credit loss rates of 0.26% to 0.42%. Trade receivables for which the balances are overdue with aging of more than a year and the counterparties failed to make the demanded repayments are defaulted receivables.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Prepayments	7,930	691
Government grant receivable	12,063	9,431
Deferred listing expenses	6,625	1,726
Contract cost	3,694	–
Other receivables	2,916	1,795
	<u>33,228</u>	<u>13,643</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The majority of the above balances were settled within 12 months and had no historical default. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the year, the Group estimated that the expected loss rate for the above receivables is insignificant.

13. TRADE PAYABLES

	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Trade payables	<u>11,269</u>	<u>20,815</u>

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

	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Within 3 months	11,269	20,812
3 to 12 months	–	–
1 to 2 years	–	3
	<u>11,269</u>	<u>20,815</u>

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

14. OTHER PAYABLES AND ACCRUALS

	2019 (RMB' 000)	2018 (RMB' 000)
Other payables	9,775	3,029
Payroll and welfare payables	6,094	2,363
Other tax payable	1,660	3,762
	<u>17,529</u>	<u>9,154</u>

Other payables are non-interest-bearing and repayable on demand.

15. CONTRACT LIABILITIES

Contract liabilities include unsatisfied performance obligations resulting from contracts of customized content for which the Group has received consideration at the end of the reporting period. Contract liabilities are recognized as revenue upon the Group satisfying its performance obligations under the relevant contracts.

	2019 (RMB' 000)	2018 (RMB' 000)
Sale of customized content	<u>2,780</u>	<u>720</u>

The revenue to be recognized arising from the Group's contract liabilities is as follows:

	2019 (RMB' 000)	2018 (RMB' 000)
Within one year	<u>2,780</u>	<u>720</u>

Movements in contract liabilities during the year are as follows:

	2019 (RMB' 000)	2018 (RMB' 000)
At the beginning of the year	720	562
Additions	10,732	8,715
Revenue recognized during the year	<u>(8,672)</u>	<u>(8,557)</u>
At the end of the year	<u>2,780</u>	<u>720</u>

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	2019 (RMB' 000)	2018 (RMB' 000)
Within one year	<u>2,780</u>	<u>720</u>

16. DEFERRED INCOME

	2019 (RMB'000)	2018 (RMB'000)
At the beginning of the year	2,333	2,401
Additions	328	732
Released to franchise income (note 4)	(769)	(800)
	<u>1,892</u>	<u>2,333</u>
Less: Current portion	(549)	(957)
Non-current portion	<u>1,343</u>	<u>1,376</u>

Deferred income represents the payment received in advance from franchisees for the right to access the brand name of the Group. These franchise payments are released to other income and gains over the franchise period.

17. SHARE CAPITAL

Shares

	2019 (RMB'000)	2018 (RMB'000)
Issued and fully paid:		
11,000,000 (2018: 5,000,000) ordinary shares of US\$0.01 each	<u>758</u>	<u>345</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (USD'000)	Share capital (RMB'000) Equivalent
Issued and fully paid:			
At 1 January 2018	–	–	–
Issue of new shares (note (a))	50,000	50	345
Share subdivision (note (b))	4,950,000	–	–
	<u>5,000,000</u>	<u>50</u>	<u>345</u>
At 31 December 2018 and 1 January 2019	5,000,000	50	345
Issue of new shares (note (c))	6,000,000	60	413
	<u>11,000,000</u>	<u>110</u>	<u>758</u>

Note (a): The Company was incorporated in the Cayman Islands on 7 November 2018 to act as the holding company of the Group. The initial authorized share capital of the Company was US\$50,000 divided into 50,000 ordinary shares with a nominal value of US\$1.0 each. On the day of incorporation, one ordinary share was allotted and issued to the initial subscriber at par, which was then transferred on the same day to Lu Jia Technology Holdings Limited. On the same day of incorporation, an additional 46,536 ordinary shares and 3,463 ordinary shares were allotted and issued to Lu Jia Technology Holdings Limited and Invest Profit Holdings Limited, respectively, with the share capital fully paid at par in July 2019.

