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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 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Tu Yi Holding Company Limited (the “**Company**”) wishes to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year Under Review**”).

RESULTS HIGHLIGHTS

| | For the year ended 31 December | | |
|--|-----------------------------------|-------------|----------------------------|
| | 2020 | 2019 | Year-on-Year change (%) |
| | RMB'000 | RMB'000 | |
| Revenue | 30,869 | 233,803 | -86.8 |
| Gross (loss)/profit | (1,275) | 64,935 | -102.0 |
| Net (loss)/profit attributable to shareholders | (45,292) | 25,614 | -276.8 |
| (Loss)/Earnings per share – Basic (RMB) | (4.53) fens | 2.92 fens | -255.1 |
| | As at | As at | |
| | 31 December | 31 December | Year-on-Year change |
| | 2020 | 2019 | |
| Current ratio (%) | 151.0% | 344.0% | -193.0% |
| Gearing (%) | 33.4% | 23.6% | 9.8% |

MANAGEMENT DISCUSSION AND ANALYSIS

The Group, the tourism and hospitality industry (the “**Industry**”) as well as the world have been experiencing an unprecedented period as a result of the outbreak of the novel coronavirus (“**COVID-19**”) and its global pandemic (the “**Pandemic**”). As mentioned in the interim results announcement of the Company dated 21 August 2020, following the 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, which require suspension of all packaged tours and free independent traveller products (the “**FIT Products**”), the Group has been suspending its sales of outbound packaged tours and outbound FIT products since January 2020 and up to the date of this announcement in order to help and facilitate the prevention and control of the Pandemic. Coupled with the lockdown measures imposed by various governments such as flights suspension, border closure of certain countries and etc., the Industry has been materially and adversely affected by the Pandemic. Nevertheless, the Group has been taking the opportunity to lay the groundworks through enhancing its marketing approaches together with its IT platform, the scope of which covers the current travel product booking system, the new travel destination merchant Software-as-a-service (“**SAAS**”) system and the online Duty-free Shop Business under the name Direct Courier from Shop Manager (“**店長直郵**”) and the related mobile phone application, for the purpose of enabling the Group to ramp up and capture the first wave of the rebound of travel demands upon the recovery of the Industry. During the Year Under Review, the revenue of the Group decreased to approximately RMB30.9 million, representing a decrease of approximately 86.8% as compared to that of 2019 and the net loss attributable to shareholders amounted to approximately RMB45.3 million, as compared to a net profit attributable to equity holders of RMB25.6 million in 2019. In view of the net loss the Group made during the Year Under Review, the Board will not recommend the payment of a final dividend for the year ended 31 December 2020.

BUSINESS REVIEW AND PROSPECTS

The Group is a well-established and active outbound travel products and service provider in the People’s Republic of China (the “**PRC**”), focusing on the design, development and sale of Japan outbound travel package tours and day tours and Japan FIT Products; the provision of visa application processing services and other ancillary travel-related products and services; 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**”). Although majority of the Group’s revenue-generating activities/products have been brought to a halt since early 2020 as a result of the outbreak of COVID-19 (the “**Outbreak**”), substantial effort and times have been put by the Group and its management into crisis management in response to the Outbreak. During the initial stage of the Outbreak, the Group took the initiative to set up a crisis management committee to focus on: (i) handling the refund of non-executed bookings for customers in an effective and timely manner; (ii) putting in place various measures to safeguard the health and safety of our employees and our communities, including but not limited to, ordering necessary hygiene products like hand sanitizers, disinfectants and face masks, implementing regular health and travel log declaration for all employees, imposing travel restriction policy on all employees, implementing thorough disinfecting procedures on a regular basis and etc.; and (iii) through our networks in Japan, liaising with a number of hotels in Japan to jointly provide free staying services to PRC citizens in Japan that were affected by travel restrictions on a temporary basis.

Moreover, the management of the Group has also put substantial effort into reviewing and assessing the Group's business position, strategies, competitive advantages, marketing approaches as well as its product mix and information technology platforms, out of which, broadening the Group's product/sales mix has been set as the first priority of the Group since the first quarter of 2020 to ensure a risk-balancing portfolio of revenue-generating activities for the purpose of mitigating the business/market risk in an extreme situation.. To this end, the Group has leveraged on the Group's existing Duty-free Shop business which locates at the premise of the Tokyo Hotel and focuses on the sales of Japanese lifestyle-oriented products (the "**Duty-free Shop Business**") and launched the the related e-commerce business – the online Japanese-lifestyle-oriented cross-border Duty-free Shop business under its brand "**Direct Courier from Shop Manager**" ("店長直郵") in January 2020. During the Year Under Review, the Group has broaden the media coverage of Direct Courier from Shop Manager from mobile phone application (the "**App**") to mini-application in WeChat and website with the functions to integrate with all the Group's travel products booking, which serves as a new and important platform for the Group to promote travel products and allow online travel products ordering and travel itinerary checking and viewing. Currently, there are more than 5,000 products with a broad spectrum of product range, such as cosmetics products, small electronic products and foods available for sales on Direct Courier from Shop Manager and the number of registered users of Direct Courier from Shop Manager business has reached more than 200,000 and 300,000 by the end of June 2020 and December 2020, respectively. Furthermore, the Group has developed and launched Hangzhou small-group day-tour products, which are different from normal low-price day tours in terms of fruitful experience, in the third quarter of 2020 in order to broaden its revenue stream.

