途屹控股

TU YI HOLDING COMPANY LIMITED
途 屹 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1701)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Change in
	RMB'000	*RMB'000*	*%*
Revenue	**233,803**	205,051	14.0
Gross profit	**64,935**	48,986	32.6
Profit for the Year attributable to owners of the parent *Note*	**25,614**	6,994	266.2
Adjusted profit for the Year attributable to owners of the parent after excluding listing expenses *Note*	**33,461**	22,533	48.5

Note: For the year ended 31 December 2019 (the "**Year**"), the Group's profit attributable to owners of the parent (the "**Profit**") and the adjusted profit for the Year attributable to owners of the parent after excluding listing expenses (the "**Adjusted Profit**") amounted to approximately RMB25.6 million and approximately RMB33.5 million, respectively. As compared to the corresponding period in 2018, both the Profit and the Adjusted Profit had significantly increased by approximately RMB18.6 million or 266.2% and approximately RMB10.9 million or 48.5%, respectively.

The board (the "**Board**") of directors (the "**Directors**") of Tu Yi Holding Company Limited ("**Tu Yi**" or the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Year**"), together with the comparative figures for the corresponding period of 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**233,803**	205,051
Cost of sales		**(168,868)**	(156,065)
Gross profit		**64,935**	48,986
Other income and gains	*5*	**10,393**	2,166
Selling and distribution expenses		**(7,348)**	(7,237)
Administrative expenses		**(25,305)**	(28,754)
Other expenses		**(2,930)**	(1,929)
Finance costs	*6*	**(3,093)**	(2,461)
PROFIT BEFORE TAX	*7*	**36,652**	10,771
Income tax expense	*8*	**(10,842)**	(3,702)
PROFIT FOR THE YEAR		**25,810**	7,069

	Note	For the year ended 31 December 2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**2,217**	2,752
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of the Company's financial statement into the presentation currency		**1,769**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**3,986**	2,752
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,796**	9,821
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**25,614**	6,994
Non-controlling interests		**196**	75
		25,810	7,069
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**29,600**	9,746
Non-controlling interests		**196**	75
		29,796	9,821
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**RMB2.92 cents**	RMB0.93 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2019** *RMB'000*	As at 31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**126,229**	125,462
Investment properties		**20,538**	20,334
Freehold land		**50,086**	48,426
Right-of-use assets		**7,471**	–
Goodwill		**12,526**	13,686
Other intangible assets		**564**	592
Investment in an associate		**4,000**	–
Deferred tax assets		**11**	1,102
Total non-current assets		**221,425**	209,602
CURRENT ASSETS			
Inventories		**1,707**	750
Trade receivables	*11*	**34,065**	25,387
Prepayments, other receivables and other assets		**20,010**	28,927
Due from a director		**201**	185
Pledged short-term deposits		**1,653**	1,761
Time deposits with original maturity of over three months		**21,947**	–
Cash and cash equivalents		**56,113**	11,296
Financial assets at fair value through profit or loss		**–**	100
Total current assets		**135,696**	68,406
CURRENT LIABILITIES			
Trade payables	*12*	**10,509**	11,813
Advance from customers, other payables and accruals		**12,621**	22,755
Interest-bearing bank borrowings	*13*	**5,037**	54,417
Lease liabilities		**1,534**	–
Due to a related party		**224**	–
Tax payable		**9,525**	4,305
Total current liabilities		**39,450**	93,290
NET CURRENT ASSETS/(LIABILITIES)		**96,246**	(24,884)
TOTAL ASSETS LESS CURRENT LIABILITIES		**317,671**	184,718

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,959**	4,358
Lease liabiltiies		**5,897**	–
Interest-bearing bank borrowings	*13*	**54,163**	56,804
Total non-current liabilities		**65,019**	61,162
Net assets		**252,652**	123,556
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**8,797**	–
Reserves		**241,654**	120,953
		250,451	120,953
Non-controlling interests		**2,201**	2,603
Total equity		**252,652**	123,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands with limited liability on 27 February 2018. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "**PRC**") is located at Room 813, 8/F, Block 4, Hai Chuang Technology Centre, No. 1288 Wenyi West Road, Cangqian Sub-district, Yuhang District, Hangzhou City, Zhejiang Province, the PRC.

