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Lvji Technology Holdings Inc.

驢跡科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1745)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

The Board announces the consolidated results of the Group for the year ended December 31, 2022 with the comparative figures for the year ended December 31, 2021.

KEY HIGHLIGHTS

For the Reporting Period:

- Revenue decreased by approximately 9.8% year-to-year to approximately RMB344.3 million in 2022 from approximately RMB381.7 million in 2021. The decrease in revenue was mainly due to the decrease in the sale of tour guides to travel agencies as a result of the tightening of the pandemic prevention and control policies, which materially affected the cultural and tourism consumption.
- Profit for the year 2022 amounted to approximately RMB37.5 million compared to the loss of approximately RMB549.6 million for the year 2021.
- Excluding share-based compensation expenses and the non-recurring non-cash impairment loss of intangible assets, our adjusted profit for the year (by using non-GAAP measure) amounted to approximately RMB89.4 million for the year 2022 compared to adjusted profit of approximately RMB13.0 million recorded for the year 2021.
- Number of coverage for online tour guides increased from 35,315 for the Corresponding Period to 46,917 for the Reporting Period, among of which the number of tourist attractions covered in China increased from 22,502 for the Corresponding Period to 33,660 for the Reporting Period.

1. Financial summary

	For the year ended		Year-to-year change
	December 31, 2022 (RMB'000)	2021 (RMB'000)	
Revenue	344,328	381,712	(9.8)%
Gross profit	136,792	116,825	17.1%
Profit/(loss) before tax	47,102	(541,944)	108.7%
Profit/(loss) for the year	37,537	(549,617)	106.8%
Net profit/(loss) margin	10.9%	(144.0)%	154.9%
Adjusted profit for the year excluding share-based compensation expenses ^{*(1)} and impairment loss of intangible assets	89,375	12,981	588.5%
Adjusted net profit margin excluding share-based compensation expenses ^{*(1)} and impairment loss of intangible assets	26.0%	3.4%	22.6%

* Non-GAAP measure

Note:

⁽¹⁾ Share-based compensation expenses for the year ended December 31, 2022 and 2021 were RMB51.8 million and nil, respectively.

2. Operating metrics

	For the year ended		Change (number)
	December 31, 2022	2021	
Tourist attractions covered in China	33,660	22,502	11,158
Online tour guides developed	46,917	35,315	11,602

BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, the strong spread of the variant Omicron of COVID-19 led to a substantial increase in the number of locally acquired cases in China. As the pandemic was extensively scattered in various areas, the pandemic prevention and control policies were tightened, which materially affected the cultural and tourism consumption. In particular, since March 2022, the resurgence of the pandemic has caused a great adverse impact on the recovery of the Company's business operations, especially the tourism industry. However, as quarantine restrictions were gradually lifted as a result of the pandemic being gradually under control since the end of November 2022, the backlogged travel demand of the residents was gradually released. At the same time, the positive signal for favorable policies was enhanced as follows: (1) the cross-provincial travel restrictions were gradually lifted; (2) the Ministry of Industry and Information Technology announced the cancellation of itinerary travel cards; (3) various popular tourism provinces, cities and regions issued a large number of consumption vouchers in relation to tourism consumption to promote cultural and tourism consumption; and (4) the quarantine period for close contacts and inbound personnel had been gradually shortened, and the related quarantine policies had been gradually lifted. These greatly boosted the confidence of the tourism industry and injected "stimulants" into the recovery of the liquidity of the tourism market, and were of great significance to the recovery of the tourism market in China.