Looking ahead to 2021, the Group considers that the Pandemic, that has disrupted the Industry and global consumption in a significant extent, will have a lasting impact to people's behaviors and habits and in turn, change the demands and needs of people in a certain extent and the Group and the Industry need to adapt to such a new reality, where the Group has adopted new measures, including but not limited to: (i) providing training to all employees to enable them to equip with the mindset as to sensitizing themselves to new reality; (ii) requiring customer service staff to spend additional effort/time to understand the background and needs of each customer; (iii) analysing thoroughly all the data, to identify and reassess the shifts of the demands and needs of people so that the Group is able to offer customized products to customers on an effective and timely manner. Since the fourth quarter of 2020, the Group has been building up the new travel destination merchant SAAS system, which will serve as a platform for online shopping, online group purchasing, followers adding, providing discounted goods in a certain period of time, etc. and is also designed to assist the local merchants at the travel destination to enhance the digital marketing ability and promote the cooperation between the Group and the upstream and downstream merchants, for the purpose of enabling the Group to ramp up and capture the first wave of the rebound of travel demands after lockdowns in a larger extent once the demands of the Industry and travel confidence pick up.

Given that lockdown measures like flights suspension, border closure of certain countries and etc. are expected to induce the demands and needs for cross-border online shopping business, the Group expects cross-border online shopping business will be the key catalyst to enable Group to capture the travel demands. In 2021, the Group will focus on developing the Direct Courier from Shop Manager business by broadening its coverage from China to Singapore, Thailand and Malaysia geographical area.

FINANCIAL REVIEW

Revenue and GP margin

The breakdown by revenue type in terms of revenue, average revenue per traveller (“ART”) and gross profit margin during the Years Under Review are set forth below:

| | For the year ended 31 December 2020 | | | | For the year ended 31 December 2019 | | | |
|--|-------------------------------------|-------------------|-----------------|--------------------------------|-------------------------------------|-------------------|-----------------|--------------------------------|
| | Revenue <i>RMB'000</i> | ART <i>RMB</i> | % of revenue | Gross profit margin % | Revenue <i>RMB'000</i> | ART <i>RMB</i> | % of revenue | Gross profit margin % |
| Sales of package tours | | | | | | | | |
| – Japan | 2,407 | 5,798 | 7.8 | (175.0) | 116,660 | 5,951 | 49.9 | 18.0 |
| – other than Japan | 1,016 | 3,375 | 3.3 | (15.0) | 14,842 | 4,350 | 6.3 | 8.0 |
| Sales of day tours – Japan | 8,916 | 229 | 28.9 | 15.0 | 43,079 | 260 | 18.4 | 26.0 |
| Margin income from sales of FIT Products (net basis) | | | | | | | | |
| – Japan | 691 | 430 | 2.2 | N/A | 7,891 | 414 | 3.4 | N/A |
| – other than Japan | - | - | 0.0 | N/A | 4,531 | 81 | 2.0 | N/A |
| Margin income from the provision of visa application processing service (net basis) | 225 | 18 | 0.7 | N/A | 12,492 | 98 | 5.3 | N/A |
| Hotel Operation | 4,524 | 340 | 14.7 | (52.0) | 27,309 | 394 | 11.7 | 12.0 |
| Duty-free Shop Business Direct Courier from Shop Manager | 13,090 | 328 | 42.4 | 28.0 | 4,398 | 420 | 1.9 | 25.0 |
| Other income from sales of ancillary travel related products and provision of services | - | N/A | - | 0.0 | 2,601 | N/A | 1.1 | 94.0 |
| | <u>30,869</u> | | <u>100.0</u> | | <u>233,803</u> | | <u>100.0</u> | |

Sales of package tours – Japan & other than Japan

Package tours products of the Group generally comprise flights, hotel accommodations, meals, transportation and sight-seeing as a bundled package and are accompanied by tour escorts from departure till return to the PRC and they range from standardised package tours to tailor-made and customised tours for customers with specific requirements. During the Year Under Review, revenue from sales of package tours and the number of travellers decreased significantly by more than 90%, primarily due to the lockdown measures across the world as a result of the outbreak and global pandemic and COVID-19 since January 2020.

