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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

References are made to the announcements of Lvji Technology Holdings Inc. (the "**Company**", together with its subsidiaries, the "**Group**") dated 15 May 2022, in relation to the annual results for the year ended 31 December 2021 (the "**2021 Annual Results Announcement**") and the annual report for the year ended 31 December 2021 of the Group (the "**2021 Annual Report**"). Unless otherwise defined, the terms used herein shall bear the same meanings as defined in the 2021 Annual Results Announcement and the 2021 Annual Report.

In addition to the information provided in the 2021 Annual Results Announcement and the 2021 Annual Report, the Board would like to provide further information on the Management Discussion and Analysis and the consolidated financial statements of the Group for the year ended 31 December 2021 therein pursuant to paragraph 45(3) and (4) of Appendix 16 to the Listing Rules.

IMPAIRMENT LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

The unprecedented COVID-19 that started in January 2020 has inevitably caused certain impact on both the overall tourism markets and the business operations of the Company, in terms of revenue and business operation activities, mainly due to travel restrictions and other precautionary measures imposed by local authorities that resulted in temporary closure of tourist attraction areas and overall decline in market demand during the outbreak period. Notwithstanding the unprecedented COVID-19 outbreak, the overall pandemic situation in China was effectively mitigated and controlled, leading to less disruption to travels and quick recovery of the domestic tourism markets in 2020. Hence, when assessing whether there was any indicator of impairment of copyrights for the domestic markets as at 31 December 2020, the Company's management was of the opinion that, although the domestic tourism industry was temporarily affected by the COVID-19 outbreak for the period from January to March 2020, the domestic tourism industry had recovered rapidly, benefitting from the then resilience of China's economic growth and the demands for tourism and leisure travel. The Company's management at the relevant time expected that the revenue from the domestic markets would continue to grow in the future, showing a V-shaped rebound trend and was confident in the recovery and the future development of the domestic tourism markets. In view of the above, the Company's management concluded that there was no indication of impairment for the domestic markets as at 31 December 2020.

Due to the resurgence of the pandemic situation during the year ended 31 December 2021, both the overall tourism markets and business operations of the Group had been inevitably impacted, mainly due to implementation of precautionary control measures requirements by the relevant local authorities, which included, inter alia, imposition of travel restrictions and homestay restriction orders for the affected locations, temporary closure of tourists attraction areas in the domestic markets, limitation of traveling abroad and the immigration quarantine requirements that resulted in the decline in the overall sales demand of its domestic and overseas markets.

For the overseas markets, the Group's revenue of sales of online tour guides for overseas markets mainly comes from domestic tourists in China. Since the outbreak of the pandemic, restrictions on traveling abroad and the quarantine requirements led to the reduction in China's outbound leisure travelling, which significantly affected the Group's revenue from overseas markets for the years ended 31 December 2020 and 2021. The Company's management did not anticipate the duration of the COVID-19 outbreak would last throughout 2021 in 2020. Apart from the restrictions on international travels, differences in the governments' COVID-19 policies in overseas countries and the cross-border quarantine requirements led to the significant decrease in the volume of outbound travelling in 2020 and 2021.

In accordance with the Group's accounting policies on asset impairment, given the dynamic and uncertainties on the evolvement of the COVID-19 pandemic, and based on the circumstances indicating impairment as at the balance sheet date, the Company's management engaged a registered independent professional valuer to perform impairment testing on the copyrights for online tour guides (which comprise illustrated maps, text and audio contents the Group procured from suppliers and were further developed and integrated into the Group's online tour guides) of the Group. As a result, the Company recorded an impairment loss of RMB562.6 million on other intangible assets, in particularly the copyrights for online tour guides, for the year ended 31 December 2021 (the "**Impairment Loss**"), which represented 97.7% of the Company's net loss for the year ended 31 December 2021.

The table below sets forth a breakdown of the impaired other intangible assets as of 31 December 2021:

As of 31 December 2021	**Number of Copyrights Valued**	**Net Book Value before impairment at the end of 2021**	**Value in Use**	**Impairment Loss for the year**	**Carrying Amount after impairment at the end of 2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Impaired Copyrights	**30,024**	**639,890**	**77,292**	**562,598**	**77,292**
Domestic markets	*15,070*	258,168	70,026	188,142	70,026
Overseas markets (including HK, Macau and Taiwan regions)	*14,954*	381,722	7,266	374,456	7,266
Unimpaired Copyrights	**4,922**	**90,654**	**324,411**	**–**	**90,654**
Domestic markets	*4,821*	88,504	320,759	–	88,504
Overseas markets (including HK, Macau and Taiwan regions)	*101*	2,150	3,652	–	2,150
Total Copyrights	**34,946**	**730,544**	**401,703**	**562,598**	**167,946**
Domestic markets	*19,891*	346,672	390,785	188,142	158,530
Overseas markets (including HK, Macau and Taiwan regions)	*15,055*	383,872	10,918	374,456	9,416