The Company is an investment holding company. During the Year, the Company's subsidiaries were principally involved in (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller products (the "**FIT Products**"); and (iii) the provision of visa application processing service; (iv) the provision of other ancillary travel-related products and services and (v) hotel operation. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company and its subsidiaries is Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively, the "**Controlling Shareholders**").

The shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 June 2019 (the "**Listing Date**").

2. BASIS OF PREPARATION

The 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. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. 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 Company and its subsidiaries 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 derecognises (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 recognises (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 recognised 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office units, motor vehicle and hotel facilities. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the retail shops and office units (that were held to earn rental income) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase
	RMB'000
Assets	7,843
Increase in right-of-use assets and total assets	7,843
Liabilities	7,843
Increase in lease liabilities and total liabilities	7,843

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	8,232
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(29)
	8,203
Weighted average incremental borrowing rate as at 1 January 2019	
– Mainland China	5.64%
– Japan	1.88%
Discounted operating lease commitments as at 1 January 2019	7,843
Lease liabilities as at 1 January 2019	7,843

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group's businesses include selling of package tours and day tours and FIT Products, provision of visa application processing services, selling of certain ancillary travel related products and services and hotel operation. Revenue recognised during the Year is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
Sales of package tours and day tours	**174,581**	162,767
Margin income from sales of FIT Products	**12,422**	13,825
Margin income from the provision of visa application processing services	**12,492**	13,345
Other income from sales of ancillary travel related products and services	**2,601**	2,313
Hotel operation income	**31,707**	12,801
Total	**233,803**	205,051

The Group's chief operating decision makers are the executive directors of the Company. The information reported to the Company's executive directors, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the executive directors reviewed the financial results of the Group as a whole.

Geographic information

(a) Revenue from external customers

	Year ended 31 Decemeber	
	2019	2018
	RMB'000	*RMB'000*
Domestic – Mainland China*	**196,035**	185,494
Japan#	**37,768**	19,557
Total	**233,803**	205,051

* Country of domicile of the Group's principal subsidiaries.

\# Mainly from hotel operation and commission from Japan customers.

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Year.

(b) Non-current assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
Domestic – Mainland China	**46,729**	42,335
Japan	**174,685**	166,165
Total	**221,414**	208,500

The non-current assets information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**233,803**	205,051
Other income		
Bank interest income	**124**	164
Government grants*	**7,611**	513
Rental income on properties	**727**	727
Other interest income from financial assets at fair value through profit or loss	**385**	113
Others	**989**	63
	9,836	1,580
Gains		
Gain on disposal of items of property, plant and equipment	**71**	–
Changes in fair value of investment properties	**204**	225
Foreign exchange gains, net	**282**	361
	557	586
	10,393	2,166

* The government grants mainly represent the incentive awards received by subsidiaries from the local governments to support the Group's operation in Zhejiang, the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**2,950**	3,317
Interest on lease liabilities	**143**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**3,093**	3,317
Less: Interest capitalised	**–**	(856)
	3,093	2,461

The rates used to determine the amount of the borrowing costs elgible for capitalisation was 1.88% for the year ended 31 December 2018.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of services provided	**161,659**	152,793
Cost of inventories sold	**7,209**	3,272
Depreciation of property, plant and equipment	**4,697**	2,622
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**1,613**	–
Amortisation of other intangible assets	**49**	49
Minimum lease payments under operating lease	**–**	768
Lease payments not included in the measurement of lease liabilities	**40**	–
Auditor's remuneration	**1,584**	–
Impairment of goodwill**	**1,160**	–
Impairment of receivables arising from contracts with customers	**1,714**	–
Listing expenses	**7,847**	15,539
Provision for litigation	**–**	1,841
Employee benefit expense (excluding directors' remuneration)	**20,254**	17,982

** The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Pursuant to the rules and regulations of Japan, the subsidiaries incorporated in Japan are subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes was 33.6% (2018: 33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. 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.

During the Year, except for certain subsidiaries of the Group which were entitled to a preferential income tax rate of 20% for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for a 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for a 50% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

The income tax expense of the Group is analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China	**8,412**	4,141
Current – Japan	**738**	85
Deferred	**1,692**	(524)
Total tax charge for the Year	**10,842**	3,702

9. 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 878,082,192 (2018: 750,000,000) in issue during the year, assuming the capitalisation issue had been completed on 1 January 2018.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2018 included 10,000 ordinary shares and 749,990,000 shares in connection with the capitalisation issue, which were deemed to be issued as of the beginning of the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2019 included the weighted average of 250,000,000 ordinary shares issued in connection with the Company's initial public offering and the aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

There were no dilutive potential ordinary shares for the years ended 31 December 2019 and 2018; therefore, diluted earnings per share are equivalent to basic earnings per share.