Sales of day tours – Japan

Day tours products of the Group generally consist of day tours ranging from one day to six days, which mainly target at travellers who are not package tours or FIT Products customers and have purchased air tickets/hotel accommodations separately but wish to participate in local day tours in Japan. During the Year Under Review, revenue from sales of day tours and the number of travellers decreased significantly by more than 75%, primarily due to same reason for decrease in sales of package tours as stated above.

Margin income from sales of FIT Products (net basis) – Japan & other than Japan

FIT Products mainly comprise air tickets, hotel accommodation and flight-plus-hotel bundled packages. During the Year Under Review, margin income from sales of FIT Products and the number of travellers decreased significantly by more than 90%, primarily due to same reason for decrease in sales of package tours as stated above.

Margin income from the provision of visa application processing service (net basis)

The Group provides visa processing services to customers and a majority of margin income was derived from processing visa applications to Japan. During the Year Under Review, margin income from the provision of visa application processing service and the number of travellers decreased significantly by more than 90%, primarily due to same reason for decrease in sales of package tours as stated above.

Hotel operation

The Group operates its self-owned Shizuoka Hotel and Tokyo Hotel. During the Year Under Review, revenue from hotel operation and the number of travellers decreased significantly by more than 80% primarily due to same reason for decrease in sales of package tours as stated above.

Duty-free Shop Business

The Group operates its Duty-free Shop Business the premise of the Tokyo Hotel, together with its online Duty-free Shop Business under the name Direct Courier from Shop Manager (“店長直郵”). The revenue of the Group’s Duty-free Shop business grew tremendously by approximately 198% during the Year Under Review when comparing to 2019, primarily attributable to the fact that the Group has put into substantial efforts and times to develop and promote such a cross-border online e-commerce business for the purpose of broadening the revenue stream of the Group during the Year-Under-Review.

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 significant decrease in other income from sales of ancillary travel-related products and provision of services was primarily due to same reason for decrease in sales of package tours as stated above.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately RMB4.6 million for the year ended 31 December 2020 as compared to approximately RMB7.3 million in 2019 as the Group increased its marketing expenses to promote the cross-border online store business, Direct Courier from Shop Manager business.

Administrative expenses

Administrative expenses consist mainly of staff related costs, various local taxes and educational surcharge, depreciation, operating lease rental expenses, audit fee and miscellaneous expenses. Administrative expenses maintained in a similar level in 2020 when comparing to 2019.

Impairment losses on financial and contract assets

Impairment losses on financial and contract assets represented impairment losses for trade receivables of approximately RMB11.7 million due to increase of trade receivables that beyond the credit period.

Impairment of goodwill

Impairment of goodwill is related to the operation of self-owned Hotel Operation and the provision for impairment was made in view of the uncertainty as to the recovery of the Industry.

IMPACTS OF THE COVID-19 PANDEMIC TO THE GROUP

Following the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅游部辦公廳) 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, which require suspension of all packaged tours and FIT Products, the Group has been suspending its sales of outbound packaged tours and outbound FIT products since January 2020 and up to the date of this announcement and please refer to the "FINANCIAL REVIEW" section above for relevant quantitative measures.

The Group has developed and launched Hangzhou small-group day-tour products, which are different from normal low-price day tours in terms of fruitful experience, in the third quarter of 2020 in order to broaden its revenue stream and it is included under the "Sales of package tours – other than Japan" line of revenue. Please refer to "FINANCIAL REVIEW" section above for relevant quantitative measures.

The Group has been focusing on the online Duty-free Shop Business under the name Direct Courier from Shop Manager ("店長直郵") business and please refer to the "FINANCIAL REVIEW" section above for relevant quantitative measures.

The Group has been being very cautious about its liquidity, working capital and gearing level. As at 31 December 2020, the Group had interest-bearing bank borrowings of approximately RMB67.2 million including approximately RMB29.0 million which was classified as current liability and repayable in one year's time. Out of the aforesaid current bank borrowings of approximately RMB29.0 million, i) one bank loan of approximately RMB15 million is from a Japanese bank and is expected to be extended and rolled over upon due date in 2021 based on the understandings between the Group and the Japanese bank; and ii) two bank loans with current portion of approximately RMB2.8 million, which are also from the same Japanese bank and was supposed to be repaid fully during 2020, is granted extension of repayment until a point of time that is subject to the mutual agreement between the Group and the Japanese bank. Taking into account the aforesaid short-term interest-bearing bank borrowings and the cash and cash equivalents of approximately RMB44.0 million as at 31 December 2020, the Group considered that it is equipped with sufficient liquidity and financial resources to get through the current COVID-19 crisis.

