



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

Interim Report **2022**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Yu Dingxin (*chairman*)
Mr. Pan Wei
Mr. Xu Jiong
Mr. An Jiajin

Independent non-executive directors

Mr. Zhao Jianbo
Ms. Zhou Li
Mr. Zheng Cheng
Mr. Ying Luming

COMPANY SECRETARY

Mr. Yip Ngai Hang, Henry, *FCCA, FCCA*

AUDITOR

McMillan Woods (Hong Kong) CPA Limited

LEGAL ADVISORS

As to Hong Kong laws
Jingtian & Gongcheng LLP

PRINCIPAL BANKERS

Hangzhou Bank (Yuhang Branch)
Shizuoka Bank (Yamanashi Branch)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 813, 8/F., Block 4
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No. 1288 Wenyi West Road
Cangqian Sub-district
Yuhang District
Hangzhou City
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 02-03
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

<http://www.tuyigroup.com>

STOCK CODE

1701

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2022 (the “**Period Under Review**”), in light of the uncertainties as a result of the developments of certain global emergencies, the novel coronavirus global pandemic (the “**COVID-19 Pandemic**”) and the subsequent massive disruptions of trade, production and logistics on a global basis, the economy of the People’s Republic of China (the “**PRC**”) and, in turn, the demand for and the market conditions of the tourism and hospitality industry (the “**Industry**”) in the PRC have been deteriorating. Nevertheless, Tu Yi Holding Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has been shifting its business focus to duty-free shop business – the Japanese-lifestyle-oriented cross-border duty-free shop business (the “**Duty-free Shop Business**”) with associated mobile phone application (the “**App**”), mini-application in WeChat and website under the brand “Direct Courier from Shop Manager” (店長直郵) since the Group’s suspension of its sales of outbound packaged tours and outbound free independent traveller products (the “**FIT Products**”) in January 2020 following the issue of notices by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) on 24 January 2020 and the Hangzhou Municipal Bureau of Culture, Radio, TV and Tourism (杭州市文化廣電旅遊局) on 25 January 2020. The overall revenue of the Group increased by approximately 29.6% as compared to that of the corresponding period in 2021. The net loss attributable to shareholders amounted to approximately RMB3.6 million, representing a decrease of approximately 69.8%. In view of the net loss the Group made during the Period Under Review, the board (the “**Board**”) of directors (the “**Directors**”) does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

BUSINESS REVIEW AND PROSPECTS

It took the Group approximately two years to build up and enhance its online Duty-free Shop Business. During these two years, the Group spent a significant amount of resources and time to (1) upgrade the IT platform to integrate customer-interactive functions like live-streaming, group purchasing, limited-time purchasing and mini-games; (2) maximise cooperations with various local Japanese businesses to increase product spectrum; and (3) develop the Group’s own products to build up its own brand name. During the Period Under Review, leveraging on the well-established platform of online Duty-free Shop Business, the Group has (1) launched the domestic trading Duty-free Shop Business, where the Group initiated domestic wholesale trading (i.e. business to business) for certain products under its own brand through capitalising on the well-established marketing channel for the Duty-free Shop Business to cater the robust demand for those own-brand products from certain domestic traders; and (2) expanded its online Duty-free Shop Business to Taiwan, China (“**Taiwan**”) market as the Group sees the potential of Japanese cosmetic products in the market of Taiwan in view of the popularity of these products in Taiwan.