During the Reporting Period, the number of travels by domestic tourists shrank due to the adverse impact of the repeated outbreaks of the pandemic and the corresponding anti-pandemic policies during the first eleven months of 2022, which no doubt affected our business adversely. In particular, our revenue for the Reporting Period decreased by approximately 9.8% to approximately RMB344.3 million as compared with the Corresponding Period. However, thanks to our leading market position in online tour guides, outstanding product and service experience, flexible operation strategies, etc., the Company quickly seized the opportunity for the tourism recovery when the pandemic was gradually under control and demonstrated our resilience in the face of industry uncertainties. Also, we had made active efforts to implement various measures in controlling operating costs and reduce unnecessary expenses, which achieved effective outcomes. During the Reporting Period, the selling and distribution expenses decreased greatly by approximately 71.8% as compared to the Corresponding Period, while a year-on-year decrease of approximately 27.2% was recorded for administrative expenses excluding share-based compensation expenses. We recorded a profit of approximately RMB37.5 million for the Reporting Period, which achieved a turnaround from a loss of approximately RMB549.6 million for the Corresponding Period. The Company adheres to the development strategy of continuously improving user experience for tour guides. As of December 31, 2022, we had developed 46,917 online tour guides covering tourist attractions in China and overseas, which domestically covered 297 AAAAA tourist attractions, 2,734 AAAA tourist attractions, and 2,516 AAA tourist attractions.

In relation to our SaaS business, we continuously iterated on the product named “Digital View Pass (數景通)” with smart management, smart marketing and smart service as its core, offered 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 information-based 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. We have made vigorous efforts to promote the “Digital View Pass (數景通)” to various culture and tourism bureaus and successfully launched it in several tourist attractions. In order to better adapt to the national modernisation requirements for all-for-one tourism, we had independently updated several e-commerce operation functions to optimise the user experience, making “Digital View Pass (數景通)” more competitive among similar products.

We continuously upgraded the smart tourist attractions management service system to assist the government in effective management and reasonable deployment of local tourism resources in the form of the big data centers, command centers, internet portals, 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 AI learning, which can deeply explore the consumption potential of consumers, improve the service experience of tourist attractions, increase the operating revenue of tourist attractions and assist in the digital upgrade of tourist attractions. During the Reporting Period, the resurgence of the pandemic in China led to the delay of the completion of certain major projects and the suspension of cooperation negotiations for some projects. The revenue from sales of customised content recorded a year-on-year decrease of approximately 63.0%, with revenue of RMB4.7 million recorded during the Reporting Period (Corresponding Period: RMB12.8 million).

Results Highlights

During the Reporting Period, as the revenue of online tour guides recorded a year-on-year decrease compared to 2021 due to the shrinking demand for travel caused by the outbreak of variant Omicron of COVID-19 and the implementation of social distance measures and cross-province restrictions in most of the tourist attractions around the country, our total revenue decreased by approximately 9.8% from RMB381.7 million for the Corresponding Period to RMB344.3 million for the Reporting Period; gross profit margin increased from approximately 30.6% as at December 31, 2021 to approximately 39.7% as at December 31, 2022. A net profit during the Reporting Period amounted to RMB37.5 million compared to a net loss for the Corresponding Period of RMB549.6 million.

During the Reporting Period, we further consolidated our market leading position of online tour guides by continuously investing in research and development resources and increasing the coverage of tourist attractions. The number of online tour guides developed by us and the number of tourist attractions in China covered by our online tour guides increased. The number of online tour guides increased from 35,315 as at December 31, 2021 to 46,917 as at December 31, 2022 while the number of tourist attractions in China covered by our online tour guides increased from 22,502 as at December 31, 2021 to 33,660 as at December 31, 2022.

Business Review

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

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

During the Reporting Period, we increased the number of tourist attractions covered in China. The types of tourist attractions for which we provide online tour guides include landscapes, historical sites, cities, theme parks, zoos and botanical gardens, etc. In particular, as at December 31, 2022, our online tour guides covered 297 AAAAA tourist attractions, 2,734 AAAA tourist attractions, 2,516 AAA tourist attractions.

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

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

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

We have developed a smart tourist attractions management service system to assist management departments of the government in efficient management and reasonable deployment of local tourism resources in the form of the big data centers, command centers, Internet portals, etc. For example, in the tourist attractions operation service, the system can perform passenger flow monitoring, heat map analysis, intelligent terminal management and AI learning, which could analyze tourists' consumption habits, provide data reference for the management of tourist attractions resulting in the digital upgrading of tourist attractions. During the Reporting Period, we successfully delivered several key projects of smart tourist attractions management service system.