Since January 2020, the Group has adopted certain employee-related cost-saving measures on a temporary basis to reduce its staff costs, including but not limited to, postponing or cancelling certain discretionary staff incentive payments, reducing Directors' remunerations on a voluntary basis, encouraging its employees to take paid or unpaid leave, reducing its employees' basic salary level on a temporary basis and freezing all recruitments.

CONSOLIDATED STATEMENT OF FINANCE POSITION

At 31 December 2020

| | | 31 December 2020 | 31 December 2019 |
|---|--------------|---|---|
| | <i>Notes</i> | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 120,815 | 126,229 |
| Investment properties | | 20,594 | 20,538 |
| Freehold land | | 49,445 | 50,086 |
| Right-of-use assets | | 13,625 | 7,471 |
| Goodwill | | 54 | 12,526 |
| Other intangible assets | | 619 | 564 |
| Equity investments designated at fair value through other comprehensive income | | 7,995 | – |
| Investment in an associate | | 4,053 | 4,000 |
| Deferred tax assets | | 10,258 | 11 |
| | | <hr/> | <hr/> |
| Total non-current assets | | <u>227,458</u> | <u>221,425</u> |
| CURRENT ASSETS | | | |
| Inventories | <i>11</i> | 4,158 | 1,707 |
| Trade receivables | <i>12</i> | 1,834 | 34,065 |
| Prepayments, other receivables and other assets | | 8,835 | 20,010 |
| Due from a director | | – | 201 |
| Pledged short-term deposits | <i>13</i> | 320 | 1,653 |
| Time deposits with original maturity of over three months | <i>13</i> | – | 21,947 |
| Cash and cash equivalents | <i>13</i> | 44,024 | 56,113 |
| Financial assets at fair value through profit or loss | | 3,021 | – |
| | | <hr/> | <hr/> |
| Total current assets | | <u>62,192</u> | <u>135,696</u> |

| | | 31 December 2020 | 31 December 2019 |
|--|--------------|-----------------------------|---------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Audited) | (Audited) |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>14</i> | 783 | 10,509 |
| Advance from customers, other payables and accruals | | 8,397 | 12,621 |
| Lease liabilities | | 1,413 | 1,534 |
| Interest-bearing bank borrowings | <i>15</i> | 29,006 | 5,037 |
| Due to a related party | | – | 224 |
| Tax payable | | 1,593 | 9,525 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 41,192 | 39,450 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| NET CURRENT ASSETS | | | |
| | | 21,000 | 96,246 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 248,458 | 317,671 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | <i>15</i> | 38,166 | 54,163 |
| Lease liabilities | | 4,476 | 5,897 |
| Deferred tax liabilities | | 4,588 | 4,959 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 47,230 | 65,019 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Net assets | | 201,228 | 252,652 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | <i>16</i> | 8,797 | 8,797 |
| Reserves | | 190,354 | 241,654 |
| | | <hr/> | <hr/> |
| | | 199,151 | 250,451 |
| Non-controlling interests | | 2,077 | 2,201 |
| | | <hr/> | <hr/> |
| Total equity | | 201,228 | 252,652 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2020

| | <i>Notes</i> | 2020 RMB'000 (Audited) | 2019 <i>RMB'000</i> <i>(Audited)</i> |
|--|--------------|---|--|
| REVENUE | 5 | 30,869 | 233,803 |
| Cost of sales | 7 | <u>(32,144)</u> | <u>(168,868)</u> |
| Gross (loss)/profit | | (1,275) | 64,935 |
| Other income and gains | 5 | 8,146 | 10,393 |
| Selling and distribution expenses | | (11,906) | (7,348) |
| Administrative expenses | | (23,987) | (25,305) |
| Share of profits of an associate | | 53 | – |
| Impairment losses on financial and contract assets | | (11,674) | (1,714) |
| Impairment of goodwill | | (12,472) | (1,160) |
| Other expenses | | (1,126) | (56) |
| Finance costs | 6 | <u>(1,276)</u> | <u>(3,093)</u> |
| (LOSS)/PROFIT BEFORE TAX | 7 | (55,517) | 36,652 |
| Income tax credit/(expense) | 8 | <u>10,101</u> | <u>(10,842)</u> |
| (LOSS)/PROFIT FOR THE YEAR | | <u>(45,416)</u> | <u>25,810</u> |
| Attributable to: | | | |
| Equity holders of the parent | | (45,292) | 25,614 |
| Non-controlling interests | | <u>(124)</u> | <u>196</u> |
| | | <u>(45,416)</u> | <u>25,810</u> |
| (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 9 | | |
| Basic and diluted | | <u>(4.53) fens</u> | <u>2.92 fens</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands with limited liability on 27 February 2018. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the “Group”) was principally engaged 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; (v) hotel operation; and (vi) Duty-free Shop business. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company and its subsidiaries are 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 PRESENTATION AND PREARATION

