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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, 2020**

The Board announces the consolidated results of the Group for the year ended December 31, 2020 (the “**Reporting Period**”) with the comparative figures for the year ended December 31, 2019.

**KEY HIGHLIGHTS**

For the year ended December 31, 2020:

- Revenue decreased by approximately 45.5% year-to-year to RMB295.1 million from RMB541.8 million in 2019. The decrease in revenue was mainly due to the significant decrease in online tour guides through OTAs. However, the business of sale of customized content grew rapidly and the revenue significantly increased by approximately 49.9% compared to 2019 from approximately RMB8.7 million in 2019 to approximately RMB13.0 million in 2020.
- Loss for the year amounted to approximately RMB100.6 million compared to the profit for the year of 2019 of approximately RMB160.8 million.
- Excluding listing expenses, our adjusted loss for the year (a non-GAAP measure) amounted to approximately RMB61.1 million compared to adjusted profit of approximately RMB178.8 million recorded for the year of 2019.
- Number of coverage for online tour guides increased from 19,493 for the year ended December 31, 2019 to 26,052 for the year ended December 31, 2020, among which the number of tourist attractions covered in China increased from 11,238 for the year ended December 31, 2019 to 14,229 for the year ended December 31, 2020.

## 1. Financial summary

	Year ended December 31,		Year-to-year change
	2020 (RMB'000)	2019 (RMB'000)	
Revenue	<b>295,051</b>	541,813	(45.5)%
Gross profit	<b>74,678</b>	232,382	(67.9)%
(Loss)/Profit before tax	<b>(98,844)</b>	171,363	(157.7)%
(Loss)/Profit for the year	<b>(100,647)</b>	160,784	(162.6)%
Net (loss)/profit margin	<b>(34.1)%</b>	29.7%	(63.8) percentage points
(Loss)/Profit for the year excluding listing expenses*	<b>(61,086)</b>	178,796	(134.2)%
Net (loss)/profit margin excluding listing expenses*	<b>(20.7)%</b>	33.0%	(53.7) percentage points

\* Non-GAAP measure

## 2. Operating metrics

	Year ended December 31,		Change (number)
	2020	2019	
Online tour guides developed	<b>26,052</b>	19,493	6,559
Tourist attractions covered in China	<b>14,229</b>	11,238	2,991

## BUSINESS REVIEW AND OUTLOOK

The outbreak of COVID-19 has severely affected the economy in China and the world. The outbreak has become a global pandemic as the number of global infections increased continuously during the Reporting Period. Cities across China and the whole world were locked down and the restriction for social distance was introduced during the Reporting Period. The consumption and tourism industry were basically stalled and halted in the first half of the Reporting Period with significant decrease in travel demand of consumers, resulting in the hardest hit to the tourism industry in decades.

The Chinese government responded rapidly to the pandemic in early 2020 by implementing personnel isolation, crowd control and public health measures. Our business thus was severely affected in the first half of the Reporting Period due to the significant decrease in travel demand. Fortunately, with the pandemic being gradually controlled, the easing of crowd control, recovery of domestic tourism market and industry confidence, and the increase in domestic tourism reception scale since the second quarter, our domestic tourism business has also resumed growth. However, based on the requirements of pandemic prevention and control, tourist attractions in China were still implementing passenger flow control and some consumers were still vigilant to travel. In addition, our overseas online tour guide business has been under pressure due to the severe condition of overseas pandemic prevention and control, partially offsetting the growth brought by the recovery of domestic tourism industry. Therefore, our revenue and results both experienced an overall decline during the Reporting Period.

Despite the above, we still endeavored to capture the tourism recovery opportunities by continuously increasing the coverage of our tourist attractions, optimizing and upgrading the production of online tour guides of tourist attractions in China. In the stage of regular epidemic prevention and control, consumers' demand for short-distance travel in peripheral regions was rising rapidly, therefore we strategically increased the coverage of suburban tourist attractions in domestic cities to actively capture the opportunities brought by the recovery of domestic tourism industry and meet the diverse travel demand of consumers. As at December 31, 2020, we had developed 26,052 online tour guides covering tourist attractions in China and overseas, representing an increase of 6,559 from 19,493 online tour guides developed as at December 31, 2019.

We have been continuously strengthening cooperation with tourist attractions by assisting tourist attractions in VR and AI tour guides and establishing a mobile phone tour and a big tourism data platform to improve the comprehensive service and operation platform of all-rounded tourism. In addition, we have been continuously upgrading our technology to create a smart tourism service integrating "hardware terminal + software development + platform construction + data operation + creative planning + destination tourism + security control" based on the online tour guide platform.

In relation to our SaaS business, we built a one-stop smart tourism ecological platform with smart management, smart marketing and smart service as the core, connecting consumers' dining, accommodation, transportation, entertainment, shopping and other supporting consumer service facilities to help tourist attractions arrange reservation through code scanning, ticket reservation and rapid construction of high-internet-traffic platforms and e-commerce channels, resulting in the realization of digital upgrade.

During the Reporting Period, we participated in the establishment of Chongqing Chengyu Baijing Fund (as defined below) through a subscription of RMB30.0 million as a limited partner, representing 10.0% of the total capital contribution of Chongqing Chengyu Baijing Fund. Formation of Chongqing Chengyu Baijing Fund enables us to rely on the manager's rich investment experiences and strong ability of consolidating industry resources, further develop a cooperation model combining industries and capital, and support extended growth with both internal and external drivers. Chongqing Chengyu Baijing Fund intends to invest in enterprises that focuses on pan-cultural entertainment, tourism, consumption, education and related projects and its upstream and downstream industries, which is highly relevant to our business. We believe that the investment to be made by Chongqing Chengyu Baijing Fund will generate business development synergy to our Group. On December 15, 2020, the Company contributed RMB15.0 million out of the total subscribed capital contribution of RMB30.0 million into Chongqing Chengyu Baijing Fund. The term of Chongqing Chengyu Baijing Fund shall be seven years commencing from the date of establishment and no longer than ten years if there is any extension. As of December 31, 2020, the investment fund filling and registration is still subject to approval by relevant authorities.