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

Applying innovative technology and diversified channels

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

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

Business Outlook and Strategies

The outbreak of COVID-19 has greatly changed the industrial structure of the domestic tourism market. The pandemic has promoted the development of the tourism industry in terms of smart tourism. “Virtual reality”, “smart tour guide” and “data monitoring” have become the basic requirements for tourist attractions to promote the construction of smart tourism. In this post-pandemic stage, the Chinese government has also launched certain measures to stimulate domestic consumption, resulting in the accelerated recovery of the tourism market. At the same time, the increasing demand of consumers for contactless tourism, reserved tours and peripheral tours have been promoting the continuous improvement of digital facilities in tourist attractions and thus continuously improves the tourism experience of consumers. We believe that we are well-positioned to capture the recovery of the tourism industry and the opportunity of popularization of smart tourism to resume growth within a short period of time with our core competitive advantages on continuous technological innovations and strategic cooperation with OTAs. We will continue to focus on our core strategy in combination with the enterprise positioning of “China’s leading culture and tourism industry chain service platform”, maintain our leading position in the online tour guide market, reduce costs and increase efficiency. We are confident to capture the opportunity of recovery, continue to lead the development of online tour guide industry, and gradually build a service platform for the whole industry chain of culture and tourism. We believe that we will develop into a stronger enterprise in the future after going through the difficulties from 2020 to 2022.

In the long run, we believe that tourism will continue to develop rapidly benefiting from the continuous increase in the number of Chinese middle class and upgrading consumption. With the further increase in the support for “Internet + Tourism” in China and the advocacy of the government to develop high-quality development of tourism with the help of technological innovation, it is expected that the online penetration of online tourism products will increase continuously, and the digital development of China’s tourism will accelerate and generate a 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 the tourism economy to the track of rapid development.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a market leader in China's online tour guide industry. The Group deploys software on its cloud system to provide online tour guide with proprietary contents, which include illustrated maps of tourist attractions, editorial contents and voice-over commentaries of points of interest in the tourist attractions, and are implemented to include functions such as real-time navigation. In addition, the Group also provides smart tourist attractions management service system and all-rounded tourism solutions for tourist attractions and cultural sites. As a technology-driven company, the Group prioritizes the development of its software and information technology, including R&D in big data and AI capabilities. It is believed that such business strategies would generate long-term value to the Shareholders.

Year ended December 31, 2022 compared to Year ended December 31, 2021

Revenue

We generate our revenue from sales of online tour guides through OTAs, to travel agencies and through Lvji APP, and from sales of customized content to administrators of tourist attractions and cultural sites. The following table sets forth a breakdown of our revenue for the years indicated:

	For the year	
	ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Sale of online tour guides through OTAs	339,498	339,900
Sale of online tour guides to travel agencies	–	28,830
Sale of online tour guides through Lvji APP	86	156
Sale of customized content	4,744	12,826
Total revenue	344,328	381,712

Sale of Online Tour Guides

We provide comprehensive online tour guides to end users with respect to the tourist attractions that we cover. Our online tour guides can be purchased by the end users from OTAs, travel agencies and through our Lvji APP.

Sale of online tour guide through OTAs

We generated a substantial portion of our revenue from sale of online tour guides through OTAs in 2022. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs in order for the end users to purchase our standard online tour guides for different tourist attractions. End users can access to our cloud system through our H5 pages embedded into OTA's stand-alone APPs and mini programs by our open API. Our strategic alliance with major OTAs enables us to broaden our reach by leveraging the vast end user base of these OTAs.

We generated majority of our revenue from the sale of our online tour guides through OTAs, which accounted for approximately 98.6% of our total revenue in 2022. Revenue from the sale of online tour guides through OTAs decreased by approximately 0.1% from approximately RMB339.9 million in 2021 to approximately RMB339.5 million in 2022.