10. DIVIDENDS

At the meetings of the Directors held on 30 March 2020, the directors of the Company did not recommend any payment of final dividend for the year.

11. TRADE RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**35,883**	25,491
Impairment	**(1,818)**	(104)
	34,065	25,387

The credit terms granted by the Group generally ranged up to one month, extending up to three months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement 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 transaction date and net of loss allowance, is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
1 to 30 days	**10,767**	22,472
31 to 90 days	**7,687**	2,623
91 to 180 days	**7,769**	292
181 to 360 days	**7,842**	–
	34,065	25,387

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
At beginning of year	**104**	104
Impairment losses, net	**1,714**	–
At end of year	**1,818**	104

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due		
	Current	**Less than 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	1.29%	2.57%	14.90%	5.1%
Gross carrying amount	18,694	7,974	9,215	35,883
Expected credit losses	240	205	1,373	1,818

Included in the above provisions for impairment of trade receivables were provisions for individually trade receivables of RMB104,000 (31 December 2018: RMB104,000) with carrying amounts before provision of RMB104,000 (31 December 2018: RMB104,000) as at 31 December 2019.

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
1 to 30 days	**7,494**	8,935
31 to 90 days	**2,114**	2,460
91 to 180 days	**315**	229
181 to 360 days	**586**	100
1 to 2 years	**–**	89
	10,509	11,813

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

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	**Maturity**	**As at 31 December 2019** *RMB'000*	As at 31 December 2018 *RMB'000*
Current				
JPY21,324,000.00 current portion of long-term secured bank loans	1.88	2020	**1,367**	–
JPY6,672,000 current portion of long-term secured bank loans	1.88	2020	**427**	–
JPY50,604,000 current portion of long-term secured bank loans	1.88	2020	**3,243**	–
JPY50,604,000 current portion of long-term secured bank loans	1.88	2019	**–**	3,132
Bank loans – secured	5.22	2019	**–**	9,000
Bank loans – secured	5.22	2019	**–**	6,000
Bank loans – secured	5.66	2019	**–**	4,000
Bank loans – secured	5.66	2019	**–**	6,000
Bank loans – secured	5.44	2019	**–**	25,000
Bank loans – unsecured	11.21	2019	**–**	396
Bank loans – unsecured	13.25	2019	**–**	389
Bank loans – unsecured	9.13	2019	**–**	500
			5,037	54,417

	Effective interest rate (%)	Maturity	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Non-current				
JPY225,819,000 (2018: JPY268,467,000) secured bank loans	1.88	2021	**14,472**	16,615
JPY225,819,000 secured bank loans	1.88	2024	**1,317**	–
JPY598,792,000 (2018: JPY649,396,000) secured bank loans	1.88	2032	**38,374**	40,189
			54,163	56,804

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Analysed into:		
Bank loans repayable		
– Within one year or on demand	**5,037**	54,417
– In the second year to fifth year	**54,163**	56,804
	59,200	111,221

Notes:

(a) The Group's bank borrowings are secured by:

(i) mortgages over the Group's buildings situated in Japan, which had an aggregate net carrying value of RMB15,565,000 (2018: RMB16,529,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying value of RMB20,588,000 as at 31 December 2018;

(ii) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB20,334,000 as at 31 December 2018; and

(iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate net carrying value of RMB50,086,000 (2018: RMB48,426,000).

(b) All the secured bank loans amounting to RMB59,200,000 (2018: RMB59,936,000) were denominated in JPY.

14. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2018: 38,000,000) ordinary shares of HK$0.01 each	**15,000,000**	380,000

	2019	2018
	RMB'000	*RMB'000*
Issued and fully paid:		
1,000,000,000 (2018:10,000) ordinary shares of HK$0.01 each	**8,797**	–

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

	Notes	**Number of shares in issue**	**Share capital**
			RMB'000
At 27 February 2018 (date of incorporation), at 31 December 2018 and 1 January 2019	*(a)*	10,000	–
Capitalisation issue of shares	*(b)*	749,990,000	6,598
Issue of shares on 28 June 2019	*(c)*	250,000,000	2,199
At 31 December 2019		1,000,000,000	8,797

(a) As at 31 December 2018, the issued share capital of the Company is HK$100 with 10,000 shares of HK$0.01 each.