## **Results Highlights**

During the Reporting Period, as the revenue of online tour guides decreased significantly due to the shrinking demand for travel caused by the outbreak of COVID-19, our total revenue decreased by approximately 45.5% from RMB541.8 million for the year ended December 31, 2019 to RMB295.1 million for the year ended December 31, 2020; with factors such as the increase in the amortization of intangible assets, gross profit margin decreased from approximately 42.9% as at December 31, 2019 to approximately 25.3% as at December 31, 2020; due to the implementation of social distance measures and cross-border restrictions in most of the tourist attractions around the globe, the revenue from overseas online tour guides significantly decreased, therefore the corresponding intangible assets recorded a one-time non-cash impairment and provision of approximately RMB70.4 million (2019: nil). Loss during the Reporting Period amounted to RMB100.6 million compared to the profit for the year ended December 31, 2019 of RMB160.8 million.

During the Reporting Period, we further consolidated our market leading position of online tour guides by continuously investing research and development resources and increasing the coverage of tourist attractions. The number of online tour guides developed by us and the number of tourist attractions covered by our online tour guides increased. The number of online tour guides increased from 19,493 as at December 31, 2019 to 26,052 as at December 31, 2020 while the number of tourist attractions in China covered by our online tour guides increased from 11,238 as at December 31, 2019 to 14,229 as at December 31, 2020.

With industry-leading technological advantages and outstanding product performance, we were one of the 56 Chinese enterprises on the “Forbes Best Under A Billion List in Asia For 2020” in August 2020, and were awarded the title of excellent supplier for smart tourism system of tourist attractions in 2020 World Cultural & Tourism Industry Expo by the China Tourist Attractions Association and the Organizing Committee of World Cultural & Tourism Industry Expo.

## **Business Review**

Despite the impact of the pandemic on our business, we further consolidated our leading position in China’s online tour guide industry. During the Reporting Period, we continued to increase the number of tourist attractions covered by tour guides and increased in-depth cooperation with local culture and tourism bureaus by focusing on schemes of all-round tourism and smart tourist attractions to help the recovery and development of the tourism market. At the same time, we have been using new technologies and investing in research and development resources to enhance the production capacity of online tour guide and customized content, expand marketing channels, so as to continue to maintain our market leadership.

### **The number of tourist attractions covered continued to increase and the content of tour guides was multi-dimensionally optimized**

During the Reporting Period, we increased the number of tourist attractions covered in China. The types of tourist attractions for which we provide online tour guides include landscape, historical sites, cities, theme parks, zoos and botanical gardens, etc. In particular, as at December 31, 2020, our online tour guides covered 279 AAAAA tourist attractions, 2,343 AAAA tourist attractions, 1,724 AAA tourist attractions.

In addition to a wide coverage of tourist attractions, we have been continuously optimizing the original content of tour guides. Specifically, we carried out multi-dimensional technological innovation on online tour guides, including creative radio drama, audio production for tour guides, video editing, animation, 3D scene and sticker design; we upgraded the content of articles, strengthened the content of cultural tourism, explored and enhanced the cultural connotation of tourist attractions to display the cultural essence from multiple angles and strengthen the construction of the content of tourist attractions; we expanded the sharing of practical and personalized content from single tourist attraction explanation mode to sharing and recommendation of multiple content to realize the transformation of creative characters and perspectives; we upgraded audio-visual module and integrated video animation with the cultural knowledge of tourist attractions to enrich the display form of tourist attractions; we enriched drawing style and created 3D hand-painted maps to intuitively display the panorama of tourist attractions and provide more interesting content for users to enhance the tourism experience.

## **Continuous development of all-rounded tourism and smart tourist attractions management service system**

We established in-depth cooperation with the culture and tourism bureaus across China, aiming to change the service mode of the tourism industry and consumers' way of travelling. The all-rounded tour guide system we built contains high-definition exquisite hand-painted maps, which, combined with "location-based service" (LBS) precise positioning and local characteristics, comprehensively presents the information of tourist attractions, food recommendation, tourist center, parking lot, accommodation to provide consumers with all-round travel assurance and makes it easy for consumers to realize smart and convenient travel. We are also working with AutoNavi to create the "Future Tourist Attractions" project, aiming to satisfy the personalized service needs of consumers through digital transformation and upgrading. Consumers only need one mobile phone to enjoy the whole smart travel service of "before, during and after the tour".

We developed a smart tourist attractions management service system to assist management departments of the government in efficient management and reasonable deployment of local tourism resources in the form of big data center, command center, Internet portal, etc. For example, in the tourist attractions operation service, the system can perform passenger flow monitoring, heat map analysis, intelligent terminal management, artificial intelligence learning, which could analyze tourists' consumption habits, provide data reference for the management of tourist attractions resulting in the digital upgrading of tourist attractions. During the Reporting Period, we successfully delivered several key projects of smart tourist attractions management service system. The revenue from sale of customized content increased by approximately 49.9% on a year-on-year basis from approximately RMB8.7 million for the year ended December 31, 2019 to approximately RMB13.0 million for the year ended December 31, 2020.

In addition, in order to improve the digital marketing and detailed operation service of tourist attractions, we also developed SaaS system "Lvji Travel Tool" to help tourist attractions enhance their digital operation ability, diversify the options for consumers' returning purchase, construct private internet traffic pool system in tourist attractions, provide solutions for smart tourist attractions and facilitate the digitization of tourist attractions, creating a extensive application prospect for China's action plan on "tourism industry + Internet".

## **Applying innovative technology and diversified channels**

As a technology-driven company, we always insist on the application of innovative technology to the cooperative tourist attractions, using VR and other innovative technologies combined with online tour guides to provide consumers experience not only the sensory effect of visual impact but also seamless switching of pictures perfectly. “Lvji VR” has functions such as 720 panoramic VR, VR panoramic live broadcast, VR comic live broadcast and VR video documentary filming. We have core technology for autonomous data collection, panoramic pictures, panoramic views, video synthesis, VR playback and live broadcast and post-processing synthesis technology capabilities to provide static, dynamic, online comprehensive VR solution capabilities to enable us to provide higher quality services for the tourism market at the stage of epidemic normalization prevention and control. During the Reporting Period, “Lvji VR” has finished the delivery of projects such as Xijiang Thousand Household Miao Village of Guizhou Province, Guilin Tourism University of Guangxi Province and all-round Luoning County of Henan Province, and carried out VR live broadcast for trails of “Hanfu super model competition” in south China and the ninth opening ceremony of Shawan Town together with tourist attractions of Guangzhou Baomo Garden and Shawan Town in 2020.

Combined with the current popular innovative sales mode, we increased the offline market layout and expansion of sale of online tour guides. During the Reporting Period, we negotiated with a number of well-known tourism groups, local travel agencies and large organizations and developed innovative sales and marketing strategies, including projects such as live broadcasting promotions, “reservation + ticketing” initiatives, SaaS sales model, which has enriched the diversity of channels.