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 did not increase during the Reporting Period. There was no revenue from sale of online tour guides to travel agencies in 2022, compared to the revenue of RMB28.8 million in 2021. The decrease was mainly attributable to the restriction on offline tourism business resulted from the resurgence of the pandemic in China.

Sale of online tour guides through our Lvji APP

Tourists may access almost all of our online tour guides directly through our Lvji APP. It is available for download and mobile users can purchase online tour guides directly from us through the APP. The Lvji APP is built to enable access to our full online tour guides offerings with clear and functional interfaces. We offer certain location-based features that are only available on our Lvji APP, such as weather information, push notifications of nearby attractions, businesses or places of interest when the mobile APP detects that the user is arriving at such destinations or places, real time Chinese-to-English and English-to-Chinese translation features and enable sharing to social media platforms.

The number of registered users of our Lvji APP increased from 2,196,319 in 2021 to 2,236,027 in 2022. Revenue from sale of online tour guides through our Lvji APP remained relatively stable from RMB0.2 million in 2021 to RMB0.1 million in 2022.

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.

During the Reporting Period, the resurgence of the pandemic in China led to the delay in completion of certain projects and the suspension of cooperation negotiations for some projects. The revenue from sale of customised content recorded a year-on-year decrease of approximately 63% from RMB12.8 million in 2021 to RMB4.7 million in 2022.

Cost of Sales

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

The following table sets forth a breakdown of our cost of sales in absolute amount and as a percentage of total revenue for the years indicated:

	For the year ended December 31,			
	2022	% of	2021	% of
	(RMB'000)	revenue	(RMB'000)	revenue
Online Tour Guide				
OTA concession fees	169,099	49.1	169,950	44.5
Amortization of intangible assets	35,088	10.2	90,007	23.6
Tax and expenses	498	0.2	250	0.1
Content Customization	<u>2,851</u>	<u>0.8</u>	<u>4,680</u>	<u>1.2</u>
Total	<u>207,536</u>	<u>60.3</u>	<u>264,887</u>	<u>69.4</u>

Cost of sales decreased by approximately 21.7% from RMB264.9 million in 2021 to RMB207.5 million in 2022. The decrease was mainly attributable to the decrease in the amortization cost of intangible assets.

Gross Profit

As a result of the foregoing, our gross profit increased by approximately 17.1% from approximately RMB116.8 million in 2021 to approximately RMB136.8 million in 2022 on a year-to-year basis. Our gross profit margin increased from approximately 30.6% in 2021 to 39.7% in 2022, which was mainly attributable to the decrease in the amortization cost of intangible assets.

Other Income and Gains

Other income and gains decreased by approximately 32.1% from RMB20.4 million in 2021 to RMB13.8 million in 2022. The decrease was mainly due to the decrease in bank interest income and government grants.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 71.8% from RMB73.7 million in 2021 to RMB20.8 million in 2022. The decrease was mainly due to the decrease in promotion services of offline tourist attractions and online marketing expenses.

Administrative Expenses

Administrative expenses decreased by approximately 27.2% from RMB41.4 million in 2021 to RMB30.1 million in 2022. The decrease was mainly due to the decrease in the remuneration of management department.

Other Expenses

Other expenses mainly include impairment loss of intangible assets and other miscellaneous expenses. Other expenses decreased from RMB563.9 million in 2021 to RMB0.7 million in 2022. The decrease was mainly due to the significant decrease in the impairment loss of intangible assets.

The resurgence of COVID-19 cases in China during the Reporting Period led to tightened prevention and control measures, including lockdowns of several cities. Additionally, there were increasing uncertainties in the timing of domestic tourists being able to travel abroad. Therefore, in accordance with the Group's accounting policies on assets impairment, the Company's management, in view of the significant decrease in number of and revenue from online tour guides sold to end users visiting the tourist attractions overseas and the existence of indications of impairment as at the balance sheet date, performed impairment testing on certain copyrights (the "Copyrights") representing 46,544 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. As of December 31, 2022, the carrying amount of certain Copyrights (representing 38,446 out of 46,544 online tour guides) were written down to the recoverable amount of RMB221.9 million, with an accumulated impairment of RMB631.4 million, which had all been charged to profit or loss account of the previous reporting periods, and was not charged in the Reporting Period.