(b) On 28 June 2019 the Directors were authorised to capitalise an amount of HK$7,499,900 (equivalent to RMB6,598,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 749,990,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

(c) In connection with the Company's initial public offering, 250,000,000 shares of HK$0.01 each were issued at a price of HK$0.52 per share for a total cash consideration, before expenses, of approximately HK$130,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established and active outbound travel products and service provider in the PRC, with a particular focus in Japan bound package tours and day tours and related free and independent traveler products (the "**FIT Products**"). During the Year, the Group is principally engaged in the followings:

– the design, development and sales of outbound travel package tours and day tours;

– the design, development and sales of FIT Products. Our FIT Products include flight-only booking, hotel-only booking and flight-plus-hotel packages;

– the provision of visa application processing service, including but not limited to, issuance of letters of invitation;

– the provision of other ancilliary travel-related products and services such as stand-alone issuance of letters of invitation, car-rental services, airport transportation, railway tickets and pocket Wi-Fi rental, etc.; and

– the operation of self-owned Shuzenji Onsen Hotel Takitei (the "**Shizuoka Hotel**") and Hotel Comfact (the "**Tokyo Hotel**") in Japan (collectively, the "**Hotel Operation**").

For the Year, the Profit and the Adjusted Profit amounted to approximately RMB25.6 million and approximately RMB33.5 million, respectively. As compared to the corresponding period in 2018, both the Profit and the Adjusted Profit had significantly increased by approximately RMB18.6 million or 266.2% and approximately RMB10.9 million or 48.5%, respectively. Such increase was mainly driven by an increase in gross profit the package tours and day tours.

The Group's revenue and gross profit from various operating segments for the year are set out as follows:

	For the year ended 31 December							
	2019				2018			
	Revenue	**Percentage of revenue**	**Gross profit**	**Gross profit margin**	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	***%***	***RMB'000***	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Sales of package tours and day tours	**174,581**	**74.7**	**33,284**	**19.1**	162,767	79.4	15,298	9.4
Hotel Operation	**31,707**	**13.6**	**4,295**	**13.5**	12,801	6.2	4,669	36.5
Margin income from the provision of visa application processing service	**12,492**	**5.3**	**12,492**	**N/A (Note)**	13,345	6.5	13,345	N/A (Note)
Margin income from sales of FIT Products	**12,422**	**5.3**	**12,422**	**N/A (Note)**	13,825	6.7	13,825	N/A (Note)
Other income from sales of ancillary travel related products and provision of services	**2,601**	**1.1**	**2,442**	**93.9**	2,313	1.2	1,849	79.9
	233,803	**100.0**	**64,935**	**27.8**	205,051	100.0	48,986	23.9

Note: The calculation of gross profit margin is not applicable for our margin income from the provision of visa application processing service and margin income from sales of FIT Products because the respective revenue is recognised on a net basis.

Sales of package tours and day tours

Revenue from sales of package tours and day tours mainly represents the fee received from customers for the package tours and day tours. During the Year, the Group primarily provided package tours and day tours bound to Japan. The main source of the Group's revenue was derived from sales of package tours and day tours, which contributed 74.7% (2018: 79.4%) to the total revenue of the Group during the year ended 31 December 2019.

The following table sets forth a breakdown of sales of package tours and day tours by destinations:

	For the year ended 31 December							
	2019				2018			
	Revenue	**Percentage of revenue**	**Gross profit**	**Gross profit margin**	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	***%***	***RMB'000***	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Sales of package tours								
Japan								
– Package	**110,599**	**63.4**	**15,453**	**14.0**	114,317	70.2	5,883	5.1
– Commissions	**6,061**	**3.4**	**5,508**	**90.9**	6,756	4.2	5,945	88.0
	116,660	**66.8**	**20,962**		121,073	74.4	11,828	
Australia & New Zealand	**3,108**	**1.8**	**233**	**7.5**	8,262	5.1	702	8.5
South Korea & Southeast Asia	**6,845**	**3.9**	**758**	**11.1**	21,516	13.2	432	2.0
Others	**4,889**	**2.8**	**145**	**3.0**	5,342	3.3	704	13.2
	131,502	**75.3**	**22,098**		156,193	96.0	13,666	
Sales of day tours								
Japan	**43,079**	**24.7**	**11,186**	**26.0**	6,574	4.0	1,632	24.8
	174,581	**100.0**	**33,284**		162,767	100.0	15,298	

