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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)

**ANNOUNCEMENT OF THE RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

The Board hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2021 with the comparative figures for the same period of 2020.

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

KEY HIGHLIGHTS

For the six months ended June 30, 2021:

- Revenue increased by approximately 118.1% to RMB175.1 million from RMB80.3 million for the same period of 2020, representing 95.7% of RMB183.0 million for the same period in 2019, and the revenue level has almost resumed to that before the outbreak of the epidemic.
- Gross profit increased significantly by 1,219.1% to RMB48.8 million from RMB3.7 million for the same period of 2020, with a gross profit margin of 27.9% compared to 4.6% for the same period of 2020.
- Results for the period recorded a profit of RMB0.9 million as compared to a loss of RMB80.0 million for the same period of 2020, achieving a turnaround from loss to profit.
- Number of online tour guides developed increased to 30,464 from 22,044 for the same period of 2020.

1. Financial summary

	For the six months ended June 30,		Year-to-year change
	2021 <i>(RMB'000)</i> (Unaudited)	2020 <i>(RMB'000)</i> (Unaudited)	
Revenue	175,137	80,305	118.1%
Gross profit	48,819	3,701	1,219.1%
Profit/(loss) before tax	1,850	(79,955)	N/A
Profit/(loss) for the period	880	(79,955)	N/A
Net profit/(loss) margin	0.5%	(99.6%)	N/A
Adjusted profit/(loss) for the period excluding listing expenses*	880	(40,394)	N/A
Adjusted net profit/(loss) margin excluding listing expenses*	0.5%	(50.3%)	N/A

* Non-GAAP measure

2. Operating metrics

	As of June 30,		Change
	2021	2020	
Online tour guides developed	30,464	22,044	8,420

BUSINESS REVIEW AND OUTLOOK

Results Highlights

For the six months ended June 30, 2021:

- Total revenue amounted to approximately RMB175.1 million, representing an increase of 118.1% as compared with the same period of 2020. Total revenue from sales of online tour guides amounted to approximately RMB170.8 million, representing an increase of 117.0% as compared with the same period of 2020, which was mainly attributable to the strong recovery of the tourism market since March 2021, leading to a steady growth of the business as demand for travel tours increased. The total revenue of online tour guides in the first half of 2021 represented approximately 97.0% of that in the first half of 2019 and has almost resumed to the revenue level before the outbreak of the epidemic.
- Gross profit amounted to approximately RMB48.8 million, representing a significant increase of 1,219.1% as compared with the same period of 2020. Gross profit margin for the first half of 2021 amounted to approximately 27.9% compared to gross profit margin in the same period of 2020 of approximately 4.6%. Substantial increase of gross profit margin was mainly attributable to the steady growth in revenue and the accelerated recovery of the tourism market during the Reporting Period.
- Profit for the period amounted to approximately RMB880,000 compared to the loss for the same period of 2020 of approximately RMB80.0 million. The turnaround from loss to profit was mainly attributable to the recovery of tourism industry, which drove the significant increase in sales of online tour guides.
- We continue to consolidate our market leading position of online tour guides by continuously investing in R&D and optimizing the content of tour guides, which can improve our users' experience, while capturing the demand for the tourism market after the normalization of epidemic prevention and control, such as peripheral tours and red tourism, etc., and we strategically increase the coverage of tour guides in these tourist attractions. Number of online tour guides developed by us also increased, with a total of 30,464 (the same period of 2020: 22,044) online tour guides developed by us as of June 30, 2021.

BUSINESS REVIEW AND PROSPECTS

In January and February of 2021, the COVID-19 epidemic rebounded in some regions of Mainland China. To prevent further spread of the virus due to large-scale personnel mobility during the “Spring Festival Travel Rush” period, local governments promoted the “staying put during the Lunar New Year festival” policy. As a result, the demand for cross-province travel across the country shrank significantly, which adversely affected the tourism industry. Thanks to the strong organizational, mobilization and coordination capabilities of the Chinese government, the epidemic was effectively contained. Since March 2021, the tourism market has recovered, and especially the Labor Day Golden Week holidays saw a rapid recovery in consumer confidence and travel demand, with sharp increase in the number of tourists. With the accelerated popularization of domestic COVID-19 vaccines, the tourism market will continue to maintain a vigorous growth momentum and the domestic tourism economy is expected to burst with greater vitality during the summer and the Mid-Autumn Festival and National Day holidays in the second half of the year.