The valuation was carried out on a value in use basis in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) 36, pursuant to which value in use is defined as “the present value of the future cash flows expected to be derived from an asset or Cash-generating Unit”. The independent professional valuer has conducted valuation in accordance with the IAS issued by the International Valuation Standards Council. The value in use basis was developed through the application of the income approach technique known as the discounted cash flow method. This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation of these overseas online tour guides.

In the valuation, it is assumed that the forecasted performances of the subject assets and the Company’s projected business can be achieved with the effort of management. Regarding the performance forecast of the subject assets for the next five years, the management has made forecasts in terms of sales volume and unit price for two different markets, namely domestic and overseas (including Hong Kong, Macau and Taiwan), taking into account the adjustment of pandemic prevention and control in Mainland China and the latest changes in the market:

1. In the performance forecast for the domestic market, the sales volume forecast for the subject assets in 2023 and 2024 is mainly based on the sales volume in 2022, with a growth rate of 20%, and the sales volume forecast for 2025 to 2027 is based on a growth rate of 3%, with the growth rates mainly taking into account an expected national economic trend. The unit sales price of the subject asset is projected at a rate of 1.93% per annum based on the actual average unit sales price in 2023, which is derived by calculating the average annual growth rate of the consumer price index for education, culture and entertainment (data sourced from National Bureau of Statistics) for 2016 to 2021.
2. In the performance forecast for the overseas (including Hong Kong, Macau and Taiwan) markets, the sales volume forecast for the subject assets in 2023 is mainly based on 30% of the sales volume prior to the outbreak of COVID-19 (i.e. in 2019) and also takes into account the impact of unstable international factors such as the epidemic policy on the number of outbound travelers from geopolitical situation in the overseas market. The sales volumes are expected to return to the pre-pandemic level in 2024 and 2025, with a growth rate of 40% respectively in 2023. The growth rate of sales of online tour guides from 2026 to 2027 is based on an expected national economic trend of 3%. The unit sales price of the subject assets is based on the unit sales price in 2022, with an annual growth rate of 1.93%.

The key assumptions are listed as follows:

No.	Item	Key Factors	Value	Reference
1	Cost	Sales Cost		Amortization expenses of corresponding Copyrights
		Operation Cost	17.95%	Average ratio of last 3 years as at the Valuation Date
2	Depreciation and Amortization	Fixed Asset Depreciation Expense	0.74%	Average ratio of last 3 years as at the Valuation Date
		Right of Use Assets Amortization Expense	1.01%	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	3%	Reference forecast of expected economic growth rate in the next 5 years

The after-tax discount rate was 17% (pre-tax rate: 25.27%) for the Copyrights, considering the current market situation, business risk and the expected return from the intangible asset related businesses.

The Copyrights were initially recognised and measured at cost incurred and there were no inputs and assumptions adopted then. The above-mentioned inputs and assumptions were adopted for the first time in the valuation model with reference to the Group’s operations and performance.

Income Tax Expense

We recorded an income tax expense of approximately RMB9.5 million in 2022 compared to approximately RMB7.7 million in 2021, which was mainly due to the increase in profit before tax.

Profit/(Loss) for the Year

Profit for the year increased year-to-year to profit of RMB37.5 million in 2022 from loss of RMB549.6 million in 2021. Excluding the non-recurring non-cash share-based compensation expenses and impairment loss of intangible assets, our adjusted profit for the year (a non-GAAP measure) increased by approximately 588.5% year-to-year to profit of RMB89.4 million in 2022 from profit of RMB13.0 million in 2021. Our adjusted net profit margin (a non-GAAP measure) increased from adjusted net profit margin of 3.4% to adjusted net profit margin of 26.0% in 2022. The increase in our adjusted net profit margin was mainly due to the decrease in amortization cost of intangible assets and a significant decrease in selling and distribution expenses as a result of controlling operating costs.