Note (b): On 28 November 2018, the authorized share capital of the Company was increased to US\$200,000 divided into 200,000 ordinary shares of US\$1.0 each and each of the unissued and issued shares of US\$1.0 each in the authorized share capital of the Company was subdivided into 100 ordinary shares of US\$0.01 each. After such increase in authorized share capital and subdivision, 4,653,700 shares and 346,300 shares, representing 93.07% and 6.93% of all issued shares, were held by Lu Jia Technology Holdings Limited and Invest Profit Holdings Limited, respectively.

Note (c): On 25 July 2019, the Company entered into a reorganization agreement to allot and issue a total of 6,000,000 shares to the then shareholders. Immediately after this allotment of shares on 29 July 2019, the Company became the holding company of the companies now comprising the Group. Details of the Reorganization are set out in the section headed “History, Reorganization and Corporate structure” in the Prospectus.

18. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the year.

(a) Name and relationship

Name of related parties	Relationship with the Group and the Company
Mr. Zang Weizhong (“Mr. Zang”)	A substantial shareholder
Mr. Fan Baoguo (“Mr. Fan”)	A substantial shareholder
Lu Jia Technology Holdings Limited (“Lu Jia”)	A company controlled by Mr. Zang
Invest Profit Holdings Limited (“Invest Profit”)	A company controlled by Mr. Fan
Jiangsu Outu Internet Technology Service Center (“Outu”)	A company controlled by Mr. Zang

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in this announcement, the Group had the following material transactions with related parties during the year:

	2019 (RMB’000)	2018 (RMB’000)
Advances from related parties:		
Outu	68,381	–
Mr. Zang	30,568	150
	<u>98,949</u>	<u>150</u>
Advances to related parties:		
Outu	68,381	–
Mr. Zang	–	30,568
	<u>68,381</u>	<u>30,568</u>

The advances from and to related parties are unsecured, interest-free and repayable on demand.

(c) **Outstanding balances with related parties**

The Group had the following balances with related parties:

The Group	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Amounts due from related parties:		
Mr. Zang	–	98,949
Lu Jia	–	321
Invest Profit	–	24
	<hr/>	<hr/>
	–	99,294
	<hr/> <hr/>	<hr/> <hr/>

The Company had the following balances with related parties:

The Company	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Amounts due from related parties:		
Lu Jia	–	321
Invest Profit	–	24
	<hr/>	<hr/>
	–	345
	<hr/> <hr/>	<hr/> <hr/>

The maximum amounts due from related parties outstanding during the year are set out below:

	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Maximum amount due from related parties outstanding:		
Mr. Zang	98,949	98,949
Mr. Fan	–	500
Outu	68,381	–
Lu Jia	321	321
Invest Profit	24	24
	<hr/>	<hr/>
	167,675	99,794
	<hr/> <hr/>	<hr/> <hr/>

The related parties' balances are non-trade in nature, unsecured, interest-free and repayable on demand.

(d) **Compensation of key management personnel of the Group**

	2019 <i>(RMB'000)</i>	2018 <i>(RMB'000)</i>
Short-term employee benefits	1,384	848
Contributions to the pension scheme	130	105
	1,514	953

19. EVENTS AFTER THE REPORTING PERIOD

1. On the Listing Date, 310,000,000 new ordinary shares were issued at a price of HK\$2.12 per share in connection with the Company's initial public offering on the Stock Exchange.
2. Pursuant to a written resolution of the shareholders of the Company passed on 20 December 2019, a total of 1,089,000,000 shares of US\$0.01 each were allotted and issued at par value to the shareholders as of the date immediately before the Listing Date in proportion by way of capitalization of US\$10,890,000 (the "Capitalization Issue") from the Company's share premium account on the Listing Date.
3. The over-allotment option was not exercised during the stabilization period and lapsed on 9 February 2020.
4. Subsequent to the reporting period, the outbreak of novel coronavirus ("COVID-19") in early 2020 has inevitably caused a certain impact on both the overall tourism market and business operation of the Group, mainly due to travel restrictions and other precautionary measures imposed by the relevant local authorities that resulted in temporary closure for tourists attraction areas, delays in commencement for work, temporary closure for business of suppliers and overall decline in market demand during the outbreak period. The Group estimates that the degree of COVID-19 impact will be dependent on the duration of epidemic and the outcome of preventive measures as undertaken by the respective local authorities. Given the dynamic circumstances and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 and react actively to its impacts on the operation and financial position of the Group, and as at the date of this announcement, the overall financial impact could not be reasonably estimated, and will reflect in the Group's 2020 interim and annual financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds from the Listing were approximately HK\$580.0 million (after deducting the underwriting commissions and other related listing expense payable by the Company in the Global Offering). The net proceeds received from the Global Offering will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Since the Listing Date and up to the date of this announcement, the proceeds has not been utilized and is placed in licenses banks in HK and in PRC.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code. During the period from the Listing Date and up to the date of this announcement, the Company has complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision A.2.1 of the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zang currently serves as chairman of the Board and chief executive officer of the Company. He is responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and the chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Zang. Accordingly, the Board believes that this arrangement will not have impact on the balance of power and authorizations between the Board and the management of the Company.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to the date of this announcement.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company’s employees was noted by the Company since the Listing Date and up to the date of this announcement.