The Group's package tours usually comprise flights, hotel accomodations, meals, transportation, sight-seeing as a bundled package and are accompanied by tour escorts from departure till return to the PRC. The Group's Japan-bound package tours and day tours remain the major sources of the total sales of the Group's package tours and day tours, excluding commssions, which contributed 63.4% and 24.7% (2018: 70.2% and 4.0%) to the total sales of the Group's package tours and day tours, respectively. The increase in sales of the Group's package tours was mainly driven by an increase in sales of the Group's Japan-bound package tours offset by the decrease in sales of package tours bound for Australia & New Zealand and South Korea & Southeast Asia. During the Year, the Group continued to streamline its travel routes bound for Australia & New Zealand and South Korea & Southeast Asia with lower profit margin and placed more focus on Japan-bound package tours. Despite the number of travellers for Japan-bound package tours decreased from approximately 22,000 from 2018 to approximately 19,000 in 2019, the average revenue per traveller increased as the Group focused on those travel routes in Japan with higher tour prices. As a result, gross profit margin of Japan-bound package tours increased from approximately 5.1% from 2018 to approximately 14.0% in 2019.

The Group commenced to develop and manage its day tour products in Japan since March 2017, which mainly target at travellers who are not package tours or FIT Products customers and have purchased air tickets/hotel accomodations separately but wish to participate in local day tours in Japan. The sales of day tours increased significantly from approximately RMB6.6 million in 2018 to approximately RMB43.1 million in 2019. The increase was driven by the increase in number of tours routes covering major tourist destinations in Japan and the day tour products are getting more and more popular. As a result, the number of travellers increased from approximately 23,000 in 2018 to approximately 161,000 in 2019. The gross profit margin also increased from 24.8% in 2018 to 26.0% in 2019.

Hotel operation

The Group's revenue from its Hotel Operation was derived from the Shizuoka Hotel and the Tokyo Hotel, which contibuted approximately 13.6% (2018: approximately 6.2%) to the total revenue of the Group in 2019. During 2019, the revenue from its Hotel Operation increased by approximately RMB18.9 million or 147.7% from approximately RMB12.8 million in 2018 to approximately RMB31.7 million in 2019. The significant increase was mainly driven by the commencement of operations of the Tokyo Hotel in October 2018. The gross profit margin of Hotel Operation decreased from approximately 36.5% in 2018 to approximately 13.5% for the Year was mainly attriutable to the Shizuoka Hotel operating with a lower gross margin as compared to 2018.

Margin income from the provision of visa application processing service

The Group provided visa processing services to customers and a majority of the margin income was derived from processing visa applications to Japan. Despite there was a increase in number of applicants from approximately 122,000 in 2018 to approximately 123,000 in 2019, the decrease in margin income was mainly attributable to the lower in gross margin.

Margin income from sales of FIT Products

FIT Products mainly comprise air tickets, hotel accomodation and flight-plus-hotel bundled packages. The Group's Japan-bound FIT Products remain the major source of the Group's margin income from the sales of FIT Products which contributed approximately 63.9% (2018: approximately 60.0%) to the total margin income from sales of FIT Products for the Period. The decrease in margin income was mainly attributable to the decrease in number of travellers for Japan-bound FIT Products from approximately 27,000 in 2018 to approximately 25,000 in 2019.

Other income from sales of ancillary travel related products and provision of services

The Group's ancillary travel-related products mainly include issuance of letters of invitation, sales of admission tickets to tourists attractions, local transportation and railway tickets, etc., which generally aimed to provide convenience to the customers. The increase in other income from sales of ancillary travel-related products and provision of services was mainly driven by the increase in Japan-bound travellers during the year ended 31 December 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB233.8 million and approximately RMB205.1 million for the year ended 31 December 2019 and 2018, respectively. The increase was mainly due to the increase in sales of package tours and day tours and income from Hotel Operation. Please refer to the discussion on the Group's revenue and gross profit in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

Cost of sales

The Group's cost of sales amounted to approximately RMB168.9 million and approximately RMB156.1 million for the year ended 31 December 2019 and 2018, respectively. Cost of sales mainly represented land operator, airfare, hotel accomodation, local transportation and Hotel Operation costs. The increase was mainly due to the increase in Hotel Operation income and sales of package tours and day tours in 2019 as compared to 2018.