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.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year’s financial statements.

| | |
|---|--|
| Amendments to HKFRS 3 | <i>Definition of a Business</i> |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions (early adopted)</i> |
| Amendments to HKAS 1 and HKAS 8 | <i>Definition of Material</i> |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below :

- (a) Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4 SEGMENT INFORMATION

For management purpose, the Group did not organise into business units based on their principal activities and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Information about principal activities and services

Revenue recognised during the Year Under Review is as follows:

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Sales of package tours and day tours | 12,339 | 174,581 |
| Margin income from sales of FIT Products | 691 | 12,422 |
| Margin income from the provision of visa application processing service | 225 | 12,492 |
| Other income from sales of ancillary travel related products and services | – | 2,601 |
| Income from the Duty-free Shop Business | 13,090 | 4,398 |
| Hotel operation income | 4,524 | 27,309 |
| | <u>30,869</u> | <u>233,803</u> |

Geographical information

(a) Revenue from external customers

| | Year ended 31 December | |
|----------------------------|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Domestic – Mainland China* | 25,047 | 196,035 |
| Japan [#] | 5,822 | 37,768 |
| | <u>30,869</u> | <u>233,803</u> |

* Mainly from online duty-free shop business.

[#] 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 years ended 31 December 2020 and 2019.

(b) Non-current assets

| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|---------------------------|---|--------------------------------|
| Domestic – Mainland China | 62,954 | 46,729 |
| Japan | 146,251 | 174,685 |
| | 209,205 | 221,414 |

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 | |
|--|-------------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Revenue from contracts with customers | 30,869 | 233,803 |
| Other income | | |
| Bank interest income | 25 | 124 |
| Government grants* | 1,990 | 7,611 |
| Gross rental income from investment property operating leases: | | |
| Lease payments, including fixed payments: | 33 | 727 |
| Other interest income from financial assets at fair value through profit or loss | 2,646 | 385 |
| Other interest income from loans to third parties | 821 | – |
| Others | 141 | 989 |
| | 5,656 | 9,836 |
| Gains | | |
| Gain on disposal of items of property, plant and equipment | 319 | 71 |
| Fair value gains, net: | | |
| Financial assets at fair value through profit or loss – mandatorily classified as such | 21 | – |
| Changes in fair value of investment properties | 56 | 204 |
| Foreign exchange gains, net | 2,094 | 282 |
| | 2,490 | 557 |
| | 8,146 | 10,393 |

* The government grants mainly represent the incentive awards received by subsidiaries from the local governments to support the Group's successful initial public offering and 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 | |
|-------------------------------|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest on bank borrowings | 1,171 | 2,950 |
| Interest on lease liabilities | 105 | 143 |
| | <u>1,276</u> | <u>3,093</u> |

7 (LOSS)/PROFIT BEFORE TAX

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

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of services provided | 22,667 | 161,659 |
| Cost of inventories sold | 9,477 | 7,209 |
| Depreciation of property, plant and equipment | 4,576 | 4,697 |
| Depreciation of right-of-use assets | 1,891 | 1,613 |
| Amortisation of other intangible assets | 72 | 49 |
| Lease payments not included in the measurement of lease liabilities | 153 | 40 |
| Auditor's remuneration | 1,590 | 1,584 |
| Impairment of goodwill | 12,472 | 1,160 |
| Write-down of inventories to net realisable value* | 853 | – |
| Impairment of receivables arising from contracts with customers, net | 11,674 | 1,174 |
| Listing expenses | – | 7,847 |
| Employee benefit expense (excluding directors' remuneration) | 10,814 | 20,254 |

* Write-down of inventories to net realisable value is included in "Other expenses" in the consolidated statement of profit or loss.

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% (2019:33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 2020 and 2019. The first HK\$2,000,000 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 | |
|---|-------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current – Mainland China | 187 | 8,412 |
| Current – Japan | 330 | 738 |
| Deferred | (10,618) | 1,692 |
| | <hr/> | <hr/> |
| Total tax (credit)/charge for the year | (10,101) | 10,842 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 (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 1,000,000,000 (2019: 878,082,192) in issue during the year, assuming the capitalisation issue had been completed on 1 January 2018, as further detailed in note 16 to the financial statements.

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 (loss)/earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

10 FINAL DIVIDENDS

At the meetings of the Directors held on 29 March 2021, the directors of the Company did not recommend any payment of final dividend for the year.