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

As the Shares were listed on the Stock Exchange on January 17, 2020, no listed securities of the Company were available for purchase, sold or redeemed by the Company or any of its subsidiaries in 2019.

From the Listing Date and up to the date of this announcement, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Mr. Liu Yong. The chairman of the Audit Committee is Ms. Gu Jianlu.

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by our Company as well as the annual financial results for the year ended December 31, 2019.

The Audit Committee considers that the annual financial results for the year ended December 31, 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Scope of Work of The Auditors

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2019, but represents an extract from the consolidated financial statements for the year ended 31 December 2019 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

Events after December 31, 2019

Given the epidemic outbreak of the coronavirus ("COVID-19") in China since January 2020, the Company implemented a series of measures, such as delay of work resumption, in accordance with the requirements issued by the central and local governments regarding prevention and control, to ensure the health and safety of our employees. The Board attaches great importance to the development of COVID-19, and does its best-efforts in COVID-19 prevention and control as well as operating management of the Group. Since January 2020 and as of the date of this announcement, the Group's production of the online tour guides slightly increased compared with the same period last year. However, domestic sales were greatly affected by epidemic control in the short term. It is expected that the domestic market will recover by the end of April 2020 and will see a sales peak in the summer holidays. As of the date of this announcement, the overall impact of the epidemic and the country's macroeconomic policy adjustments on the macro economy could not be reasonably estimated. The Group will continue to pay close attention to the development of the epidemic, make further judgments and estimates based on this, and take relevant measures.

Save for the above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2019 and up to the date of this announcement.

DIVIDEND

No dividend was declared and paid by the Company for the year ended December 31, 2019 (2018: Nil). The Directors do not recommend any payment of a final dividend for the year ended December 31, 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, June 16, 2020 to Friday, June 19, 2020 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM to be held on Friday, June 19, 2020, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m., Monday, June 15, 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lvji.cn).

The Company's annual report for the year ended December 31, 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow Directors and all our staff for their support, hard work and dedication.

DEFINITION

In this announcement, unless the context otherwise require, the following expressions shall have the following meaning:

“2018”	the year ended December 31, 2018
“2019”	the year ended December 31, 2019
“AGM”	the 2020 annual general meeting of the Company to be held on June 19, 2020 or any adjournment thereof
“API”	application programming interface, a set of clearly defined methods of communication between various software components

“APP”	application software designed to run on smartphones and other mobile devices
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2018 in the Cayman Islands
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“DevOps”	a set of practices that automates the processes between software development and IT teams, in order that they can build, test, and release software faster and more reliably
“Director(s)”	the director(s) of the Company
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Group”	the Company and its subsidiaries
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
“Hadoop”	a collection of open-source software utilities
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date

“Listing Date”	January 17, 2020, the date on which the Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“OTA”	online travel agency
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“VAT”	value-added tax

By order of the Board
Lvji Technology Holdings Inc.
Zang Weizhong
Chairman, Executive Director and Chief Executive Officer

Hong Kong, March 30, 2020

As at the date of this announcement, the Board comprises Mr. Zang Weizhong, Ms. Sun Hongyan and Mr. Long Chao as executive Directors; Mr. Zhou Qinyong, Mr. Cheung King Him Edmund and Mr. Zhang Jun as non-executive Directors; and Ms. Gu Jianlu, Mr. Liu Yong and Ms. Wu Daxiang as independent non-executive Directors.