## **Business Outlook and Strategies**

The outbreak of COVID-19 has greatly changed the industrial structure of domestic tourism market. The pandemic has promoted the development of tourism industry in terms of smart tourism. “Virtual reality”, “smart tour guide” and “data monitoring” have become the basic requirements for tourist attractions to promote the construction of smart tourism. In the stage of regular epidemic prevention and control, the Chinese government has also launched a number of measures to stimulate domestic consumption, resulting in the accelerated recovery of the tourism market. At the same time, the increasing demand of consumers for contactless tourism, reserved tour and peripheral tour have been promoting the continuous improvement of digital facilities in tourist attractions and thus continuously improves the tourism experience of consumers. We believe that we are well-positioned to capture the recovery of tourism industry and the opportunity of popularization of smart tourism to resume the growth within a short period of time with our core competitive advantages on continuous technological innovations and strategic cooperation with OTAs. We will continue to focus on our core strategy in combination with the enterprise positioning of “China’s leading culture and tourism industry chain service platform”, maintain our leading position in online tour guide market, reduce costs and increase efficiency. We are confident to capture the opportunity of recovery, continue to lead the development of online tour guide industry, and gradually build a service platform for the whole industry chain of culture and tourism. We believe that we will develop into a stronger enterprise in the future after going through the difficulties in 2020.



In the long run, we believe that tourism will continue to develop rapidly benefiting from the continuous increase in the number of Chinese middle class and upgrading consumption. With the further increase in the support for “Internet + Tourism” in China and the advocacy of the government to develop high-quality development of tourism with the help of technological innovation, it is expected that the online penetration of online tourism products will increase continuously, and the digital development of China’s tourism will accelerate and generate considerable potential for growth. Local governments are expected to make continuous efforts in smart travel, safe travel, contactless services and other aspects to accelerate the return of tourism economy to the track of rapid development.

In the future, we will strive to build an industry chain of culture and tourism service platform to continue to strengthen our leadership market position. Specifically, we will continuously optimize tour guide products, enrich the content of tour guides, cultivate 3D painters, and upgrade 3D hand-painted maps combined with AR and AI technology to make the interactive experience of consumers more interesting; pay close attention to the latest development of overseas epidemic and outbound tourism, and adjust our overseas online tour guide business strategy accordingly; optimize the “Lvji Mobile Tour” and build three systems of comprehensive management, comprehensive operation and comprehensive service according to the demand of digital upgrading of the tourist attractions to enhance the operation innovation ability and second sale revenue ability, and thus promote the long-term development of the tourist attractions; focus on the establishment of all-rounded tourism demonstration districts and counties and optimize the demonstrative all-rounded labelling system and tourist transport center system with the goal of building a national all-rounded tourism demonstration area to construct a trinity of “provinces and cities, regions and tourist attractions” all-rounded tourism big data comprehensive service platform; continue to upgrade SaaS business, build a multi-terminal and multi-channel one-stop smart tourism ecological platform, connecting consumers’ “dining, accommodation, transportation, entertainment, and shopping” and other supporting consumer service facilities, so that the tourist attractions can realize smart management, smart marketing and smart services.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Year ended December 31, 2020 compared to Year ended December 31, 2019

#### 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 cultural sites. The following table sets forth a breakdown of our revenue for the years indicated:

	Year ended December 31,	
	2020	2019
	(RMB'000)	(RMB'000)
Sale of online tour guides through OTAs	281,694	522,185
Sale of online tour guides to travel agencies	99	10,276
Sale of online tour guides through Lvji APP	256	680
Sale of customized content	13,002	8,672
<b>Total revenue</b>	<b>295,051</b>	<b>541,813</b>

#### *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 2020. 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.

We generated the majority of our revenue from the sale of our online tour guides through OTAs, which accounted for approximately 95.5% of our total revenue in 2020. The number of OTAs we cooperated with increased from 27 in 2019 to 34 in 2020. Revenue from the sale of online tour guides through OTAs decreased by approximately 46.1% from RMB522.2 million in 2019 to approximately RMB281.7 million in 2020. The decrease was primarily due to the decrease in demand for online tour guides purchased through OTAs as a result of the outbreak of COVID-19. 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 78 in 2019 to 85 in 2020. Revenue from sale of online tour guides to travel agencies decreased by approximately 99.0% from RMB10.3 million in 2019 to RMB0.1 million in 2020. The decrease was mainly attributable to the decrease in demand for online tour guides purchased through travel agencies as a result of the outbreak of COVID-19.

#### *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 1,823,271 in 2019 to 2,119,802 in 2020. Revenue from sale of online tour guides through our Lvji APP decreased by approximately 62.4% from RMB0.7 million in 2019 to RMB0.3 million in 2020. The decrease was mainly driven by the decrease in demand for travelling and thus the drop 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, cultural sites. 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 cultural sites 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 cultural sites 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 with customized online tour guide contents increased from 568 in 2019 to 661 in 2020. Revenue from sale of customized content significantly increased by approximately 49.9% from RMB8.7 million in 2019 to RMB13.0 million in 2020. The increase was mainly attributable to the increase in digital and technical demand of tourist attractions of which we provided customized online tour guide contents as a result of the 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 decreased by approximately 28.8% from RMB309.4 million in 2019 to RMB220.4 million in 2020. The decrease was mainly due to the decrease in the concession fees retained by OTAs as a result of the decrease in sale of online tour guides through OTAs.

### **Gross Profit**

As a result of the foregoing, our gross profit decreased by approximately 67.9% from approximately RMB232.4 million in 2019 to approximately RMB74.7 million in 2020 on a year-to-year basis. Our gross profit margin decreased from approximately 42.9% in 2019 to 25.3% in 2020, which was mainly due to (i) the decrease in revenue from sale of online tour guides through OTAs; and (ii) the increase in amortization of intangible assets as a result of the increase in the number of developed online tour guides.

## **Other Income and Gains**

Other income and gains decreased by approximately 33.4% from RMB14.9 million in 2019 to RMB9.9 million in 2020. The decrease was mainly due to (i) the decrease in VAT refund; and (ii) the exchange loss recorded in 2020.

## **Selling and Distribution Expenses**

Selling and distribution expenses increased by approximately 47.5% from RMB26.6 million in 2019 to RMB39.3 million in 2020. The increase was mainly due to (i) the increase in employee payroll and welfare expenses resulting from the increase in the number of headcount; (ii) the increase in advertising expense as a result of promotion service of offline tourist attractions; and (iii) the increase in the expense of online internet traffic to make our online tour guide products known to more people and prepare for the performance rebound after the end of the epidemic.