The overall gross profit margin of the Group increased substantially by approximately 35.7 percentage points from approximately 20.1% for the first half of 2021 to approximately 55.8% for the first half of 2022, as (1) the Group has completed its initial high-investment stage for its online Duty-free Shop Business and certain IT costs and staff costs that were used to build up and enhance the business model of its online Duty-free Shop Business decreased substantially during the Period Under Review; (2) the Group put more focus on developing its own products and building up its own brand name; and (3) the Group resumed its operation of its Hotel Operation since May 2022 after the relaxation of COVID-19 Pandemic prevention measures imposed by the Japanese government, which to the substantial increment in gross profit contribution of the Hotel Operation to the Group’s total revenue as compared to the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, the Group plans to further develop online sales of domestic products by leveraging on the IT platform of its well-established online Duty-free Shop Business; focusing on increasing product spectrum in certain niche products and rolling out more own-brand products. The Company expects both the revenue from the Duty-free Shop Business and the Hotel Operation to further grow at a faster pace in the second half of 2022 after the relaxation of COVID-19 Pandemic prevention measures imposed by the Japanese government. In the meantime, the Group has implemented a number of measures for the purpose of controlling its operating costs and maintaining a stable and sustainable level of liquidity and working capital. The Group's current ratio and gearing ratio remained at a similar level as at 30 June 2022 as compared to 31 December 2021.

FINANCIAL REVIEW

Revenue and gross profit margin

The breakdown of revenue, average revenue per traveller ("ART") and gross profit margin by business segment during the periods under review is set forth below:

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Revenue RMB'000 (Unaudited)	ART RMB (Unaudited)	% of revenue (Unaudited)	Gross profit margin (Unaudited)	Revenue RMB'000 (Unaudited)	ART RMB (Unaudited)	% of revenue (Unaudited)	Gross profit margin (Unaudited)
Sales of package tours – other than Japan	434	7,890	3.4%	4.5%	733	4,442	7.6%	4.0%
Margin income from sales of FIT Products (net basis) – other than Japan	154	61	1.2%	100%	94	1	1.1%	N/A
Hotel Operation – Japan	2,512	263	20.0%	67.7%	165	300	1.7%	(20.0%)
Online Duty-free Shop Business – Japan and Taiwan, China	8,515	N/A	67.7%	46.5%	8,707	N/A	89.5%	22.1%
Duty-free Shop Business – Domestic Trading	966	N/A	7.7%	79.5%	–	–	–	N/A
Other income from sales of ancillary travel related products and provision of services	–	–	–	N/A	9	N/A	0.1%	N/A
	12,581		100.0%	55.8%	9,708		100.0%	20.1%

Sales of package tours, sales of day tours and Margin income from sales of FIT Products (net basis)

The Group's package tours generally comprises 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. The Group's day tour products generally consist of day tours ranging from one day to six days, which mainly target travellers who are neither package tours nor the FIT Product customers and have purchased air tickets/hotel accommodations separately, but wish to participate in local day tours in Japan. The FIT Products mainly comprise air tickets, hotel accommodation and flight- plus-hotel bundled packages.

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 Municipal Bureau of Culture, Radio, TV and Tourism (杭州市文化廣電旅遊局) dated 25 January 2020, the Group suspended all outbound package tours and outbound FIT Products.

Online Duty-free Shop Business – Japan & Taiwan, China & Duty-free Shop Business – Domestic Trading

The revenue from the Duty-free Shop Business remained at a similar level during the Period Under Review as compared to that of the corresponding period in 2021. The Group has (1) launched the domestic trading Duty-free Shop Business, where the Group initiated domestic wholesale trading (i.e. business to business) for certain products under its own brand through capitalising on the well-established marketing channel for the Duty-free Shop Business to cater the robust demand for those own-brand products from certain domestic traders; and (2) expanded its online Duty-free Shop Business to Taiwan market as the Group sees the potential of Japanese cosmetic products in the market of Taiwan in view of the popularity of these products in Taiwan.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 25.3% for the six months ended 30 June 2022 as compared to that of the corresponding period in 2021 as the Group has completed its initial high-investment stage for its online Duty-free Shop Business.