During the Reporting Period, we continue to consolidate our leading position of online tour guide industry, actively capture the opportunities brought by the recovery and flexibly respond to changes in market demand. We have seen that short-distance travel and peripheral tours have become more popular among tourists under the normalized epidemic prevention and control. Therefore, we strategically increased the online tour guide coverage of tourist attractions on the outskirts of cities to enhance our adaptability to market changes. At the same time, we have upgraded and optimized the content of our online tour guides for popular tourist attractions, including improving the accuracy of the tour guides, optimizing the mapping processes and upgrading the explanations to provide consumers with a better experience and meet the diverse travel demand of consumers. As at June 30, 2021, we had developed 30,464 online tour guides covering tourist attractions in China and overseas, which covered 288 AAAAA tourist attractions, 2,476 AAAA tourist attractions, 1,851 AAA tourist attractions.

In relation to our SaaS business, we developed and iteratively launched a product named “Digital View Pass (數景通)” with smart management, smart marketing and smart service as the core, offering digital marketing solutions for tourist attractions. By constructing smart mini programs, digital marketing system, smart tourist attractions system and private internet traffic system, the digital marketing system and delicacy operation system were constructed in tourist attractions and informationalized resources were integrated to meet the digital upgrading demand of various tourist attractions and the culture and tourism bureaus, so as to achieve new business growth in tourist attractions and enhance the operational and management efficiency of tourist attractions. In addition, “Digital View Pass (數景通)” can effectively enhance the efficiency of our customized content business such as the development efficiency of the “Mobile Tour” project and reduce the development costs.

We upgraded the 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 and Internet portal, etc. For example, in the tourist attractions operation service, the system can perform passenger flow control, big data heat map analysis, smart terminal remote unified management and artificial intelligence learning, which can deeply explore the consumption potential of consumers, improve the service experience of tourist attractions, increase the operation revenue of tourist attractions and help the digital upgrade 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 174.2% from approximately RMB1.6 million for the six months ended June 30, 2020 to approximately RMB4.3 million for the six months ended June 30, 2021.

We continue to diversify the sources of user traffic. In addition to strengthening the mutually beneficial cooperation with OTAs, we are actively expanding our scenario-based marketing to acquire diversified user traffic. We have placed shared family bicycles in over 40 tourist attractions, where tourists can scan the QR code on the bicycle to get an online tour guide of the tourist attractions while exploring the tourist attractions on bicycles, satisfying the needs of parent-child trips and listening to the online tour guide, and enhancing the travel experience of tourists. In addition, for the young people, especially the Generation Z, who love to experience the combination of games and travel, we have also introduced tourism product called “Lvji Live Acting Role Playing Game (驢跡實景劇本殺)” to tourist attractions, using scenes of tourist attractions and the cultural stories behind them, combined with the tour guide, to create tailor-made scripts with the characteristics of the tourist attractions. Through a plot of drama that tourists can participate in and perform, we bring tourists an immersive tourism experience, enhance the sense of interaction between tourists and tourists attractions as well as the fun of playing, and satisfy the social needs and novelty experience of young people, thus helping tourist attractions to gain more offline users. We are also actively expanding business into other smart terminals. During the Reporting Period, we became the first batch of content eco-partner of HUAWEI HarmonyOS (華為鴻蒙系統) and launched the tour guide version adapted to HUAWEI’s smartwatch to satisfy users with high-quality products that seamlessly switch under different scenarios and cover more usage channels.

BUSINESS OUTLOOK AND STRATEGIES

The tourism market has recovered significantly since March 2021, as the long-suppressed tourism demand during the Spring Festival has been released, resulting in a rebound in the tourism market especially during the Ching Ming Festival and Labor Day holidays. Based on the current epidemic situation outside China, we believe it will take time for outbound travel to open up, while demand for domestic travel will further accelerate. We remain optimistic about China's tourism industry in 2021 as vaccinations are fully rolled out and the immunization barrier is being built up. We believe that with our leading market position, continued technological innovation and traffic channel development, we are well positioned to embrace the recovery of the tourism industry, respond flexibly to market changes and capture the opportunities of smart tourism popularization. We will continue to focus on our core strategies and maintain our leading position in the online tour guide market by leveraging our enterprise positioning of "China's leading culture and tourism industry chain service platform", and we are confident in seizing the recovery opportunities and leading the development of the online tour guide industry.