11 INVENTORIES

| | 31 December | 31 December |
|-----------------------|-----------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Merchandise for sales | 3,925 | 1,129 |
| Hotel supplies | 233 | 578 |
| | <hr/> | <hr/> |
| | 4,158 | 1,707 |
| | <hr/> <hr/> | <hr/> <hr/> |

12 TRADE RECEIVABLES

| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|-------------------|---|--------------------------------|
| Trade receivables | 14,780 | 35,883 |
| Impairment | <u>(12,946)</u> | <u>(1,818)</u> |
| | <u>1,834</u> | <u>34,065</u> |

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 2020 RMB'000 | 31 December 2019 RMB'000 |
|-----------------|---|--------------------------------|
| 1 to 30 days | 185 | 10,767 |
| 31 to 90 days | 154 | 7,687 |
| 91 to 180 days | 50 | 7,769 |
| 181 to 360 days | <u>1,445</u> | <u>7,842</u> |
| | <u>1,834</u> | <u>34,065</u> |

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

| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|-------------------------------------|---|--------------------------------|
| At beginning of year | 1,818 | 104 |
| Impairment losses | 11,895 | 1,714 |
| Reversal | (221) | – |
| Amount written off as uncollectible | <u>(546)</u> | <u>–</u> |
| At end of year | <u>12,946</u> | <u>1,818</u> |

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. 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

| | Expected credit loss rate | Gross carrying amount <i>RMB'000</i> |
|--------------------|--------------------------------------|--|
| Current | 1.29% | 18,694 |
| Less than 3 months | 2.57% | 7,974 |
| Over 3 months | 14.90% | 9,215 |
| | <hr/> | <hr/> |
| Total | 5.1% | 35,883 |
| | <hr/> <hr/> | <hr/> <hr/> |

As at 31 December 2020

| | Expected credit loss rate | Gross carrying amount <i>RMB'000</i> |
|--------------------|--------------------------------------|--|
| Current | 1.17% | 342 |
| Less than 3 months | 37.50% | 80 |
| Over 3 months | 89.93% | 14,358 |
| | <hr/> | <hr/> |
| Total | 87.59% | 14,780 |
| | <hr/> <hr/> | <hr/> <hr/> |

13 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|---|--------------------------------|
| Cash and bank balances | 44,024 | 56,113 |
| Time deposits | 320 | 23,600 |
| | <u>44,344</u> | <u>79,713</u> |
| Less: | | |
| Pledged time deposits – Pledged for service quality* | (320) | (1,653) |
| Non-pledged time deposits with original maturity of over three months when acquired | – | (21,947) |
| | <u>44,024</u> | <u>56,113</u> |

* A guarantee deposit for the Group's tourism operation as required by the PRC government

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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

14 TRADE PAYABLES

| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|-----------------|---|--------------------------------|
| 1 to 30 days | 317 | 7,494 |
| 31 to 90 days | 65 | 2,114 |
| 91 to 180 days | 54 | 315 |
| 181 to 360 days | 95 | 586 |
| 1 to 2 years | 252 | – |
| | <u>783</u> | <u>10,509</u> |

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

15 INTEREST-BEARING BANK BORROWINGS

| Current | Effective interest rate % | Maturity | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|--|--|-----------------|---|---|
| Bank loans-secured | 3.85 | 2021 | 10,000 | – |
| JPY241,812,000.00 current portion of long-term secured bank loans* | 1.88 | 2021 | 15,291 | – |
| JPY7,128,000.00 current portion of long-term secured bank loans* | 1.88 | 2021 | 451 | – |
| JPY51,624,000.00 current portion of long-term secured bank loans* | 1.88 | 2021 | 3,264 | – |
| JPY21,324,000.00 current portion of long-term secured bank loans | 1.88 | 2020 | – | 1,367 |
| JPY6,672,000.00 current portion of long-term secured bank loans | 1.88 | 2020 | – | 427 |
| JPY50,604,000.00 current portion of long-term secured bank loans | 1.88 | 2020 | – | 3,243 |
| | | | 29,006 | 5,037 |
| Non-Current | Effective interest rate % | Maturity | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| JPY225,819,000.00 secured bank loans | 1.88 | 2021 | – | 14,472 |
| JPY18,424,000.00 (2019: JPY20,548,000) secured bank loans | 1.88 | 2024 | 1,165 | 1,317 |
| JPY585,121,000.00 (2019: JPY598,792,000.00) secured bank loans | 1.88 | 2032 | 37,001 | 38,374 |
| | | | 38,166 | 54,163 |
| | | | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Analysed into: | | | | |
| <i>Bank loans repayable</i> | | | | |
| – Within one year or on demand | | | 29,006 | 5,037 |
| – In the second year to fifth year | | | 38,166 | 54,163 |
| | | | 67,172 | 59,200 |

- * The current portion of long-term bank loan of approximately RMB3,818,000 was supposed to be repaid fully during 2020, was granted extension of repayment until a point of time in 2021 that is subject to the mutual agreement between the Group and the Japanese bank.