## **Administrative Expenses**

Administrative expenses increased by approximately 49.2% from RMB48.8 million in 2019 to RMB72.8 million in 2020. The increase was mainly due to (i) the increase in listing expense; and (ii) the increase in research and development cost.

## **Other Expenses**

Other expenses mainly include impairment loss of intangible assets and other miscellaneous expenses. Other expenses increased from RMB0.5 million in 2019 to RMB71.0 million in 2020. The increase was mainly due to the impairment loss of other intangible assets of approximately RMB70.4 million which was appraised by an independent professional valuer. The valuation was conducted on a value in use basis, with general assumptions including the projected business of the Company will be carried out accordingly and could be achieved with the effort of the Company's management.

## **Income Tax**

We recorded an income tax expense of RMB1.8 million in 2020 compared to approximately RMB10.6 million in 2019, which was mainly due to the decrease in taxable income.

## **(Loss)/Profit for the Year**

Profit for the year decreased by approximately 162.6% year-to-year to loss of RMB100.6 million in 2020 from profit of RMB160.8 million in 2019. Net profit margin decreased from approximately 29.7% in 2019 to net loss margin of 34.1% in 2020. Excluding listing expenses, our adjusted (loss)/profit for the year (a non-GAAP measure) decreased by approximately 134.2% year-to-year to loss of RMB61.1 million in 2020 from profit of RMB178.8 million in 2019. Our adjusted net profit margin (a non-GAAP measure) decreased from approximately 33.0% in 2019 to adjusted net loss margin of 20.7% in 2020. The decrease in our adjusted net profit margin was mainly due to the decrease in gross profit margin, and impairment and provision of intangible assets as a result of decrease in income.

## **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 2020. 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, 2020, we had cash and cash equivalents of approximately RMB516.4 million (2019: RMB77.3 million), net current assets of approximately RMB532.3 million (2019: RMB101.1 million) and total equity of approximately RMB1,140.4 million (2019: RMB664.7 million). Our current ratio was approximately 10.75 times as of December 31, 2020 (2019: 2.76 times). The increase in our cash and cash equivalents, net current assets and current ratio was mainly due to the net proceeds from the Global Offering. We had no bank borrowings as of December 31, 2020 (2019: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (2019: not applicable). Our cash and cash equivalents are denominated in RMB, Hong Kong dollars and US dollars.

### **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. Property, plant and equipment increased by approximately RMB16,000 or 0.4%, which was mainly due to new purchases and partially offset by depreciation during the Reporting Period.

Other intangible assets comprise copyrights and computer software and are amortized over its expected useful life. Other intangible assets increased by approximately RMB33.9 million or 6.1%, which was mainly due to an increase in the number of tourist attractions we covered and the number of online tour guides we developed in 2020; which was partially net off by (i) the amortization of intangible assets of approximately RMB75.3 million; and (ii) the impairment and provision of intangible assets recognized of approximately RMB70.4 million.

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

Save for the investment in a limited partnership as disclosed under the section headed “Future Plans for Material Investments and Capital Assets” below, we did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures in 2020.

### **Future Plans for Material Investments and Capital Assets**

As stated in the Prospectus, approximately 3.5% (approximately HK\$20.3 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\$116.0 million) of the net proceeds from the Listing is intended to be 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.

As at December 31, 2020, the increase in financial assets at fair value through profit or loss amounted to approximately RMB15.0 million, which was mainly due to the new investment in fund. On December 15, 2020, Lvji Technology contributed RMB15.0 million, representing 50.00% of its total subscribed capital contribution, into Chongqing Chengyu Baijing Cultural Industry Equity Investment Fund Partnership (Limited Partnership)\* (重慶成渝百景文化產業股權投資基金合夥企業(有限合夥)) (“**Chongqing Chengyu Baijing Fund**”) a limited partnership where Lvji Technology acts as a limited partner, pursuant to the limited partnership agreement with Chongqing Baina Shengjing Equity Investment Fund Management Co., Ltd.\* (重慶百納盛景股權投資基金管理有限公司), Chongqing Science City Investment Holding Co., Ltd.\* (重慶科學城投資控股有限公司) (previously known as Chongqing Gaoyi Investment Development Co., Ltd.\* (重慶高益投資發展有限公司)), Beijing Hualu Baina Film and Television Co., Ltd.\* (北京華錄百納影視股份有限公司), Chengdu Tianfu No. 1 Cultural and Creative Industry Development Equity Investment Fund Partnership (Limited Partnership)\* (成都市天府壹號文創產業發展股權投資基金合夥企業(有限合夥)), and Huaifang Shengau Investment Center (Limited Partnership)\* (淮坊盛奧投資中心(有限合夥)). As at December 31, 2020, the fund was in the stage of planning for establishment and still in the process of filing with Asset Management Association of China.

Save as disclosed in the Prospectus and the announcement of investment in a limited partnership published on December 15, 2020, there is no other plans for material investments and capital assets as at the date of this announcement.

### **Employee and Remuneration Policies**

As of December 31, 2020, we had a total of 248 full-time employees (2019: 200). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The Company has adopted the Share Option Scheme as an incentive to the employees, Directors and other eligible participants. Further details of which are described in the subsection headed “Statutory and General Information – D. Other Information – 1. Share Option Scheme” in Appendix IV to the Prospectus. As of December 31, 2020, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

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.

We founded a labor union in October 2020 to provide employees with a wealth of recreational and collective welfare activities. We believe that it helps us to maintain a good working relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations in 2020.

### **Contingent Liabilities**

The Group did not have any material contingent liabilities as at December 31, 2020.