OTHER FINANCIAL INFORMATION

Liquidity and Capital Resources

We fund our liquidity needs mainly from net cash generated from our operation and the net proceeds received from the Global Offering (the “**Proceeds**”). We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout 2022. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

As of December 31, 2022, we had cash and cash equivalents of approximately RMB320.4 million (2021: RMB359.7 million), net current assets of approximately RMB326.9 million (2021: RMB411.8 million) and total equity of approximately RMB701.9 million (2021: RMB583.2 million). Our current ratio determined by current assets divided by current liabilities was approximately 5.2 times as of December 31, 2022 (2021: 6.1 times). The decreased in our cash and cash equivalents, net current assets and current ratio was mainly due to the increase in intangible assets. We had no bank borrowings as of December 31, 2022 (2021: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (2021: not applicable). Our cash and cash equivalents are denominated in RMB, HKD and USD.

Capital Expenditure

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

Property, plant and equipment comprise mainly our furniture and fixtures, leasehold improvements and construction in progress. Property, plant and equipment decreased by approximately RMB1.5 million or 71.7%, which was mainly due to the offset of depreciation of property, plant and equipment of approximately RMB1.2 million.

Intangible assets comprise copyrights and computer software and are amortized over their expected useful life. Intangible assets increased by approximately RMB204.2 million or 121.5%, which was mainly due to an increase in the number of tourist attractions we covered and the number of online tour guides we developed in 2022.

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

We did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures in 2022.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and the announcement of investment in a limited partnership published on December 15, 2021, there was no other plans for material investments and capital assets during the year ended December 31, 2022 and up to the date of this announcement.

Employee and Remuneration Policies

As of December 31, 2022, we had a total of 85 full-time employees (2021: 189). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The Company has adopted the Share Option Scheme as an incentive to the employees, Directors and other eligible participants. Further details of which are described in the subsection headed “Statutory and General Information – D. Other Information – 1. Share Option Scheme” in Appendix IV to the Prospectus. As of December 31, 2022, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme. In addition, the Company has adopted the Share Award Scheme to recognize the contributions by certain employees and to provide them with incentives so as to retain them for the continual operation and development of the Group. Further details of the Share Award Scheme are disclosed in the Company’s announcement dated January 21, 2022. As of December 31, 2022, 72,450,675 shares had been awarded to six selected employees pursuant to the Share Award Scheme. Further details of the grant of awarded shares are disclosed in the Company’s announcement dated December 19, 2022.

At its meeting held on March 24, 2023, the Remuneration Committee has reviewed the Share Option Scheme and Share Award Scheme.

During the year ended December 31, 2022, the remuneration of Group's employees amounted to RMB74.6 million (2021: RMB30.5 million), which comprises of wages and salaries and pension scheme contributions.

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 are 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 the labor union helps us to maintain a good working relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations in 2022.

Contingent Liabilities

The Group did not have any material contingent liabilities as at December 31, 2022.

Charge on Assets

As at December 31, 2022, the Group had pledged bank deposits of RMB0.5 million (2021: RMB0.2 million), which was mainly pledged to the government authorities for conducting tourist related business in the PRC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