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 amount of RMB14,362,000 (2019: RMB15,565,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying amount of RMB6,212,000 as at 31 December 2020;
 - (ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of RMB10,050,000 (2019: Nil) as at 31 December 2020; and
 - (iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB49,445,000 (2019: RMB50,086,000);
- (b) Except for the 3.85% secured bank loan which is denominated in RMB, all the secured bank loans amounting to RMB57,172,000 (2019: RMB59,200,000) were denominated in JPY.

16 SHARE CAPITAL

| | 31 December 2020 HK\$'000 | 31 December 2019 HK\$'000 |
|--|--|---------------------------------|
| Authorised: | | |
| 1,500,000,000 (31 December 2019:1,500,000,000) ordinary shares of HK\$0.01 each | <u>15,000</u> | <u>15,000</u> |
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Issued and fully paid: | | |
| 1,000,000,000 (31 December 2019:1,000,000,000) ordinary shares of HK\$0.01 each | <u>8,797</u> | <u>8,797</u> |

OTHER INFORMATION

UPDATE ON USE OF PROCEEDS IN RELATION TO THE INITIAL PUBLIC OFFER OF SHARES

References are made to the annual report of the Group for the year ended 31 December 2019 published by the Company on 28 April 2020 (the “**2019 Annual Report**”), the interim results announcement of the Company for the six months period ended 30 June 2020 (the “**2020 Interim Results Announcement**”) dated 21 August 2020 and the announcement of the Company dated 17 November 2020 in relation to the change of use of proceeds of the Company. Unless otherwise defined, terms used herein shall have the same meaning as defined in the 2019 Annual Report.

The information of use of proceeds was disclosed as follows:

| Description of use of proceeds | Intended | Utilized | Change of | Unutilised | Expected |
|---|---------------|-----------------|-------------|---------------|-----------------------------------|
| | use of Net | Net Proceeds | | | |
| | Proceeds as | during the | proceeds on | as at | unutilised |
| | disclosed | period from | 17 November | 31 December | Net Proceeds |
| | in the 2020 | Listing Date | 2020 | 2020 | |
| | Interim | to | | | |
| | Results | 31 December | | | |
| | Announcement | 2020 | | | |
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 | |
| (i) Enhancing the Group's product portfolio by developing new products and services | 1,760 | (1,760) | - | - | - |
| (ii) Purchasing tour buses and engaging third party tour bus operators | 11,440 | (11,440) | - | - | - |
| (iii) Acquiring hospitality asset in Kyoto, Japan | 17,600 | - | - | 17,600 | Before or around 31 December 2021 |
| (iv) Investing in a travel agency company in Tokyo, Japan | 17,600 | - | (17,600) | - | - |
| (v) Investing in enhancing the Group's marketing approaches together with its IT platform | - | - | 17,600 | 17,600 | Before or around 31 December 2021 |
| (vi) Engaging more personnel in Japan | 13,200 | (13,200) | - | - | - |
| (vii) General working capital | 26,400 | (26,400) | - | - | - |
| | <u>88,000</u> | <u>(52,800)</u> | | <u>35,200</u> | |

As at the date of this announcement, the Net Proceeds from the initial public offer of shares of the Company were used and expected to be used according to the intentions as disclosed above. Unutilised proceeds were deposited in licensed banks in Hong Kong.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposal during the Year Under Review.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that had occurred after 31 December 2020 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

FOREIGN CURRENCY EXCHANGE RISK

The Group mainly operates in the PRC and Japan. The functional currency of subsidiaries incorporated in Japan use JPY as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. However, the Group is exposed to foreign currency exchange risks as costs for some of the travel products, such as hotel accommodations and fees paid to 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 currency exchange fluctuations. However, the board of directors 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. The Group's policy is to manage interest cost using mainly fixed rate debts.

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 absolute 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 115 full time employees. The Group’s employee benefits included salary and discretionary bonuses based on the Group’s results and individual performance, medical and retirement benefits schemes. The remuneration committee of the Company (the “**Remuneration Committee**”) reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group operates primarily through cash generated from operating activities and bank and other borrowings.

The Group's gearing, expressed as a percentage of total interest-bearing borrowings to total equity maintained in a similar level during the Year Under Review (31 December 2020: 33.4%; 31 December 2019: 23.6%). 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.

The trade receivables turnover days increased during the Year Under Review as the revenue of the Group decreased significantly and the overall settlement of trade receivable has been delayed as certain customers operated in low capacities or suspended operations resulted from outbreak of COVID-19 (31 December 2020: 212 days; 31 December 2019: 46 days).

The trade payables turnover days increased during the Year Under Review as the Group has tried to delay settlement in a possible and agreeable extent (31 December 2020: 64 days; 31 December 2019: 24).