Gross Profit

The Group's gross profit and gross profit margin amounted to approximately RMB64.9 million and 27.8% (2018: approximately RMB49.0 million and 23.9%) for the year ended 31 December 2019. The increase in gross profit and gross profit margin was mainly due to the increase in gross profit and gross profit margin from the sales of package tours and day tours in 2019 as compared to 2018. Please refer to the discussion on the Group's revenue and gross profit in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

Selling and distribution expenses

The Group's selling and distribution expenses remained stable at approximately RMB7.3 million for the year ended 31 December 2019 as compared to approximately RMB7.2 million for the year ended 31 December 2018.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB3.5 million from approximately RMB28.8 million in 2018 to approximately RMB25.3 million in 2019. The decrease was mainly attributable to the decrease in listing expenses of approximately RMB7.7 million, offset by the increase in staff costs, audit fee, other professional costs and transportation expenses by approximately RMB4.2 million as compared to 2018.

Income tax expenses

The Group's increase in income tax expenses by approximately RMB7.1 million was mainly attributable to the significant increase in profit before tax for the year. For the year ended 31 December 2019, the effective tax rate was 29.6% (2018: 34.4%).

Profit for the Year attributable to the owners of the Company

As a result of the foregoing, profit for the Period attributable to the owners of the Company was approximately RMB25.6 million as compared to the Group's net profit of approximately RMB7.0 million in 2018, representing an increase of approximately RMB18.6 million which was mainly driven by an increase in sales and gross profit of the package tours and day tours and decrease in administrative expenses for the year ended 31 December 2019 as compared to 2018.

Other comprehensive income for the Year

Other comprehensive income for the Year represented exchange differences on translation of foreign operations of approximately RMB2.2 million (2018: approximately RMB2.8 million) and exchange differences on translation of the Company's financial statements into presentation currency of approximately RMB1.8 million (2018: nil).

PROSPECTS

In 2019, along with the continuous development of China-Japan political and diplomatic relations, the Group continued to firmly develop its strategy with a commitment to creating a "one-stop Japanese tourism supplier" to deeply explore Japan's tourism destination resources and optimize its development strategy. The Group developed and provided products covering almost all aspects of tourism in Japan.

As a result of the outbreak of the novel coronavirus (the "**COVID-19**") in January 2020, the Company received notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020, pursuant to which the Group suspended its sales of outbound packaged tours and FIT Products on 25 January 2020, in order to facilitate better prevention and control of the COVID-19 epidemic in the PRC. Further on 6 March 2020, the Consulate General of Japan in Shanghai, the PRC has stopped accepting visa applications from applicants holding Chinese passports issued by Hubei Province or Zhejiang Province, the PRC, except in special circumstances. As such, the Group has suspended its visa application processing service. Notwithstanding the above, the Japan Hotel Operation, Japan duty free shops and Japan day tours of the Group are still operating as usual as at the date of this announcement.

Looking forward in 2020, the internal and external situation facing the PRC is bearing more complex and changeable. The development of the tourism industry will present new landscape. Reform and development will remain the main theme of the Group's work in 2020. The Group will focus more on tourist product development, service design, and new destination development to ensure that we provide customers with more diversified products and quality services, and create value for the shareholders as much as possible.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's current assets and current liabilities were approximately RMB135.7 million and approximately RMB39.5 million (2018: approximately RMB68.4 million and approximately RMB93.3 million), respectively. The Group's current ratio was 3.4 (2018: 0.7). The Group maintained cash and bank balances of approximately RMB56.1 million (2018: approximately RMB11.3 million), time deposits with original maturity of over three months of approximately RMB21.9 million (2018: nil) and pledged short-term deposits of approximately RMB1.7 million (2018: approximately RMB1.8 million).

As at 31 December 2019, the Company had 1,000,000,000 ordinary shares in issue. The Group adopts conservative treasury policies in cash and financial management. The Group's cash is generally placed as current deposits which are mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

INDEBTEDNESS

Interest-bearing bank borrowings

The Group's outstanding borrowings as at 31 December 2019 represented interest-bearing bank borrowings of approximately RMB59.2 million (2018: approximately RMB111.2 million).

Gearing ratio

The Group's gearing ratio as of 31 December 2019, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was approximately 23.6% (2018: approximately 92.0%).