Administrative expenses

Although the Group has implemented a number of measures for the purpose of controlling its operating costs, the Group's administrative expenses increased by approximately 10.5% as compared to that of the corresponding period in 2021 to approximately RMB8.6 million in the first half of 2022, as the Group has resumed its Japan hotel operation since May 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCE POSITION

At 30 June 2022 – unaudited

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		96,547	106,015
Investment properties		17,777	17,777
Right-of-use assets		3,852	4,481
Freehold land		39,232	43,541
Goodwill		54	54
Other intangible assets		404	481
Investment in an associate		–	2,390
Equity investments designated at fair value through other comprehensive income	10	5,071	791
Deferred tax assets		7,961	8,289
		170,898	183,819
Current assets			
Inventories	11	2,422	4,218
Trade receivables	12	1,294	1,372
Prepayments, other receivables and other assets		10,469	5,717
Pledged short-term deposits	13	1,540	1,750
Cash and cash equivalents	13	31,641	43,614
		47,366	56,671
Current liabilities			
Trade payables	14	485	810
Advance from customers, other payables and accruals		12,651	15,304
Interest-bearing bank borrowings	15	26,858	28,573
Lease liabilities		1,089	1,347
Tax payable		1,641	1,639
		42,724	47,673
Net current assets		4,642	8,998
Total assets less current liabilities		175,540	192,817
Non-current liabilities			
Interest-bearing bank borrowings	15	30,001	33,445
Lease liabilities		2,718	3,147
Deferred tax liabilities		4,516	4,606
		37,235	41,198
NET ASSETS		138,305	151,619
Equity			
Equity attributable to owners of the parent			
Share capital	16	8,797	8,797
Reserves		127,525	140,823
		136,322	149,620
Non-controlling interests		1,983	1,999
TOTAL EQUITY		138,305	151,619

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	12,581	9,708
Cost of sales and services rendered		(5,566)	(7,752)
Gross profit		7,015	1,956
Other income and gains, net	4	1,803	1,809
Selling and distribution costs		(3,345)	(4,479)
Administrative expenses		(8,626)	(7,804)
Other expenses		(54)	(4,630)
Finance costs	6	(664)	(753)
Loss before tax	5	(3,871)	(13,901)
Income tax credit	7	245	1,870
Loss for the period		(3,626)	(12,031)
Other comprehensive income/(loss), net of tax:			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(9,662)	(4,226)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Equity investments designated at fair value through other comprehensive income		(27)	4,372
Other comprehensive (loss)/income for the period		(9,689)	146
Total comprehensive loss for the period		(13,315)	(11,885)
Loss for the period attributable to:			
Owners of the parent		(3,609)	(11,934)
Non-controlling interests		(17)	(97)
		(3,626)	(12,031)
Total comprehensive loss for the period attributable to:			
Owners of the parent		(13,298)	(11,788)
Non-controlling interests		(17)	(97)
		(13,315)	(11,885)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB cents)	8	(0.36)	(1.19)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash flows in respect of operating activities		(14,424)	404
Net cash flows in respect of investing activities		(3,610)	(20,908)
Net cash flows in respect of financing activities		(1,285)	(1,865)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(19,319)	(22,369)
Effect of foreign exchange rate changes, net		7,346	(539)
Cash and cash equivalents at beginning of period	13	43,614	44,024
CASH AND CASH EQUIVALENTS AT END OF PERIOD		31,641	21,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		31,641	21,116

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

	Attributable to owners of the parent											Total equity RMB'000
	Issued capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory surplus reserves RMB'000	Fair value reverse of financial assets at fair value through other comprehensive income RMB'000	Retained earnings/ losses (accumulated) RMB'000	Revaluation reserves RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Foreign currency translation reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2022 (Audited)	8,797	91,120	88,967	6,482	(502)	(31,881)	1,579	(19)	(14,923)	149,620	1,999	151,619
Loss for the period	-	-	-	-	-	(3,609)	-	-	-	(3,609)	(16)	(3,625)
Exchange differences	-	-	-	-	(27)	-	-	-	(9,662)	(9,689)	-	(9,689)
At 30 June 2022 (Unaudited)	8,797	91,120	88,967	6,482	(529)	(35,490)	1,579	(19)	(24,585)	136,322	1,983	138,305
At 1 January 2021 (Audited)	8,797	91,120	88,967	6,482	(420)	8,709	1,579	(19)	(6,064)	199,151	2,077	201,228
Loss for the period	-	-	-	-	-	(11,934)	-	-	-	(11,934)	(97)	(12,031)
Changes in fair value of equity investments at fair value through other comprehensive loss	-	-	-	-	4,372	-	-	-	(4,226)	146	-	146
At 30 June 2021 (Unaudited)	8,797	91,120	88,967	6,482	3,952	(3,225)	1,579	(19)	(10,290)	187,363	1,980	189,343