In the long run, we believe that tourism industry 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 flexibly adjust and continuously optimize the coverage of online tour guide products according to the market demand; strengthen the innovation as well as R&D capability, continuously improve the products and services such as "Digital View Pass (數景通)" to meet the demand of digital upgrading of tourist attractions, empower the marketing of tourist attractions and improve the operational efficiency of tourist attractions; continue to explore more sources of user traffic, increase the investment in offline traffic and cover our products and services in more smart terminal systems. We will strive to build an industry chain of culture and tourism service platform to continue to strengthen our leadership market position.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2021 compared to six months ended June 30, 2020

	For the six months ended June 30,	
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)
REVENUE	175,137	80,305
Cost of sales	<u>(126,318)</u>	<u>(76,604)</u>
Gross profit	48,819	3,701
Other income and gains	7,285	4,726
Selling and distribution expenses	(28,626)	(15,760)
Administrative expenses	(16,677)	(57,628)
Other expenses	(8,817)	(14,804)
Finance costs	<u>(134)</u>	<u>(190)</u>
PROFIT/(LOSS) BEFORE TAX	1,850	(79,955)
Income tax	<u>(970)</u>	<u>—</u>
PROFIT/(LOSS) FOR THE PERIOD	<u>880</u>	<u>(79,955)</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the parent	<u>880</u>	<u>(79,955)</u>

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 periods indicated:

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Sale of online tour guides through OTAs	170,137	78,578
Sale of online tour guides to travel agencies	577	20
Sale of online tour guides through Lvji APP	93	128
Sale of customized content	4,330	1,579
	<hr/>	<hr/>
Total revenue	<u>175,137</u>	<u>80,305</u>

Revenue increased by approximately 118.1% from RMB80.3 million for the six months ended June 30, 2020 to RMB175.1 million for the six months ended June 30, 2021.

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 guides through OTAs

We generated a substantial portion of our revenue from sale of online tour guides through OTAs for the six months ended June 30, 2021. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs so that the end users can 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.

The sale of our online tour guides through OTAs accounted for approximately 97.1% of our total revenue for the six months ended June 30, 2021. 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. We will continue to maintain sound cooperation relationship with leading OTAs. Revenue from the sale of online tour guides through OTAs increased by approximately 116.5% from RMB78.6 million for the six months ended June 30, 2020 to approximately RMB170.1 million for the six months ended June 30, 2021. The increase was primarily due to the recovery of travel industry and travel demand which have driven the sales of online tour guides through OTAs by consumers.

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 82 for the six months ended June 30, 2020 to 88 for the six months ended June 30, 2021. Revenue from sale of online tour guides to travel agencies increased by approximately 2,785.0% from RMB20,000 for the six months ended June 30, 2020 to RMB577,000 for the six months ended June 30, 2021. The increase was mainly attributable to the recovery of tourism industry and travel demand.

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 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. Revenue from sale of online tour guides through our Lvji APP decreased by approximately 27.3% from RMB128,000 for the six months ended June 30, 2020 to RMB93,000 for the six months ended June 30, 2021. The decrease was mainly due to the drop in the sales volume of our online tour guides through Lvji APP.

Sale of Customized Content

We also sell customized online tour guide products and services to administrators of tourist attractions and to a lesser degree, 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 we customized online tour guide contents increased from 621 for the six months ended June 30, 2020 to 685 for the six months ended June 30, 2021. Revenue from sale of customized content increased by approximately 174.2% from RMB1.6 million for the six months ended June 30, 2020 to RMB4.3 million for the six months ended June 30, 2021. The increase was mainly attributable to the rising demand for digital upgrades of tourist attractions and the increasing number of attractions partnering with us due to our excellent product experience.

Cost of Sales

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

Cost of sales increased by approximately 64.9% from RMB76.6 million for the six months ended June 30, 2020 to RMB126.3 million for the six months ended June 30, 2021. The increase was mainly due to (i) the significant increase in the concession fee of OTAs, which was attributable to the increase in our online tour guide sold through OTA; and (ii) the increase in amortization of other intangible assets, which was attributable to the increases in the number of tourist attractions we covered and the number of online tour guide we developed.