### **Charge on Assets**

As at December 31, 2020, the Group had a pledged deposit of RMB0.4 million (2019: RMB0.4 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, 2020

	Notes	2020 (RMB'000)	2019 (RMB'000)
<b>REVENUE</b>	4	<b>295,051</b>	541,813
Cost of sales		<u>(220,373)</u>	<u>(309,431)</u>
<b>Gross profit</b>		<b>74,678</b>	232,382
Other income and gains	4	<b>9,929</b>	14,906
Selling and distribution expenses		<b>(39,273)</b>	(26,618)
Administrative expenses		<b>(72,822)</b>	(48,793)
Other expenses	6	<b>(71,018)</b>	(464)
Finance costs	7	<u><b>(338)</b></u>	<u>(50)</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	5	<b>(98,844)</b>	171,363
Income tax expense	8	<u><b>(1,803)</b></u>	<u>(10,579)</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<u><b>(100,647)</b></u>	<u>160,784</u>
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the parent		<u><b>(100,647)</b></u>	<u>160,784</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic and diluted (RMB)		<u><b>(0.07)</b></u>	<u>0.15</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	2020 (RMB'000)	2019 (RMB'000)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b><u>(100,647)</u></b>	<b><u>160,784</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>OTHER COMPREHENSIVE (LOSS)/INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Exchange differences on translation of financial statements	<u>(22,210)</u>	<u>408</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(22,210)	408
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u>(22,210)</u>	<u>408</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b><u>(122,857)</u></b>	<b><u>161,192</u></b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>		
Owners of the parent	<u>(122,857)</u>	<u>161,192</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020

	Notes	2020 (RMB'000)	2019 (RMB'000)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,780	3,764
Other intangible assets	11	588,384	554,444
Right-of-use assets		4,973	5,201
Financial assets at fair value through profit or loss	12	15,000	–
Other non-current assets	13	–	5,000
Total non-current assets		<u>612,137</u>	<u>568,409</u>
<b>CURRENT ASSETS</b>			
Trade receivables	14	20,497	47,488
Prepayments, deposits and other receivables	15	49,571	33,228
Amounts due from a related party	22(c)	80	–
Pledged deposit	16	350	350
Cash and cash equivalents	16	516,385	77,323
Total current assets		<u>586,883</u>	<u>158,389</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	17	2,578	11,269
Other payables and accruals	18	15,002	17,529
Contract liabilities	19	2,712	2,780
Deferred income	20	2,031	549
Tax payable		29,618	23,508
Lease liabilities		2,634	1,686
Total current liabilities		<u>54,575</u>	<u>57,321</u>
<b>NET CURRENT ASSETS</b>		<u>532,308</u>	<u>101,068</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,144,445</u>	<u>669,477</u>

	<i>Notes</i>	<b>2020</b> <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	<i>20</i>	<b>1,481</b>	1,343
Lease liabilities		<u><b>2,547</b></u>	<u>3,448</u>
Total non-current liabilities		<u><b>4,028</b></u>	<u>4,791</u>
<b>Net assets</b>		<u><b>1,140,417</b></u>	<u>664,686</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>21</i>	<b>100,648</b>	758
Reserves		<u><b>1,039,769</b></u>	<u>663,928</u>
<b>Total equity</b>		<u><b>1,140,417</b></u>	<u>664,686</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 guide in the People’s Republic of China (the “**PRC**” or “**Mainland China**”). In the opinion of the directors of the Company, the ultimate controlling shareholder of the Group is Mr. Zang Weizhong (“**Mr. Zang**”), the Chairman and the Chief Executive Officer.

#### Information about subsidiaries

As at the date of this announcement, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Zhonghexin Technology Holdings Limited	British Virgin Islands November 13, 2018	–	100%	–	Investment holding
Zitop Technology Holdings Limited	Hong Kong November 19, 2018	HKD10,000	–	100%	Investment holding
Guangzhou Zhixin Information Consultancy Limited * 廣州智鑫信息諮詢有限公司(i)	PRC/Mainland China December 21, 2018	RMB300,000,000	–	100%	Investment holding
Lvji Technology Group Company Limited * 驢跡科技集團有限公司(ii) (iii)	PRC/Mainland China December 14, 2013	RMB128,272,396	–	100%	Sale of online tour guide
Huoer Guosi Lvji Software Technology Limited * 霍爾果斯驢跡軟件科技 有限公司(ii)	PRC/Mainland China May 31, 2017	RMB1,000,000	–	100%	Sale of online tour guide

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Lvji International Travel Agency Limited * 廣州驢跡國際旅行社有限公司(ii)	PRC/Mainland China January 31, 2018	RMB1,000,000	–	100%	Sale of online tour guide
Guangxi Lvji Software Technology Limited * 廣西驢跡軟件科技有限公司(ii)	PRC/Mainland China September 21, 2018	RMB1,000,000	–	100%	Sale of customized content
Huoer Guosi Yuantai Technology Company Limited * 霍爾果斯元泰科技有限公司(ii)	PRC/Mainland China November 6, 2020	RMB1,000,000	–	100%	Sale of online tour guide
Lvji Technology (Beijing) Company Limited * 驢跡科技(北京)有限公司(ii)	PRC/Mainland China September 14, 2020	RMB5,000,000	–	100%	Technology consultation and service
Guangzhou Gaodeding Technology Company Limited * 廣州搞得定科技有限公司(ii)	PRC/Mainland China November 17, 2020	RMB1,000,000	–	100%	Sale of online tour guide

*Notes:*

- (i) This entity is a wholly-foreign-owned enterprise established under the PRC Law.
  - (ii) These entities are limited liability enterprises established under the PRC Law.
  - (iii) This entity was renamed from Guangzhou Shi Lvji Technology Company Limited to Lvji Technology Group Company Limited on September 18, 2020.
- \* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

## 2. BASIS OF PREPARATION

Through a group reorganization (the “**Reorganization**”) as set out in the section headed “History, Reorganization and Corporate structure” in the Prospectus dated December 31, 2019 for the public listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on July 29, 2019. As the Reorganization involved inserting new holding companies at the top of an existing company and has not resulted in a change in economic substance, the consolidated financial statements have been prepared and presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the year ended December 31, 2019.

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.