KEY VALUE OF INPUTS USED AND BASIS AND ASSUMPTIONS ADOPTED

As required under the Group's accounting policies on asset impairment, the Company's management is required to perform an annual impairment test if there is indication of such impairment existing as at the balance sheet date. The impairment assessment process involves the Company's management's estimation on the expected future cash flow, associated growth rates and discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The key value of inputs used in the valuations to determine the amount of the impairment on intangible assets, and the basis and assumptions adopted have been disclosed in the 2021 Annual Results Announcement and 2021 Annual Report, which are summarised and further elaborated as below:

(i) The value-in-use calculation was based on the expected future cash flow projections prepared by the Company. The basis of cash flow projections of the cash-generating units was based on reasonable assumptions of financial performance projections that represent the Company's management's best estimate.

(ii) The discount rate adopted was the after-tax discount rate at 17% (pre-tax rate: 25.36%) for the copyrights, considering the current market situation, business risk and the expected return from the intangible asset related businesses.

(iii) In addition to the details of the assumptions on the growth in the Company's revenue, specifically the sales volume and the unit price, as disclosed in the 2021 Annual Results Announcement and 2021 Annual Report, it is assumed that the expected performance of the copyrights and the growth in the Company's revenue can be achieved through the effort of the Company's management.

(iv) Other value of inputs used in the valuations, and the basis and assumptions adopted are listed as follows:

No.	Item	Key Factors	Value	Reference
1	Cost	– Sales Cost		Amortization expenses of corresponding copyrights
		– Operation Cost	17.2%	Average ratio of last 3 years
2	Depreciation and Amortization	– Fixed Asset Depreciation Expense	0.81%	Average ratio of last 3 years as at the valuation date
		– Right of Use Assets Amortization Expense	0.43%	Average ratio of last 3 years as at the valuation date
3	Tax	Tax Rate	15.00%/ 25.00%	
4	Remaining Life	Remaining Life	0.1-10 years	The remaining amortization useful life of copyrights
5	Working Capital	Working Capital	8.33%	The collection period of revenue relating to online tour guides is estimated to be one month
6	Capital expenditure (CAPEX)	CAPEX		Assumed the maintenance expenditure, equal to current depreciation and amortization
7	Growth rate	Growth rates over the next 5 to 10 years	2.5%	Forecast of expected economic growth rate in 5 years.

UNDERLYING VALUATION METHODOLOGY

The engaged independent professional valuer adopted income approach known as the discounted cash flow method to perform value-in-use analysis in accordance with the requirement of Hong Kong Accounting Standard 36. The income approach focuses on the profitability of assets. The estimated value of the assets is calculated as the present value of economic benefits (cash income less cash expenditure) that accrues over the useful life of the assets. Such approach includes procedures from estimating the expected pre-tax cash flows from the asset over its economic life and discounting the cash flows using a discount rate, which is the rate of return taking into account of the time value of money and risk factors of investment. The sum of discounted present value of the pre-tax cash flows is the value-in-use of the assets or cash-generating units.

The table below sets forth a comparison in the value of the inputs and assumptions for the discounted cash flow method used:

	31 December 2021	**31 December 2020**
Operation Cost	17.2%	14.7%
Fixed Asset Depreciation Expense	0.81%	0.67%
Right of Use Assets Amortization Expense	0.43%	0.54%
Tax Rate	15%/25%	15%
Remaining Life	0.1–10 years	2.58–10 years
Working Capital	8.33%	8.33%
Growth rate	2.5%	5%

There were no significant changes in the value of inputs and assumptions from those previously adopted, other than the updates in the Company's management's estimate of the future revenue growth, including the number of copyrights valued and the associated growth rate. As at the date of this announcement, there are no subsequent changes to the valuation methods as referred to above following their adoption.

The Company would continue to comply with the accounting standards and accounting policies to perform impairment reviews so as to ensure its financial statements are true and fairly stated.

For and on behalf of
Lvji Technology Holdings Inc.
Zang Weizhong
Chairman, Executive Director and Chief Executive Officer

Guangzhou, the PRC, 16 June 2022

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Zang Weizhong, Mr. Wang Lei and Mr. Liu Hui; one non-executive director, namely Mr. Cheung King Him Edmund; and three independent non-executive directors, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Ms. Gu Ruizhen.