Gross Profit

As a result of the foregoing, our gross profit significantly increased by approximately 1,219.1% from approximately RMB3.7 million for the six months ended June 30, 2020 to approximately RMB48.8 million for the six months ended June 30, 2021. Our gross profit margin increased from approximately 4.6% for the six months ended June 30, 2020 to 27.9% for the six months ended June 30, 2021. The increase was mainly due to the recovery and growth of the Company's tour guide sales business led by the recovery of domestic travel business.

Other Income and Gains

Other income and gains increased by approximately 54.1% from RMB4.7 million for the six months ended June 30, 2020 to RMB7.3 million for the six months ended June 30, 2021. The increase was mainly due to the increase in interest income from bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 81.6% from RMB15.8 million for the six months ended June 30, 2020 to RMB28.6 million for the six months ended June 30, 2021. The increase was mainly due to the increased marketing expenses caused by the increase in promotion services of offline tourist attractions and the increase in online marketing expenses.

Administrative Expenses

Administrative expenses decreased by approximately 71.1% from RMB57.6 million for the six months ended June 30, 2020 to RMB16.7 million for the six months ended June 30, 2021. The decrease was mainly due to the decrease in one-off listing expenses.

Other expenses

Other expenses decreased by approximately RMB6.0 million from RMB14.8 million for the six months ended June 30, 2020 to RMB8.8 million for the six months ended June 30, 2021. The decrease was mainly due to the decrease in the impairment of other intangible assets, which was attributable to the recovery in sales of tour guides business.

Income Tax

We recorded an income tax expense of approximately RMB970,000 for the six months ended June 30, 2021 as compared to nil for the six months ended June 30, 2020. The increase was due to the increase in taxable income.

Results for the Period

We recorded a profit of approximately RMB0.9 million for the six months ended June 30, 2021 comparing with a net loss of RMB80.0 million for the six months ended June 30, 2020. Net profit margin for the six months ended June 30, 2021 was 0.5% as compared to net loss margin of 99.6% for the six months ended 30 June 2020. Excluding listing expenses, our adjusted results for the period (a non-GAAP measure) was RMB0.9 million for the six months ended June 30, 2021, as compared to adjusted loss of RMB40.4 million for the six months ended June 30, 2020. Our adjusted net profit margin (a non-GAAP measure) was 0.5% for the six months ended June 30, 2021, as compared to net loss margin of 50.3% for the six months ended June 30, 2020. The increase in our net profit margin and adjusted net profit margin was mainly due to the increase in our gross profit margin.

OTHER FINANCIAL INFORMATION

Trade Receivables

Trade receivables increased by approximately RMB22.3 million from RMB20.5 million for the six months ended June 30, 2020 to RMB42.8 million for the six months ended June 30, 2021. The increase was mainly due to the increase of sale of online tour guides through OTAs.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by approximately RMB61.2 million from RMB49.6 million for the six months ended June 30, 2020 to RMB110.8 million for the six months ended June 30, 2021. The increase was mainly due to the increase in prepayments for tickets, in order to acquire the agency rights for the sales of tickets of tourist attractions.

Liquidity and Capital Resources

The funding of our liquidity is 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 the six months ended June 30, 2021. 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 June 30, 2021, we had cash and cash equivalents of approximately RMB389.5 million (as of December 31, 2020: RMB516.4 million), net current assets of approximately RMB480.8 million (as of December 31, 2020: RMB532.3 million) and total equity of approximately RMB1,138.0 million (as of December 31, 2020: RMB1,140.4 million). Our current ratio was approximately 8.67 times as of June 30, 2021 (as of December 31, 2020: 10.75 times). The decreases in our cash and cash equivalents, net current assets and current ratio were mainly due to the increase in other intangible assets. We had no bank borrowings as of June 30, 2021 (as of December 31, 2020: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (as of December 31, 2020: not applicable).

Capital Expenditure

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

Property, plant and equipment were mainly our furniture and fixtures, leasehold improvements and construction in progress. The decrease of approximately RMB681,000, or 18.0% from December 31, 2020 to June 30, 2021 was mainly due to acquisition of property, plant and equipment of approximately RMB608,000; and offset by depreciation of property, plant and equipment of approximately RMB1,289,000.

Other intangible assets comprise copyrights and computer software and are amortized over their expected useful life. The increase of approximately RMB48.0 million from December 31, 2020 to June 30, 2021 was mainly due to the increase in number of tourist attractions we covered and number of online tour guide we developed in the first half of 2021, which was partially offset by (i) the amortization of intangible asset of RMB40.5 million; and (ii) the impairment of and provision for intangible assets of approximately RMB8.8 million.