Charge on Assets

As at 31 December 2019 and 2018, the Group's bank loan facilities are secured by:

(i) mortgages over the Group's buildings situated in Japan, which had aggregate net carrying values of approximately RMB15.6 million (2018: approximately RMB16.5 million) as at 31 December 2019; and mortgages over the Group's leasehold land and buildings situated in the PRC, which had aggregate net carrying values of approximately RMB20.6 million as at 31 December 2018;

(ii) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying values of RMB20.3 million as at 31 December 2018; and

(iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate net carrying value of approximately RMB50.1 million (2018: approximately RMB48.4 million) as at 31 December 2019.

Material Acquisition and Disposal

The Group had no material business acquisitions or disposal during the year ended 31 December 2019.

Contingent Liabilities

As at 31 December 2018 and 2019, the Group did not have any significant contingent liabilities.

Foreign currency risk

The Group has transactional currency exposures. The Group's revenue is principally received in RMB, whilst the costs for some of the travel elements, such as hotel accommodations and land operators, are settled in foreign currencies including Japanese Yen, Australian dollars and New Zealand dollars. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

DIVIDEND

As at 31 December 2018 and 2019, the Board did not declare the payment of a dividend.

CLOSURE OF REGISTER OF MEMBERS AND ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 27 May 2020 to 1 June 2020, both days inclusive. It is proposed that the annual general meeting (the "**AGM**") will be held on 1 June 2020. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, before 4:30 p.m. on 26 May 2020.

USE OF PROCEEDS

The net proceeds from the listing of shares of the Company (the "**Listing**") on the Stock Exchange were approximately RMB76.5 million (equivalent to approximately HK$88.0 million), which was based on the gross proceeds from the share offer ("**Share Offer**") less the actual expenses related to the Listing. Subsequent to the Listing and the announcement entitled "Change of use of proceeds" dated 21 February 2020 (the "**Announcement**"), these proceeds will be used for the purposes in accordance with the future plans as set out below:

Description	As disclosed in the Prospectus and subsequently adjusted in the Announcement (approximately) *HK$'000*	Percentage of net proceeds	Actual use of the proceeds during the Year (approximately) *HK$'000*	Unutilised amount as at 31 December 2019 (approximately) *HK$'000*
(i) Enhancing the Group's product portfolio by developing new products and services	1,760	2%	1,760	–
(ii) Purchasing tour buses and engaging third party tour bus operators	11,440	13%	11,440	–
(iii) Acquiring hospitality asset in Kyoto, Japan	17,600	20%	–	17,600
(iv) Investing in a travel agency company in Tokyo, Japan	17,600	20%	–	17,600
(v) Engaging more personnel in Japan	13,200	15%	13,200	–
(vi) General working capital	26,400	30%	8,800	17,600
	88,000	100%	35,200	52,800

Implementation plan as disclosed in the Prospectus and subsequently adjusted in the Announcement	Actual progress achieved up to the year ended 31 December 2019
(i) Enhancing the Group's product portfolio by developing new products and services	• Over 40 new day tours routes in Osaka, Tokyo and other areas in Japan were designed, developed and launched.
(ii) Purchasing tour buses and engaging third party tour bus operators	• Over 4 third-party tour bus operators situated in Osaka, Tokyo and other areas in Japan were engaged for tour bus services.
(iii) Acquiring hospitality asset in Kyoto, Japan	• The identification for the acquisition target is still on-going as at the date of this announcement.
(iv) Investing in a travel agency company in Tokyo, Japan	• The identification of the travel agency company is still on-going as at the date of this announcement.

(v) Engaging more personnel in Japan	•	Over 200 part-time tour guides were hired for the day tours in Osaka, Tokyo and other ares in Japan.

The Directors will constantly evaluate the Group's business objectives and will change or modify plan against the changing market condition to ascertain the business growth of the Group.

As at the date of this announcement, the Directors do not anticipate any change to the principle plan as to the use of proceeds.

Unutilised proceeds were deposited in licensed bank in Hong Kong.

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Share Option Scheme**") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 1 March 2019. The Share Option Scheme enables the Company to grant options to the Directors, the directors of the Group's subsidiaries and employees of any member of the Group and any other persons (including consultants or advisers) (the "**Eligible Participant**") as incentives or rewards for their contributions to the Group. The Board, at its absolution discretion and subject to the terms of the Scheme, shall be entitled, at any time within ten years commencing from the date the Share Option Scheme was adopted, to make an offer for the grant of an option to any Eligible Participant.