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

1 CORPORATE INFORMATION

Tu Yi Holding Company Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 27 February 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Room 02-03, 31/F, 118 Connaught Road West, Hong Kong. The principal place of business in the People’s Republic of China (the “**PRC**”) is located at Room 813, 8/F, Block 4, Hai Chuang Technology Centre, No. 1288 Wenyi West Road, Cangqian Sub-district, Yuhang District, Hangzhou City, Zhejiang Province, the PRC. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2019.

The Company is an investment holding company. During the period, the Company’s subsidiaries were principally involved in (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller (“**FIT**”) products; (iii) the provision of visa application processing services; (iv) hotel operation and (v) duty-free shop business.

In the opinion of the directors of the Company, as at 30 June 2022, the ultimate controlling shareholders of the Company and its subsidiaries (together, the “**Group**”) are Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively the “**Controlling Shareholders**”). York Yu Co., Ltd and David Xu Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Yu Dingxin, King Pan Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Pan Wei, Jeffery Xu Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Xu Jiong.

2 BASIS OF PREPARATION

The Group’s unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. The Group’s unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Group’s unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021. The unaudited condensed consolidated interim financial statements 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. The Group’s unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

3 OPERATING SEGMENT INFORMATION

For management purpose, the Group's businesses include selling of package tours and day tours and FIT products, provision of visa application processing services, hotel operation and duty-free shop business. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue		
Sales of package tours and day tours	434	733
Margin income from sales of FIT products	154	94
Other income from sales of ancillary travel related products and services	–	9
Domestic trading duty-free shop business	966	–
Income from online duty-free shop business	8,515	8,707
Hotel operation income	2,512	165
	12,581	9,708

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Domestic-Mainland China*	9,117	9,543
Japan#	2,876	165
Taiwan, China▲	588	–
Total	12,581	9,708

* Mainly from sales of package tours, domestic trading business, travel related products and services, FIT products and online duty-free shop business.

Mainly from hotel operation and duty-free shop business.

▲ Mainly from online duty-free shop business.

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customers amounted to 10% or more of the Group's revenue during the six months ended 30 June 2022 and 2021.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

3 OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Domestic-Mainland China	22,429	45,081
Japan	135,437	129,658
Total	157,866	174,739

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

4 REVENUE, OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15	12,581	9,708
Other income		
Bank interest income	2	4
Government grants	257	895
Gain on early termination of lease	28	–
Other interest income from financial assets at fair value through profit or loss	95	78
Other interest income from loans to third parties	657	715
Others	797	117
	1,836	1,809
Gains, net		
Foreign exchange loss	(33)	–
	1,803	1,809

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

5 LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of services provided	810	772
Cost of inventories sold	4,756	6,980
Depreciation of property, plant and equipment	1,901	2,073
Depreciation of right-of-use assets	545	751
Amortisation of other intangible assets	29	45

6 FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank borrowings	641	691
Interest on lease liabilities	23	62
	664	753

7 INCOME TAX CREDIT

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% (2021: 33.6%).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

7 INCOME TAX CREDIT (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period Under Review, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime during the years of assessment 2021 and 2020. 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 Period Under Review (2021: Nil).

During the Period Under Review, 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 credit of the Group is analysed as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Deferred	(245)	(1,870)
	(245)	(1,870)

8 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 June 2021: 1,000,000,000) in issue during the Period Under Review.