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

During the Reporting Period, we did not have any significant investment, material acquisition nor disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As stated in the Prospectus, approximately 6.5% (approximately HK\$37.7 million) of the net proceeds from the Listing is intended to be used 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 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.

During the six months ended June 30, 2021, we have commenced the process of improving our development capabilities, but no actual purchases has been made.

Save as disclosed in the Prospectus and the announcement of investment in a limited partnership published on December 15, 2020, there was no other plans for material investments and capital assets during the six months ended June 30, 2021 and up to the date of this announcement.

Employee and Remuneration Policies

As of June 30, 2021, we had a total of 305 full-time employees (as at December 31, 2020: 248). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The remuneration and compensation package of the Directors and senior management is determined, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and senior management. The Directors and senior management receive remuneration, including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus. The Company has adopted a share option scheme on December 20, 2019 as an incentive to the employees, Directors and other eligible participants. As of June 30, 2021, 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 have founded a labor union to provide employees with a wealth of recreational and collective welfare activities. We believe that the foundation of labor union helps us to maintain a good employment relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations for the six months ended June 30, 2021.

Contingent Liabilities

The Group did not have any material contingent liabilities as at June 30, 2021.

Charge on Assets

As of June 30, 2021, the Group had pledged deposits of RMB0.4 million (as of December 31, 2020: RMB0.4 million), which was pledged to the government authorities for conducting tourist related business in the PRC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2021

		For the six months ended June 30,	
	<i>Notes</i>	2021	2020
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
		(Unaudited)	(Unaudited)
REVENUE	4	175,137	80,305
Cost of sales		<u>(126,318)</u>	<u>(76,604)</u>
Gross profit		48,819	3,701
Other income and gains	4	7,285	4,726
Selling and distribution expenses		(28,626)	(15,760)
Administrative expenses		(16,677)	(57,628)
Other expenses	6	(8,817)	(14,804)
Finance costs	7	<u>(134)</u>	<u>(190)</u>
PROFIT/(LOSS) BEFORE TAX	5	1,850	(79,955)
Income tax expense	8	<u>(970)</u>	–
PROFIT/(LOSS) FOR THE PERIOD		<u>880</u>	<u>(79,955)</u>
Attributable to:			
Owners of the parent		<u>880</u>	<u>(79,955)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted (<i>RMB</i>)	10	<u>0.06 cents</u>	<u>(5.78 cents)</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended June 30, 2021

	For the six months ended June 30,	
	2021	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>880</u>	<u>(79,955)</u>
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Exchange differences on translation of financial statements	<u>(3,305)</u>	<u>10,839</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(3,305)</u>	<u>10,839</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(3,305)</u>	<u>10,839</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(2,425)</u>	<u>(69,116)</u>
ATTRIBUTABLE TO:		
Owners of the parent	<u>(2,425)</u>	<u>(69,116)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

	<i>Notes</i>	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	3,099	3,780
Other intangible assets	<i>12</i>	636,363	588,384
Right-of-use assets		4,788	4,973
Financial asset at fair value through profit or loss		15,000	15,000
Total non-current assets		659,250	612,137
CURRENT ASSETS			
Trade receivables	<i>13</i>	42,799	20,497
Prepayments, deposits and other receivables	<i>14</i>	110,811	49,571
Amount due from a related party	<i>21(c)</i>	79	80
Pledged deposits		350	350
Cash and cash equivalents		389,516	516,385
Total current assets		543,555	586,883
CURRENT LIABILITIES			
Trade payables	<i>15</i>	2,180	2,578
Other payables and accruals	<i>16</i>	13,384	15,002
Contract liabilities	<i>17</i>	9,776	2,712
Deferred income		2,130	2,031
Amount due to a related party	<i>21(c)</i>	1,628	–
Tax payable		30,588	29,618
Lease liabilities		3,034	2,634
Total current liabilities		62,720	54,575
NET CURRENT ASSETS		480,835	532,308
TOTAL ASSETS LESS CURRENT LIABILITIES		1,140,085	1,144,445

	<i>Note</i>	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
NON-CURRENT LIABILITIES			
Deferred income		560	1,481
Lease liabilities		<u>1,533</u>	<u>2,547</u>
Total non-current liabilities		<u>2,093</u>	<u>4,028</u>
Net assets		<u>1,137,992</u>	<u>1,140,417</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>18</i>	100,648	100,648
Reserves		<u>1,037,344</u>	<u>1,039,769</u>
Total equity		<u>1,137,992</u>	<u>1,140,417</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Reporting Period, 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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 Interim Financial Reporting. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9,
HKAS 39 and HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond June 30, 2021
(early adopted)*

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendment did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on January 1, 2021 and the amendments did not have any impact on the Group’s interim condensed consolidated financial information.