		2022	2021
	Notes	(RMB'000)	(RMB'000)
Revenue	4	344,328	381,712
Cost of sales		<u>(207,536)</u>	<u>(264,887)</u>
Gross profit		136,792	116,825
Other income and gains	5	13,845	20,401
Selling and distribution expenses		(20,786)	(73,665)
Administrative expenses		(30,142)	(41,418)
Equity-settled share award scheme expenses	22	(51,838)	–
Other expenses	6	(682)	(563,906)
Finance costs	7	<u>(177)</u>	<u>(181)</u>
Profit/(Loss) before tax	8	47,012	(541,944)
Income tax expense	9	<u>(9,475)</u>	<u>(7,673)</u>
Profit/(Loss) for the year		<u>37,537</u>	<u>(549,617)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		<u>37,537</u>	<u>(549,617)</u>
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (RMB cents)	11	<u><u>2.56</u></u>	<u><u>(37.55)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	2022 (RMB'000)	2021 (RMB'000)
Profit/(Loss) for the year	<u>37,537</u>	<u>(549,617)</u>
Other comprehensive income/(loss) <i>Item that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements	<u>29,232</u>	<u>(7,555)</u>
Other comprehensive income/(loss) for the year	<u>29,232</u>	<u>(7,555)</u>
Total comprehensive income/(loss) for the year	<u>66,769</u>	<u>(557,172)</u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	<u>66,769</u>	<u>(557,172)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

	Notes	2022 (RMB'000)	2021 (RMB'000)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		599	2,118
Intangible assets	12	372,209	168,039
Right-of-use assets		<u>7,446</u>	<u>2,921</u>
Total non-current assets		<u>380,254</u>	<u>173,078</u>
Current assets			
Trade receivables	13	28,910	47,895
Prepayments, deposits and other receivables	14	51,708	49,129
Amounts due from related parties		2,374	–
Financial assets at fair value through profit or loss (“FVTPL”)	15	–	35,104
Pledged bank deposits	16	500	200
Cash and cash equivalents	16	<u>320,404</u>	<u>359,665</u>
Total current assets		<u>403,896</u>	<u>491,993</u>
Current liabilities			
Trade payables	17	5,306	10,312
Other payables and accruals	18	19,770	22,456
Contract liabilities	19	2,650	2,960
Deferred income	20	–	1,161
Amount due to a related party		1,045	3,405
Lease liabilities		2,081	2,855
Tax payable		<u>46,095</u>	<u>37,087</u>
Total current liabilities		<u>76,947</u>	<u>80,236</u>
Net current assets		<u>326,949</u>	<u>411,757</u>
Total assets less current liabilities		<u>707,203</u>	<u>584,835</u>

	<i>Notes</i>	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>
Non-current liabilities			
Deferred income	<i>20</i>	–	1,342
Lease liabilities		<u>5,351</u>	<u>248</u>
Total non-current liabilities		<u>5,351</u>	<u>1,590</u>
Net assets		<u>701,852</u>	<u>583,245</u>
EQUITY			
Share capital	<i>21</i>	105,699	100,648
Reserves		<u>596,153</u>	<u>482,597</u>
Total equity		<u>701,852</u>	<u>583,245</u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on November 7, 2018. The address of registered office 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 on January 17, 2020.

The Company is an investment holding company and its subsidiaries are principally engaged in the business of providing online tour guides in the PRC. In the opinion of the directors of the Company, the ultimate controlling shareholder and the chairman of the Group is Mr. Zang Weizhong (“**Mr. Zang**”).

The consolidated financial statements for the Reporting Period were approved for issue by the board of directors on March 24, 2023.

Information about subsidiaries

Particulars of the principal subsidiaries at December 31, 2022 and 2021 are as follows:

Name of the Company	Place/Country of incorporation/ operation and business	Class of shares/ registered capital	Nominal value of issued ordinary/ registered share capital	Percentage of ownership interests held the Company		Principal activities
				2022	2021	
Zhonghexin Technology Holdings Limited	British Virgin Islands	Ordinary	–	100%	100%	Investment holding
Zitop Technology Holdings Limited	Hong Kong	Ordinary	HK\$10,000	100%**	100%**	Investment holding
Guangzhou Zhixin Information Consulting Co., Ltd.* 廣州智鑫信息諮詢有限公司	PRC	Registered	RMB300,000,000	100%**	100%**	Investment holding
Lvji Technology Group Co., Ltd. (“Lvji Technology Group”)* 驢跡科技集團有限公司	PRC	Registered	RMB128,272,396	100%**	100%**	Sale of online tour guide
Horgos Lvji Software Technology Co., Ltd. (“Huor Guosi Lvji”)* 霍爾果斯驢跡軟件科技有限公司	PRC	Registered	RMB1,000,000	–***	100%**	Sale of online tour guide
Guangzhou Lvji International Travel Agency Co., Ltd.* 廣州驢跡國際旅行社有限公司	PRC	Registered	RMB1,000,000	100%**	100%**	Sale of online tour guide