The financial statements have been prepared under the historical cost convention, except for financial asset 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 Group for the year ended December 31, 2020. 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 guide 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 end user, travel agency, tourist attraction administrator and government office 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:

	2020 (RMB'000)	2019 (RMB'000)
<i>Revenue from contracts with customers</i>		
Sale of online tour guide through OTAs	281,694	522,185
Sale of online tour guide to travel agencies	99	10,276
Sale of online tour guide through Lvji APP	256	680
Sale of customized content	<u>13,002</u>	<u>8,672</u>
	<u>295,051</u>	<u>541,813</u>

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

	2020 (RMB'000)	2019 (RMB'000)
<b>Types of goods or services</b>		
Sale of online tour guide	282,049	533,141
Sale of customized content	<u>13,002</u>	<u>8,672</u>
	<u>295,051</u>	<u>541,813</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>295,051</u>	<u>541,813</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:

	2020 (RMB'000)	2019 (RMB'000)
Revenue recognized that was included in contract liabilities		
Sale of customized content	<u>2,780</u>	<u>720</u>

(ii) **Performance obligations**

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

*Revenue from the sale of online tour guide through OTAs and Lvji 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 guide 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**

	2020 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>
<i>Other income and gains</i>		
Government grants <i>(note (i))</i>	6,487	12,423
Franchise income <i>(note 20)</i>	2,667	769
Interest income	7,585	225
Exchange (loss)/gain	(6,974)	1,260
Others	164	229
	<u>9,929</u>	<u>14,906</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. (LOSS)/PROFIT BEFORE TAX

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

	2020 (RMB'000)	2019 (RMB'000)
Concession fee	140,847	261,093
Depreciation of property, plant and equipment	1,734	1,901
Depreciation of right-of-use assets	2,220	1,422
Amortization of other intangible assets (note 11)	75,283	43,340
Impairment of other intangible assets (note 11)	70,447	–
Research and development costs	13,584	2,265
Listing expenses	39,561	18,012
Auditor's remuneration	2,500	1,600
Impairment of trade receivables (note 14)	207	(709)
Lease payments not included in the measurement of lease liabilities	32	60
Employee benefit expense (including directors' remuneration)		
Wages and salaries	30,362	25,408
Pension scheme contributions (defined contribution scheme)	370	3,501
	<u>377,147</u>	<u>357,893</u>
Bank interest income	(7,585)	(225)
Other interest income from short term investments measured at fair value through profit or loss	–	(228)
Government grants	<u>(6,487)</u>	<u>(12,423)</u>

## 6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2020 (RMB'000)	2019 (RMB'000)
Impairment of other intangible assets (note 11)	70,447	–
Others	571	464
	<u>71,018</u>	<u>464</u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 (RMB'000)	2019 (RMB'000)
Interest portion of lease liabilities	<u>338</u>	<u>50</u>

## 8. 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 January 1, 2008.

Lvji Technology Group Company Limited (“**Lvji Technology**”) qualified as a “High-and-New Technology Enterprise” (“**HNTE**”) under the PRC 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 Korgos, Xinjiang, the PRC on May 31, 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 September 21, 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:

	2020 (RMB'000)	2019 (RMB'000)
Current income tax – Mainland China	2,956	26,113
Overprovision in prior year	(1,153)	–
Reversal of CIT payment made in prior year ( <i>note (i)</i> )	–	(15,640)
Deferred income tax	–	106
Total tax charge for the year	<u>1,803</u>	<u>10,579</u>

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

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate, and a reconciliation of the standard tax rate to the effective tax rate, are as follows:

	<b>2020</b>		<b>2019</b>	
	<b>(RMB'000)</b>	<b>%</b>	<b>(RMB'000)</b>	<b>%</b>
(Loss)/profit before tax	<u><b>(98,844)</b></u>		<u>171,363</u>	
Tax at the statutory tax rate	<b>(14,262)</b>	<b>14.4</b>	42,841	25.0
Lower tax rates for specific provinces or enacted by local authority	<b>5,109</b>	<b>(5.2)</b>	(17,292)	(10.1)
Reversal of CIT payment made in prior year	–	–	(15,640)	(9.1)
Overprovision in prior year	<b>(1,153)</b>	<b>1.2</b>	–	–
Expenses not deductible for tax	<b>10,620</b>	<b>(10.7)</b>	1,220	0.7
Tax losses not recognized	<b>1,489</b>	<b>(1.5)</b>	455	0.3
Income not subject to tax	–	–	<u>(1,005)</u>	(0.6)
Tax charge at the Group's effective tax rate	<u><b>1,803</b></u>	<b>(1.8)</b>	<u>10,579</u>	6.2

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from January 1, 2008 and applies to earnings generated after December 31, 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 January 1, 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 December 31, 2020 was RMB195,290,000 (2019: RMB260,116,000). There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 9. DIVIDENDS

No dividend has been declared and paid by the Company and its subsidiaries during the year.

## 10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,406,052,329 (2019: 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 21) had been issued on January 1, 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2020 and 2019.

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

	2020 (RMB'000)	2019 (RMB'000)
<b>Earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:	<u>(100,647)</u>	<u>160,784</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	<u>1,406,052,329</u>	<u>1,100,000,000</u>

## 11. OTHER INTANGIBLE ASSETS

### December 31, 2020

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At January 1, 2020:			
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>
Cost at January 1, 2020, net of accumulated amortization	554,323	121	554,444
Additions	179,670	–	179,670
Impairment during the year	(70,447)	–	(70,447)
Amortization provided during the year	(75,269)	(14)	(75,283)
At December 31, 2020	<u>588,277</u>	<u>107</u>	<u>588,384</u>
At December 31, 2020:			
Cost	793,978	138	794,116
Accumulated amortization and impairment	<u>(205,701)</u>	<u>(31)</u>	<u>(205,732)</u>
Net carrying amount	<u>588,277</u>	<u>107</u>	<u>588,384</u>



**December 31, 2019**

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At January 1, 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 January 1, 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 December 31, 2019	<u>554,323</u>	<u>121</u>	<u>554,444</u>
At December 31, 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>

As of 31 December 2020, as a result of the outbreak of COVID-19 and limitation of traveling abroad, the management performed impairment testing on copyrights for online tour guides overseas. The recoverable amounts of the each copyright have been determined based on the value in use and the pre-tax discount rate applied to the cash flow projections is 19.73%.

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Fund investment	<u>15,000</u>	<u>–</u>

As further detailed in the Company's announcement on December 15, 2020, the Company contributed RMB15,000,000 out of the total subscribed capital contribution of RMB30,000,000 into Chongqing Chengyu Baijing Fund, a limited partnership where the Company acts as a limited partner as of the date of the announcement, pursuant to the Limited Partnership Agreement on September 27, 2020. The term of the fund shall be seven years commencing from the date of establishment and no longer than ten years if there is any extension. As of December 31, 2020, the investment fund filing and registration is still subject to approval by relevant authorities and the fair value of the fund investment is close to the contribution of the Company.

### 13. OTHER NON-CURRENT ASSETS

	2020 (RMB'000)	2019 (RMB'000)
Deposits and other receivables (note (i))	<u>–</u>	<u>5,000</u>

*Note (i):* During the year ended December 31, 2019, the Group entered into a service agreement with an independent third party service provider for rendering its professional service with regard to business development, product promotion and related activities for the Group, and as stipulated under the terms of the agreement, the Group made a down payment deposit amounting to RMB5,000,000 for a two-year service contract with duration from July 1, 2019 to June 30, 2021. As of December 31, 2020, RMB1,000,000 was utilized for the service received by the Group and the remaining balance of RMB4,000,000 represents the deposit for the duration within next twelve months and was reclassified as current assets.