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 Reporting Period, 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 Reporting Period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of online tour guide through OTAs	170,137	78,578
Sale of online tour guide to travel agencies	577	20
Sale of online tour guide through Lvji APP	93	128
Sale of customized content	4,330	1,579
	<u>175,137</u>	<u>80,305</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of online tour guide	170,807	78,726
Sale of customized content	4,330	1,579
	<u>175,137</u>	<u>80,305</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>175,137</u>	<u>80,305</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

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
<i>Other income and gains</i>		
Government grants <i>(note (i))</i>	1,264	1,903
Franchise income	878	666
Ticket service income	459	–
Interest income	4,224	1,164
Foreign exchange gains, net	434	346
Others	26	647
	7,285	4,726

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

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended June 30,	
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)
Concession fee	85,268	39,289
Depreciation of property, plant and equipment	1,289	800
Depreciation of right-of-use assets	962	949
Amortization of other intangible assets	40,541	36,724
Impairment of other intangible assets (<i>note 12</i>)	8,816	14,803
Research and development costs	5,119	7,365
Listing expenses	–	39,561
Impairment of trade receivables	42	275
Lease payments not included in the measurement of lease liabilities	–	14
Employee benefit expense (including directors' remuneration wages and salaries)	11,909	16,363
Pension scheme contributions (defined contribution scheme)	1,453	487
	<u>155,399</u>	<u>156,630</u>
Bank interest income	(4,224)	(1,164)
Government grants	<u>(1,264)</u>	<u>(1,903)</u>

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	For the six months ended June 30,	
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)
Impairment of other intangible assets	8,816	14,803
Others	<u>1</u>	<u>1</u>
	<u>8,817</u>	<u>14,804</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>134</u>	<u>190</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 Reporting Period.

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 Corporate Income Tax Law 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 Yuantai Technology Company Limited (“**Huoer Guosi Yuantai**”) was incorporated in Khorgos, Xinjiang, the PRC on November 6, 2020, according to the applicable regulations, Huoer Guosi Lvji is exempted from corporate income tax for four years from the first year of operation which is 2021.

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

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Current income tax – Mainland China	2,495	–
Over provision in prior year	<u>(1,525)</u>	<u>–</u>
Total tax charge for the period	<u>970</u>	<u>–</u>

9. DIVIDENDS

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

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

The calculation of the basic earnings/(loss) per share amount is based on the basic earnings/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Reporting Period, as adjusted for the assumption that 1,089,000,000 shares issued pursuant to the Capitalisation Issue had been issued on January 1, 2020.

The Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2021 and 2020.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation:	<u>880</u>	<u>(79,955)</u>
Shares		
Issue of shares on November 7, 2018	50,000	50,000
Share subdivision on November 28, 2018	4,950,000	4,950,000
Effect of issue of shares on July 25, 2019	6,000,000	6,000,000
Effect of Capitalization Issue	1,089,000,000	1,089,000,000
Effect of issue of shares upon initial public offering	310,300,000	282,870,166
Effect of issue of shares under the general mandate	<u>53,350,000</u>	<u>—</u>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	<u>1,463,650,000</u>	<u>1,382,870,166</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2021, the Group acquires assets with a cost of RMB608,000 (June 30, 2020: RMB425,000).

No asset was disposed of by the Group during the six months ended June 30, 2021 (June 30, 2020: RMB38,000).

12. OTHER INTANGIBLE ASSETS

During the six months ended June 30, 2021, the Group acquires other intangible assets with a cost of RMB97,336,000 (June 30, 2020: RMB75,283,000).

During the six months ended June 30, 2021, in view of the temporary closure of tourist attraction areas and poor performance of certain cash generating units under COVID-19 pandemic situation, an impairment loss of RMB8,816,000 was recognized, based on the management review performed under the value-in-use basis, of which the calculation using cash-flow projections with the pre-tax discount rate applied to the cash-flow projection at 20%.

13. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Within 3 months	37,727	19,532
3 to 6 months	3,311	297
6 months to 1 year	1,220	140
Over 1 years	541	528
	<u>42,799</u>	<u>20,497</u>

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Prepayments	95,940	33,558
Government grant receivable	27	46
Contract cost	4,557	2,386
Deposit	5,924	4,000
Interest receivable	–	5,097
Other receivables	4,363	4,484
	<u>110,811</u>	<u>49,571</u>

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

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

15. TRADE PAYABLES

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

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Within 3 months	1,893	2,422
3 to 12 months	79	29
1 to 2 years	127	127
2 to 3 years	81	–
	<u>2,180</u>	<u>2,578</u>

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

16. OTHER PAYABLES AND ACCRUALS

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Other payables	4,953	6,073
Payroll and welfare payables	6,022	7,248
Other tax payable	2,409	1,681
	<u>13,384</u>	<u>15,002</u>

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

17. 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.

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Sale of customized content	<u>9,776</u>	<u>2,712</u>

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

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Within one year	<u>9,776</u>	<u>2,712</u>

Movements in contract liabilities during the period are as follows:

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
At the beginning of the period/year	2,712	2,780
Additions	11,354	12,704
Revenue recognized during the period/year	<u>(4,290)</u>	<u>(12,772)</u>
At the end of the period/year	<u>9,776</u>	<u>2,712</u>

18. SHARE CAPITAL

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Issued and fully paid:		
1,463,650,000 ordinary shares of US\$0.01 each	<u>100,648</u>	<u>100,648</u>

19. COMMITMENTS

At the end of the Reporting Period, the Group did not have any significant commitments.

20. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any significant contingent liabilities.

21. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following party is a related party that had transactions or balances with the Group during the Reporting Period.

(a) Name and relationship

Name of related party	Relationship with the Group and the Company
Mr. Zang	A substantial shareholder

(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 a related party during the period:

	For the six months ended June 30,	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Advances to a related party:		
Mr. Zang	—	80
	<u> </u>	<u> </u>
Advances from a related party:		
Mr. Zang	1,628	—
	<u> </u>	<u> </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:

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Amount due from a related party		
Mr. Zang	<u>79</u>	<u>80</u>
Amount due to a related party		
Mr. Zang	<u>1,628</u>	<u>–</u>

The maximum amount due from a related party outstanding during the period/year are set out below:

	June 30, 2021 (RMB'000) (Unaudited)	December 31, 2020 (RMB'000) (Audited)
Maximum amount due from a related party outstanding:		
Mr. Zang	<u>79</u>	<u>80</u>

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

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

	For the six months ended June 30, 2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)
Short-term employee benefits	<u>1,214</u>	622
Contributions to the pension scheme	<u>75</u>	<u>10</u>
	<u>1,289</u>	<u>632</u>

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the Reporting Period are as follows:

At June 30, 2021

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such (RMB'000) (Unaudited)	Financial assets at amortized cost (RMB'000) (Unaudited)	Total (RMB'000) (Unaudited)
Financial asset at fair value through profit or loss	15,000	–	15,000
Trade receivables	–	42,799	42,799
Financial assets included in prepayments, deposits and other receivables	–	10,314	10,314
Amounts due from a related party	–	79	79
Pledged deposits	–	350	350
Cash and cash equivalents	–	389,516	389,516
	<u>15,000</u>	<u>443,058</u>	<u>458,058</u>

Financial liabilities

	Financial liabilities at amortized cost (RMB'000) (Unaudited)
Trade payables	2,180
Financial liabilities included in other payables and accruals	4,953
Amount due to a related party	1,628
Lease liabilities	4,567
	<u>13,328</u>

At December 31, 2020

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such (RMB'000) (Audited)	Financial assets at amortized cost (RMB'000) (Audited)	Total (RMB'000) (Audited)
Financial asset at fair value through profit or loss	15,000	–	15,000
Trade receivables	–	20,497	20,497
Financial assets included in prepayments, deposits and other receivables	–	9,627	9,627
Amounts due from a related party	–	80	80
Pledged deposit	–	350	350
Cash and cash equivalents	–	516,385	516,385
	15,000	516,385	516,385
	15,000	546,939	561,939

Financial liabilities

	Financial liabilities at amortized cost (RMB'000) (Audited)
Trade payables	2,578
Financial liabilities included in other payables and accruals	6,073
Lease liabilities	5,181
	13,832
	13,832

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at June 30, 2021, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, amount due from a related party, trade payables, financial liabilities included in other payables and accruals and amount due to a related party approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

24. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the Reporting Period.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on August 27, 2021.