PLEDGE OF ASSETS

As at 31 December 2020, short-term deposits of approximately RMB0.3 million (2019: approximately RMB1.7 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

DIVIDEND

The Board did not declare the payment of a dividend for the year ended 31 December 2020 (2019: Nil).

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Government Report (the "**CG Code**"), including any revisions and amendments from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2020 and up to the date of this announcement, except for the deviation from code provision A.2.1 of the Code as explained below.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020 and up to the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) has three members, namely Mr. Zhao Jianbo, Ms. Zhou Li and Mr. Ying Luming, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Ying Luming. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

During the year ended 31 December 2020 and up to the date of this announcement, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2020 and the annual results of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, and the Group’s internal control functions.

REMUNERATION COMMITTEE

As at the date of this announcement, the Remuneration Committee has three members, namely Mr. Yu Dingxin, Mr. Zhao Jianbo and Ms. Zhou Li of whom Mr. Zhao Jianbo and Ms. Zhou Li are independent non-executive Directors and Mr. Yu Dingxin is the Chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Ms. Zhou Li. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

As at the date of this announcement, the nomination committee of the Company (the “**Nomination Committee**”) consists of four members, namely Mr. Yu Dingxin, Mr. Zhao Jianbo, Ms. Zhou Li and Mr. Zheng Cheng, of whom Mr. Zhao Jianbo, Ms. Zhou Li and Mr. Zheng Cheng are independent non-executive Directors and Mr. Yu Dingxin is the Chairman of the Board and an executive Director. The chairman of the Nomination Committee is Mr. Yu Dingxin. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.

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.

CONTRACTUAL ARRANGEMENTS

The Group is primarily engaged in the provision of outbound travel products and services (the “**Outbound Travel Business**”) through 途益集團有限公司 (Tu Yi Group Company Limited) and 杭州谷歌旅行社有限公司 (Hangzhou Guge Travel Company Limited) (collectively, the “**Operating Entities**”). Pursuant to the relevant provisions of the Regulations on Travel Agencies (Revision 2017 and Revision 2020)(《旅行社條例》) promulgated by the State Council of the PRC, the Group’s Outbound Travel Business is prohibited from foreign ownership. Accordingly, the Group cannot acquire equity interest in our Operating Entities, which hold, or in the course of application for, Travel Agency Business License(旅行社業務經營許可證) with the scope to conduct outbound travel business for the operation of our Outbound Travel Business. As a result the Group conducts all its operations in the PRC and exerts management control over the operations of and enjoy the economic benefits derived from the Operating Entities through entering into the contractual arrangements (the “**Contractual**

Arrangements”) with the Operating Entities. Please refer to the section headed “**Contractual Arrangements**” in the Prospectus for further details.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s business is subject to business risks. Any of the following developments may have a material and adverse effect on the Group’s business, financial condition, results of operations and prospects:

1. Japan is the most popular destination of the Group’s package tours and FIT Products and any material adverse change in the economic, political or social conditions relating to Japan, deterioration of diplomatic relationships between the PRC and Japan, negative developments related to the Japan tourism market, or natural or other disasters occurring in Japan may materially and adversely affect our business and operating results;
2. The Group’s business and revenue may be adversely affected by any future changes to the respective visa application policies of the PRC government and the Japanese government;
3. Changes in the foreign exchange rate for Japanese Yen would impact our operating performance and our financial condition;
4. The Group derives material portion of our revenue from customers in the PRC and any downturn in the PRC economy could have a material adverse effect on our business and operating results;
5. The Group faced increased market competition from competing agents, hotel or flight providers, online travel platforms and alternative travel booking media;
6. Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect consumer demand for travel activities or a general apprehension of such events may significantly and adversely impact on the Group’s business and operating results; and
7. The PRC government may determine that the contractual arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against us or our operation.

For details of the risk factors, please refer to the section headed “Risk Factors” in the prospectus of the Company dated 18 June 2019.

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.

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 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 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 of the Company and approved by the Board.

ANNUAL GENERAL MEETING

The forthcoming 2020 annual general meeting (the "AGM") of the Company will be held on Monday, 31 May 2021. Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2021.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's annual Report for year ended 31 December 2020 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.tuyigroup.com) in due course.

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

The PRC, 29 March 2021

As at the date of this announcement, the Board comprises four executive Directors: Mr. Yu Dingxin, Mr. Pan Wei, Mr. Xu Jiong and Mr. An Jiajin and four independent non-executive Directors: Mr. Zhao Jianbo, Ms. Zhou Li, Mr. Zheng Cheng and Mr. Ying Luming.

In this announcement, if there is any inconsistency between the Chinese names of certain items and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with "" is for identification purpose only.*