### 14. TRADE RECEIVABLES

	2020 (RMB'000)	2019 (RMB'000)
Trade receivables	20,704	47,488
Impairment of trade receivables	<u>(207)</u>	<u>–</u>
	<u>20,497</u>	<u>47,488</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:

	2020 (RMB'000)	2019 (RMB'000)
Within 3 months	19,532	46,559
3 to 6 months	297	525
6 months to 1 year	140	404
Over 1 years	<u>528</u>	<u>–</u>
	<u>20,497</u>	<u>47,488</u>

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

	<b>2020</b> <b>(RMB'000)</b>	2019 <b>(RMB'000)</b>
At beginning of year	–	709
Impairment for the year	<b>207</b>	923
Impairment provision reversed for the year	–	<u>(1,632)</u>
At end of year	<u><b>207</b></u>	<u>–</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. 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, which are fully provided.

#### 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2020</b> <b>(RMB'000)</b>	2019 <b>(RMB'000)</b>
Prepayments to suppliers	<b>33,558</b>	7,930
Government grant receivable	<b>46</b>	12,063
Deferred listing expenses	–	6,625
Contract cost	<b>2,386</b>	3,694
Deposit <i>(note 13(i))</i>	<b>4,000</b>	–
Interest receivable	<b>5,097</b>	–
Other receivables	<u><b>4,484</b></u>	<u>2,916</u>
	<u><b>49,571</b></u>	<u>33,228</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. During the year, the Group estimated that the expected loss rate for the above receivables is insignificant.

## 16. CASH AND CASH EQUIVALENTS AND A PLEDGED DEPOSIT

	2020 (RMB'000)	2019 (RMB'000)
Cash and bank balances	516,735	77,673
Less: Pledged deposit	<u>(350)</u>	<u>(350)</u>
Cash and cash equivalents	<u><u>516,385</u></u>	<u><u>77,323</u></u>

At the end of the Reporting Period, the cash and bank balances of the Group denominated in RMB amounted to RMB99,640,000 (2019: RMB54,873,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The pledged deposit was pledged to the government authorities for conducting tourist-related business in Mainland China.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 17. TRADE PAYABLES

	2020 (RMB'000)	2019 (RMB'000)
Trade payables	<u><u>2,578</u></u>	<u><u>11,269</u></u>

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

	2020 (RMB'000)	2019 (RMB'000)
Within 3 months	2,422	11,269
3 to 12 months	29	–
1 to 2 years	<u>127</u>	<u>–</u>
	<u><u>2,578</u></u>	<u><u>11,269</u></u>

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

## 18. OTHER PAYABLES AND ACCRUALS

	2020 (RMB'000)	2019 (RMB'000)
Other payables	6,073	9,775
Payroll and welfare payables	7,248	6,094
Other tax payable	<u>1,681</u>	<u>1,660</u>
	<u><b>15,002</b></u>	<u><b>17,529</b></u>

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

## 19. 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.

	2020 (RMB'000)	2019 (RMB'000)
Sale of customized content	<u><b>2,712</b></u>	<u><b>2,780</b></u>

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

	2020 (RMB'000)	2019 (RMB'000)
Within one year	<u><b>2,712</b></u>	<u><b>2,780</b></u>

Movements in contract liabilities during the year are as follows:

	2020 (RMB'000)	2019 (RMB'000)
At the beginning of the year	2,780	720
Additions	12,704	10,732
Revenue recognized during the year	<u>(12,772)</u>	<u>(8,672)</u>
At the end of the year	<u><b>2,712</b></u>	<u><b>2,780</b></u>

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

	2020 (RMB'000)	2019 (RMB'000)
Within one year	<u><b>2,712</b></u>	<u><b>2,780</b></u>

## 20. DEFERRED INCOME

	2020 (RMB'000)	2019 (RMB'000)
At the beginning of the year	1,892	2,333
Additions	4,287	328
Released to franchise income (note 4)	<u>(2,667)</u>	<u>(769)</u>
At the end of the year	<u><u>3,512</u></u>	<u><u>1,892</u></u>
Less: Current portion	<u>(2,031)</u>	<u>(549)</u>
Non-current portion	<u><u>1,481</u></u>	<u><u>1,343</u></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.

## 21. SHARE CAPITAL

### Shares

	2020 (RMB'000)	2019 (RMB'000)
Issued and fully paid: 1,463,650,000 (2019: 11,000,000) ordinary shares of US\$0.01 each	<u><u>100,648</u></u>	<u><u>758</u></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 January 1, 2019 (note (a))	5,000,000	50	345
Issue of new shares (note (b))	<u>6,000,000</u>	<u>60</u>	<u>413</u>
At December 31, 2019 and January 1, 2020	11,000,000	110	758
Issue of shares from initial public offering (note (c))	310,300,000	3,103	21,373
Capitalization issue (note (d))	1,089,000,000	10,890	75,008
Issue of shares under general mandate (note (e))	<u>53,350,000</u>	<u>534</u>	<u>3,509</u>
At December 31, 2020	<u><u>1,463,650,000</u></u>	<u><u>14,637</u></u>	<u><u>100,648</u></u>

*Note (a):* The Company was incorporated in the Cayman Islands on November 7, 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.

On November 28, 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 (b):* On July 25, 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 July 29, 2019, the Company became the holding company of the companies now comprising the Group.

*Note (c):* On the Listing Date, 310,300,000 new ordinary shares were issued in connection with the Company's initial offering on the Stock Exchange.

*Note (d):* Pursuant to a written resolution of the shareholders of the Company passed on December 20, 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.

*Note (e):* On October 12, 2020, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 53,350,000 Subscription Shares. On October 28, 2020, 53,350,000 new ordinary shares were issued according to Subscription Agreement. The Subscription Shares were allotted and issued under the General Mandate.