As at the date of this announcement, the total number of shares available for issue under the Share Option Scheme is 300,000,000 shares, representing 30% of the enlarged issued share capital of the Company. The maximum number of shares that may be granted by the Company to any one Eligible Participant shall not exceed 1% of the issued share capital of the Company from time to time.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "**Option**"), the Eligible Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a day on which trading of shares take place on the Stock Exchange (the "**Trading Day**");

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and

(iii) the nominal value of a Share on the date of grant, provided that in the event that any Option is proposed to be granted within a period of less than five Trading Dates, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue from the date of listing of the Shares on the Stock Exchange. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Further details of the share option scheme (the "**Share Option Scheme**") are set out in Appendix V to the prospectus of the Company dated 18 June 2019 (the "**Prospectus**"). Since the adoption of the Share Option Scheme and during the Year, no option has been granted, exercised, lapsed or cancelled, and as at 31 December 2019, no options under the Share Option Scheme were outstanding.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group has a total of 135 employees (2018: 150 employees) based in the PRC and 44 employees (31 December 2018: 52 employees) based in Japan. The Group's employees costs (excluding the Directors' emoluments) amounted to approximately RMB20.3 million (2018: approximately RMB18.0 million) for the year ended 31 December 2019. Compensation for the Group's employees typically consists of base salary, performance-based salary and bonus. The Group's employees may also be granted other allowances based on their positions. For different level of employees, different and specific performance evaluation is used. Employees' incentives and bonuses are calculated based on the evaluation results of their individual performance.

Pursuant to the applicable PRC laws and regulations, the Group are required to participate in various employee benefit plans, such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident funds for our employees.

A remuneration committee was established by the Company with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") has three members comprising three independent non-executive Directors, namely Mr. Gu Jiong (chairman), Mr. Zhao Jianbo and Ms. Zhou Li. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 to the Listing Rules (the "**Code Provisions**").

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group, auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management and the external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance, which is reviewed and strengthened from time to time. The Company's corporate governance practices are based on the principles and Code Provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company's corporate governance practices have complied with the Code Provisions set out in the CG Code throughout the Period from the Listing Date to 31 December 2019, except for the deviation from code provisions A.1.1 and A.2.1 of the Code as explained below.

Code Provision A.1.1

Provision A.1.1 of the CG Code stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals.

As the Company was not listed on the Stock Exchange until the Listing Date, the CG Code set out in Appendix 14 to the Listing Rules was not applicable to the Company for the full year from 1 January 2019 to 31 December 2019, but only from the Listing Date to 31 December 2019 (the "**Review Period**"). During the Review Period, only one regular board meeting was held to review and discuss the interim results. The Company is obliged to comply with the CG Code and will take appropriate arrangements for holding at least four Board meetings, two Audit Committee meetings as well as a meeting between the Chairman and the independent non-executive Directors without the presence of other Directors in the forthcoming year.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" which is deviated from the code provision A.2.1 of the CG Code.

Mr. Yu Dingxin, who acts as the Chairman and an executive Director of the Company since 27 February 2018, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding secruities transactions by the Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed, that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the period from the Listing Date to 31 December 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the Listing Date to 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

EVENTS AFTER 31 DECEMBER 2019

As a result of the outbreak of COVID-19 in January 2020, the Company received notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020, pursuant to which the Group suspended its sales of outbound packaged tours and FIT Products on 25 January 2020, in order to facilitate better prevention and control of the COVID-19 epidemic in the PRC. Further on 6 March 2020, the Consulate General of Japan in Shanghai, the PRC has stopped accepting visa applications from applicants holding Chinese passports issued by Hubei Province or Zhejiang Province, the PRC, except in special circumstances. As such, the Group has suspended its visa application processing service. Notwithstanding the above, the Japan Hotel Operation, Japan duty free shops and Japan day tours of the Group are still operating as usual as at the date of this announcement.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

Given the dynamic nature of the abovementioned circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY 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 of the Company and approved by the Board.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

By Order of the Board
Tu Yi Holding Company Limited
Yu Dingxin
Chairman and executive Director

Hangzhou, The PRC, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Yu Dingxin (chairman), Mr. Pan Wei, Mr. Xu Jiong, Mr. An Jiajin and Mr. Peng Ying as executive Directors; and Mr. Gu Jiong, Mr. Zhao Jianbo and Ms. Zhou Li as independent non-executive Directors.