The number of ordinary shares used to calculate the basic loss per share for the six months ended 30 June 2022 and 2021 were based on the 1,000,000,000 and 1,000,000,000 ordinary shares, respectively, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the six months ended 30 June 2022 and 2021.

There were no dilutive potential ordinary shares for the six months ended 30 June 2022 and 2021; therefore, diluted earnings per share are equivalent to basic earnings per share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

9 INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income listed equity investments, at fair value		
Meituan	2,810	774
Tesla, Inc.	2,250	–
Raily Aesthetic Medicine International Holdings Limited	11	17
	5,071	791

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

11 INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Merchandise for sales	2,422	4,205
Hotel supplies	–	13
	2,422	4,218

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

12 TRADE RECEIVABLES

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
1 to 30 days	155	750
31 to 90 days	88	44
91 to 180 days	752	9
181 to 360 days	299	569
	1,294	1,372

13 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	31,641	43,614
Time deposits	1,540	1,750
	33,181	45,364
Less: Pledged time deposits – Pledged for service quality * Guarantee deposits for the Group's tourism operation as required by the PRC government	(1,540)	(1,750)
	31,641	43,614

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 are approximate to their fair values.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

14 TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
1 to 30 days	207	494
31 to 90 days	–	–
91 to 180 days	–	–
181 to 360 days	–	20
1 to 2 years	278	296
	485	810

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

15 INTEREST-BEARING BANK BORROWINGS

Current	Effective interest rate (%)	Maturity	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank loans – secured JPY241,812,000 current portion of long-term secured bank loans*	4.00	2022	10,000	10,000
JPY7,128,000 current portion of long-term secured bank loans*	1.88	2022	13,492	14,872
JPY51,624,000 current portion of long-term secured bank loans*	1.88	2022	800	840
	1.88	2022	2,566	2,861
			26,858	28,573

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

15 INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Non-current	Effective interest rate (%)	Maturity	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
JPY18,424,000 secured bank loans	1.88	2024	916	1,021
JPY585,121,000 secured bank loans	1.88	2032	29,085	32,424
			30,001	33,445
<hr/>				
			30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:				
Bank loans repayable				
– Within one year or on demand				
			26,858	28,573
– In the second year to fifth year				
			30,001	33,445
			56,859	62,018

- * The current portion of long-term bank loan of approximately RMB16,858,000, which was supposed to be repaid fully during 2021, was granted extension of repayment 1 January 2013 that is subject to the mutual agreement between the Group and the Japanese bank.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

15 INTEREST-BEARING BANK BORROWINGS (CONTINUED)

During the year ended 31 December 2021, the Group and the Japanese bank entered into extension agreements pursuant to which to extend the repayment date of the Group's bank loans which constituted substantial modifications on the financial liability and shall be accounted for as an extinguishment of the original bank loans and recognition of new bank loans. The original bank loans as at the debt modification date, was derecognised and the fair value of the modified bank loans under the extension agreements was discounted at the prevailing market interest rate, was recognised. The difference between the face value of the original bank loans and the fair values of the new bank loans of approximately RMB1,917,000, at the loan modification date, is recognised, while the corresponding amount was charged to profit or loss for the year ended 31 December 2021 at loan modification date.

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 RMB10,903,000 (31 December 2021: RMB10,903,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying amount of RMB5,890,000 (31 December 2021: RMB5,998,000);
 - (ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of RMB9,423,000 (31 December 2021: RMB9,423,000); and
 - (iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB39,232,000 (31 December 2021: RMB43,541,000).
- (b) Except for the 4.00% secured bank loan which is denominated in RMB, all the secured bank loans amounting to RMB46,859,000 (31 December 2021: RMB52,018,000) were denominated in JPY.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 – unaudited

16 SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Authorised: 1,500,000,000 ordinary shares of HK\$0.01 each	15,000	15,000
Issued and fully paid: 1,000,000,000 ordinary shares of HK\$0.01 each	8,797	8,797