## 22. 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 (“ <b>Mr. Zang</b> ”)	A substantial shareholder
Mr. Fan Baoguo (“ <b>Mr. Fan</b> ”)	A substantial shareholder
Lu Jia Technology Holdings Limited (“ <b>Lu Jia</b> ”)	A company controlled by Mr. Zang
Invest Profit Holdings Limited (“ <b>Invest Profit</b> ”)	A company controlled by Mr. Fan
Jiangsu Outu Internet Technology Service Center (“ <b>Outu</b> ”)	A company controlled by Mr. Zang

### (b) Related party transactions

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

	2020 (RMB'000)	2019 (RMB'000)
Advances from related parties:		
Outu	–	68,381
Mr. Zang	–	30,568
	<u>–</u>	<u>98,949</u>
Advances to related parties:		
Outu	–	68,381
Mr. Zang	80	–
	<u>80</u>	<u>68,381</u>

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

### (c) Outstanding balances with a related party

The Group had the following balances with a related party:

The Group	2020 (RMB'000)	2019 (RMB'000)
Amounts due from a related party:		
Mr. Zang	<u>80</u>	<u>–</u>

The Company had no transactions or balances with related parties.



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

	2020 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>
Maximum amounts due from related parties outstanding:		
Mr. Zang	80	98,949
Outu	–	68,381
Lu Jia	–	321
Invest Profit	–	24
	<u>80</u>	<u>167,675</u>

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

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

	2020 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>
Short-term employee benefits	786	1,384
Contributions to the pension scheme	49	130
	<u>835</u>	<u>1,514</u>

**23. EVENTS AFTER THE REPORTING PERIOD**

The outbreak of novel coronavirus (“**COVID-19**”) 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 of tourist attraction areas, delays in commencement of work, temporary closure of business of suppliers and overall decline in market demand during the outbreak period. The Group’s business operations have been heavily disrupted by the outbreak of COVID-19 and the subsequent precautionary measures as well as restrictions on tourism and travel imposed by countries and regions around the world.

The Group estimates that the degree of the COVID-19 impact will be dependent on the duration of epidemic and the outcome of preventive measures undertaken by the respective local authorities. Given the dynamic circumstances and uncertainties of the 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 in the event that there are any significant financial impacts, the Company will reflect it in the Group’s 2021 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). For the year ended December 31, 2020, the Group had used approximately HK\$274.8 million (equivalent to approximately RMB243.5 million).

## **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 Reporting Period, the Company had 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 Weizhong 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 had complied with the Model Code during the Reporting Period.

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 during the Reporting Period.

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

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities in 2020.

## **Placing of New Shares under General Mandate**

On October 28, 2020, the Company issued and allotted 53,350,000 fully paid ordinary shares, representing approximately 3.65% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares, at the subscription price of HK\$0.90 per Share to three placees, namely Mr. Yang Daqiao (楊達橋), Ms. Zhang Huan (張歡) and Mr. Qi Shaobin (齊韶斌), and all of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons. The Board considered that the placing represented a good opportunity for the Company to raise additional funds for general working capital and to widen the Company's shareholder base. The aggregate nominal value of the placement Shares is US\$533,500. The closing market price was HK\$0.91 per Share on the date on which the terms of the issue were fixed. The gross proceeds from the placing were approximately HK\$48.0 million, and the net proceeds after deducting all relevant expenses were approximately HK\$47.9 million. The net price was about HK\$0.90 per Share. The net proceeds were intended to be used for (1) operating expenses such as hiring additional employees and procuring advanced hardware and software equipment to increase the Group's productivity; and (2) equity acquisition and investment of high-quality enterprises associated with the Company's business. As at the date of this announcement, the proceeds from the placing has not been utilized, and is intended to be utilised by December 31, 2022 for the same purposes as disclosed in the announcement of the Company dated October 12, 2020.

## **Audit Committee**

The Audit Committee consists of three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Ms. Gu Ruizhen. 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, 2020.

The Audit Committee considers that the annual financial results for the year ended December 31, 2020 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 December 31, 2020, but represents an extract from the consolidated financial statements for the year ended December 31, 2020 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.

## **Corporate Governance Events after December 31, 2020**

Mr. Zhang Jun has tendered his resignation as a non-executive Director with effect from February 10, 2021 due to his other work commitments. Mr. Zhang has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that shall be brought to the attention of the Stock Exchange, the Directors and Shareholders.

Mr. Fan Baoguo has been appointed as a non-executive Director with effect from February 10, 2021. Further details have been set out in an announcement of the Company dated February 10, 2021.

## **Events after December 31, 2020**

Save for the above and otherwise disclosed in the section headed "*Notes to the Financial Statements – Events After the Reporting Period*" in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2020 and up to the date of this announcement.

## **DIVIDEND**

No dividend was declared and paid by the Company for the year ended December 31, 2020 (2019: Nil). The Directors do not recommend any payment of a final dividend for the year ended December 31, 2020 (2019: Nil).

## **CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE**

The register of members of the Company will be closed from Tuesday, June 22, 2021 to Friday, June 25, 2021 (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 25, 2021, 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 21, 2021.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

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

The Company's annual report for the year ended December 31, 2020 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**

On behalf of the Board, I would like to take this opportunity to express my appreciation to all our employees for their hard work and dedication, and my deep gratitude to users, Shareholders and business partners for their support and trust.

## **DEFINITION**

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

“2019”	the year ended December 31, 2019
“2020”	the year ended December 31, 2020
“AGM”	the 2021 annual general meeting of the Company to be held on June 25, 2021 or any adjournment thereof

“AI”	artificial intelligence
“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
“AR”	augmented reality
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“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, 2019 in the Cayman Islands
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	2019 novel coronavirus disease
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Group”, “we”, “us”, or “our”	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

“HKAS”	Hong Kong Accounting Standard
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“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
“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
“Lvji Technology”	Lvji Technology Group Co. LTD (驢跡科技集團有限公司) (formerly known as 廣州市驢跡科技有限責任公司), a company established in the PRC with limited liability on December 14, 2013 and an indirect wholly-owned subsidiary of our Company
“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
“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share Option Scheme”	a share option scheme adopted by the Company on December 20, 2019
“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)
“USD”	United States dollars, the lawful currency of the United States of America
“VAT”	value-added tax
“VR”	virtual reality

\* The names of the PRC established companies or entities have been included in this announcement in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. The English translation of company names in Chinese which are marked with “\*” are for identification purposes only.

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

Guangzhou, the PRC, March 25, 2021

*As at the date of this announcement, the Board comprises eight Directors, namely Mr. Zang Weizhong, Ms. Sun Hongyan and Mr. Long Chao as executive Directors; Mr. Cheung King Him Edmund and Mr. Fan Baoguo as non-executive Directors; and Ms. Gu Jianlu, Ms. Gu Ruizhen and Ms. Wu Daxiang as independent non-executive Directors.*