USE OF PROCEEDS

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 connection with the Global Offering). For the six months ended June 30, 2021, the Group has used approximately HK\$308.8 million (equivalent to approximately RMB273.7 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the six months ended June 30, 2021, the Company had complied with the code provisions in 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 officer should be separate and should not be performed by the same individual. Mr. Zang currently serves as chairman of the Board and chief executive officer of the Company. He is responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and the chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Zang. Accordingly, the Board believes that this arrangement will not have impact on the balance of power and authorizations between the Board and the management of the Company.

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

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they had complied with the Model Code during the six months ended June 30, 2021.

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 employees was noted by the Company during the six months ended June 30, 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Ms. Gu Ruizhen, with terms of reference in compliance with the Listing Rules. The chairman of the Audit Committee is Ms. Gu Jianlu.

The interim condensed consolidated financial results of the Group for the six months ended June 30, 2021 have not been audited by the independent auditor of the Company. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited interim condensed consolidated financial results of the Group for the six months ended June 30, 2021. The Audit Committee considers that the interim financial results of the Group for the six months ended June 30, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Corporate Governance Events for the six months ended June 30, 2021

On February 10, 2021, Mr. Zhang Jun had tendered his resignation letter to the Board to resign as a non-executive Director due to his other work commitments. Mr. Zhang Jun's resignation took effect from February 10, 2021. Mr. Fan Baoguo had been appointed as a non-executive Director, with effect from February 10, 2021.

On June 1, 2021, the employment contract of Mr. Long Chao, the then executive Director and chief operation officer of the Company, had been terminated. In view of the above circumstances, the Board had resolved to suspend the functions and duties of Mr. Long Chao as an executive Director, and remove Mr. Long Chao from his positions as a member of the nomination committee of the Board, the chief operation officer of the Company and any other positions in the Group, with immediate effect.

Mr. Zang ceased to be the executive director and general manager of Guangzhou Zhixin Information Consultancy Limited (廣州智鑫信息諮詢有限公司) with effect from June 7, 2021 and ceased to be the executive director and general manager of Lvji Technology Group Company Limited (驢跡科技集團有限公司) with effect from June 12, 2021.

Ms. Sun Hongyan and Mr. Long Chao were not re-elected at the annual general meeting of the Company which was held on June 25, 2021 and thus had retired as executive Directors with effect from June 25, 2021. Upon her retirement, Ms. Sun Hongyan also ceased to be the Company's finance director. The Board is not aware of any disagreement with Ms. Sun Hongyan or Mr. Long Chao and any matters relating to their retirement and Ms. Sun's cessation that shall be brought to the attention of the Shareholders and the Stock Exchange.

Corporate Governance Events after June 30, 2021

Mr. Wang Lei and Mr. Liu Hui had been appointed as executive Directors with effect from July 7, 2021. Further details have been set out in an announcement of the Company dated July 7, 2021.

Events after June 30, 2021

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 June 30, 2021 and up to the date of this announcement.

Interim dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2021 to the Shareholders (six months ended June 30, 2020: Nil).

Publication of Interim Results Announcement and Interim Report

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

The interim report for the six months ended June 30, 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“AI”	artificial intelligence
“API”	application programing interface, a set of clearly defined methods of communication between various software components
“APP”	application software designed to run on smartphones and other mobile devices
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2018 in the Cayman Islands
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	Novel Coronavirus
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles
“Generation Z”	the generation of People born between 1995–2009
“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
“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
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date
“Listing Date”	January 17, 2020, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Zang”	Mr. Zang Weizhong, a PRC resident and an executive Director, chairman of the Board, chief executive officer and our controlling shareholder
“OTA”	online travel agency

“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2021
“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(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)

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

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

Guangzhou, the PRC, August 27, 2021

As at the date of this announcement, the Board comprises Mr. Zang Weizhong, Mr. Wang Lei and Mr. Liu Hui as executive Directors; Mr. Cheung King Him Edmund and Mr. Fan Baoguo as non-executive Directors; and Ms. Gu Jianlu, Ms. Wu Daxiang and Ms. Gu Ruizhen as independent non-executive Directors.