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this report and so far as the Directors are aware, the interests and short positions of the Directors of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yu Dingxin ⁽¹⁾	Interest in controlled corporation	702,312,000	70.23%
Mr. Pan Wei ⁽²⁾	Interest in controlled corporation	702,312,000	70.23%
Mr. Xu Jiong ⁽³⁾	Interest in controlled corporation	702,312,000	70.23%

Notes:

- (1) York Yu Co., Ltd and David Xu Co., Ltd hold 418,725,000 Shares and 50,025,000 Shares, respectively. Each of York Yu Co., Ltd and David Xu Co., Ltd is directly and wholly owned by Mr. Yu Dingxin, who is therefore deemed to be interested in all the Shares held by each of York Yu Co., Ltd and David Xu Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.
- (2) King Pan Co., Ltd holds 121,062,000 Shares. King Pan Co., Ltd is directly and wholly owned by Mr. Pan Wei, who is therefore deemed to be interested in all the Shares held by King Pan Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.
- (3) Jeffery Xu Co., Ltd holds 112,500,000 Shares. Jeffery Xu Co., Ltd is directly and wholly owned by Mr. Xu Jiong, who is therefore deemed to be interested in all the Shares held by Jeffery Xu Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and therefore deemed to be interested in the interests of each other.

Save as disclosed above, as at the date of this report, none of the Directors nor chief executive of the Company had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the Period Under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company be granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries being a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report and so far as the Directors are aware, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
York Yu Co., Ltd ⁽¹⁾	Beneficial owner	418,725,000	41.87%
David Xu Co., Ltd ⁽¹⁾	Beneficial owner	50,025,000	5.00%
King Pan Co., Ltd ⁽²⁾	Beneficial owner	121,062,000	12.11%
Jeffery Xu Co., Ltd ⁽³⁾	Beneficial owner	112,500,000	11.25%
Mr. Yu Dingxin ⁽¹⁾	Interest in controlled corporation	702,312,000	70.23%
Mr. Pan Wei ⁽²⁾	Interest in controlled corporation	702,312,000	70.23%
Mr. Xu Jiong ⁽³⁾	Interest in controlled corporation	702,312,000	70.23%

Notes:

- (1) York Yu Co., Ltd and David Xu Co., Ltd hold 418,725,000 Shares and 50,025,000 Shares, respectively. Each of York Yu Co., Ltd and David Xu Co., Ltd is directly and wholly owned by Mr. Yu Dingxin, who is therefore deemed to be interested in all the Shares held by each of York Yu Co., Ltd and David Xu Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.
- (2) King Pan Co., Ltd holds 121,062,000 Shares. King Pan Co., Ltd is directly and wholly owned by Mr. Pan Wei, who is therefore deemed to be interested in all the Shares held by King Pan Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.
- (3) Jeffery Xu Co., Ltd holds 112,500,000 Shares. Jeffery Xu Co., Ltd is directly and wholly owned by Mr. Xu Jiong, who is therefore deemed to be interested in all the Shares held by Jeffery Xu Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and therefore deemed to be interested in the interests of each other.

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) on 1 March 2019. Details of the Share Option Scheme are set out in Appendix V to the prospectus of the Company dated 18 June 2019 (the “Prospectus”). As at 30 June 2022, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption.

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 2021 published by the Company on 27 April 2022 (the “2021 Annual Report”), the interim results announcement of the Company for the six months period ended 30 June 2021 dated 31 August 2021 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 2021 Annual Report.

The information of use of proceeds was disclosed as follows:

Description of use of proceeds	Intended use of Net Proceeds as disclosed in the 2021 Annual Report <i>HKD'000</i>	Utilised	Unutilised	Expected timeline for unutilised Net Proceeds
		Net Proceeds during the period from Listing Date to 30 June 2022 <i>HKD'000</i>	Net Proceeds as at 30 June 2022 <i>HKD'000</i>	
(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	On or before 31 December 2023*
(iv) Investing in enhancing the Group's marketing approaches together with its IT platform	17,600	(17,600)	–	–
(v) Engaging more personnel in Japan	13,200	(13,200)	–	–
(vi) General working capital	26,400	(26,400)	–	–
	88,000	(70,400)	17,600	

* Due to various lockdown and prevention measures imposed by various governments for COVID-19 Pandemic, it was delayed as the management of the Group was not able to travel for investment assessment purpose.

During the Period Under Review, the Net Proceeds were used and expected to be used according to the intentions as disclosed above. Unutilised proceeds were deposited in licensed banks in Hong Kong.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

As at the date of this report, the Net Proceeds were used and expected to be used according to the intentions as disclosed above.



OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

There was no material events affecting the Group occurred subsequent to 30 June 2022 and up to the date of this report.

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

FOREIGN CURRENCY EXCHANGE RISK

The Group mainly operates in the PRC and Japan and its functional currency 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 77 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. The employees of the Company's subsidiaries which operated in Japan are required to participate in a central pension scheme operated by a government affiliated corporation (the "**National Pension Scheme**"), which is considered as a defined contribution plan and these subsidiaries are required to contribute certain percentage of employees' salaries to the National Pension Scheme. The Group has no further payment obligations once the contributions have been paid. On the other hand, the employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "**Central Pension Scheme**"), which is also considered as a defined contribution plan and these subsidiaries are required to contribute certain percentage of employees' salaries to the Central Pension Scheme. The Group has no further payment obligations once the contributions have been paid. All contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees and when they fall due under the relevant regulations. For both the National Pension Scheme and Central Pension Scheme, no forfeited contributions could be used by employer to reduce the existing level of contributions.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group operates primarily through cash generated from operating activities, net proceeds received from the initial public offering of the Company in June 2019 and bank and other borrowings.

The Group's gearing, expressed as a percentage of total interest-bearing borrowings to total equity, remained in a similar level during the Period Under Review (30 June 2022: 23.0%; 31 December 2021: 20.0%). 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.

Please refer to notes 13 and 15 to the condensed consolidated financial statements for details of cash and bank balances and interest-bearing bank borrowings.

The trade receivables turnover days increased during the Period Under Review as the Group resumed its Hotel Operation during the Period under Review, which typically has longer turnover days (30 June 2022: 39 days; 31 December 2021: 28 days).

The trade payables turnover days increased during the Period Under Review as the Group resumed its Hotel Operation during the Period under Review, which typically has longer turnover days (30 June 2022: 42 days; 31 December 2021: 16 days).

PLEDGE OF ASSETS

As at 30 June 2022, the Group's short-term deposits of approximately RMB1,540 million (31 December 2021: approximately RMB1,750 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

SIGNIFICANT INVESTMENT HELD, ACQUISITION AND DISPOSAL

Save as disclosed in note 10 to the condensed consolidated financial statements, as at 30 June 2022, there were no significant investments held by the Group or future plans for material investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2022.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. During the Period Under Review, except for code provision C.2.1 of the Corporate Governance Code, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") in Appendix 14 to the the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Yu Dingxin currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

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 six months ended 30 June 2022 and up to the date of this report.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "**Audit Committee**") has three members, namely Mr. Ying Luming, Mr. Zhao Jianbo and Ms. Zhou Li, 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.

The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2022, 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 report, 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 report, 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

During the Period Under Review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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 report, 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 Tu Yi Group Company Limited (途益集團有限公司) and Hangzhou Guge Travel Company Limited (杭州谷歌旅行社有限公司) (collectively, the “**Operating Entities**”). Pursuant to the relevant provisions of the Regulations on Travel Agencies (Revision 2017)(《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;



OTHER INFORMATION

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.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30 June 2022 will be dispatched to the shareholders of the Company and the Company's interim results announcement and interim report for the six months ended 30 June 2022 will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tuyigroup.com) in due course.