Name of the Company	Place/Country of incorporation/ operation and business	Class of shares/ registered capital	Nominal value of issued ordinary/ registered share capital	Percentage of ownership interests held the Company		Principal activities
				2022	2021	
Guangxi Lvji Software Technology Co., Ltd. (“Guangxi Lvji”)* 廣西驢跡軟件科技有限公司	PRC	Registered	RMB1,000,000	100%**	100%**	Sale of customised content
Horgos Yuantai Technology Co., Ltd. (“Huoer Guosi Yuantai”)* 霍爾果斯元泰科技有限公司	PRC	Registered	RMB1,000,000	100%**	100%**	Sale of online tour guide
Guangzhou Lvji Digital Technology Co., Ltd.* 廣州驢跡數字化科技有限公司	PRC	Registered	RMB1,000,000	100%**	100%**	Sale of online tour guide
Lvji (Longquan) Holding Co., Ltd.* 驢跡(龍泉)控股有限公司	PRC	Registered	RMB200,000,000	100%**	100%**	Sale of online tour guide

* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

** Indirectly held by the Company.

*** This entity was deregistered on 20 September 2022.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The annual consolidated financial statements have been prepared under the historical cost convention, except for financial asset at fair value through profit or loss which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31 each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings).

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes directly attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the Reporting Period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3. OPERATING SEGMENT INFORMATION

The Group is principally an online tour guide provider in Mainland China.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, since the majority of the Group's revenue and operating profit were generated from the sale of online tour guide and customised 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 or government office contributed to 10% or more of the total revenue of the Group during the year.

4. REVENUE

The Group's principal activity is disclosed in note 1 to the consolidated financial statements.

Performance obligations

Information about the Group's performance obligations is summarised 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 or quarterly 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 customised 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.

An analysis of revenue is as follows:

	2022 (RMB'000)	2021 (RMB'000)
Revenue from contracts with customers		
Sale of online tour guide through OTAs	339,498	339,900
Sale of online tour guide to travel agencies	–	28,830
Sale of online tour guide through Lvji APP	86	156
Sale of customised content	4,744	12,826
	<u>344,328</u>	<u>381,712</u>

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15

The Group derives revenue from sales of online tour guides and customised content at a point in time in the following major products:

	2022 (RMB'000)	2021 (RMB'000)
Types of goods or services		
Sale of online tour guide	339,584	368,886
Sale of customised content	<u>4,744</u>	<u>12,826</u>
	<u><u>344,328</u></u>	<u><u>381,712</u></u>
Timing of revenue recognition		
Goods or service transferred at a point in time	<u><u>344,328</u></u>	<u><u>381,712</u></u>

5. OTHER INCOME AND GAINS

	2022 (RMB'000)	2021 (RMB'000)
Government grants (<i>Note</i>)	2,641	6,039
Franchise income (<i>note 20</i>)	2,503	1,347
Interest income	2,504	6,114
Foreign exchange gains, net	4,671	3,757
Ticket agency service	126	1,095
Gain on disposal of financial assets at FVTPL	760	67
Others	<u>640</u>	<u>1,982</u>
	<u><u>13,845</u></u>	<u><u>20,401</u></u>

Note: 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 recognised.

6. OTHER EXPENSES

	2022 (RMB'000)	2021 (RMB'000)
Impairment losses of intangible assets (note 12)	–	562,598
Loss on disposal of financial assets at FVTPL	–	36
Others	<u>682</u>	<u>1,272</u>
	<u>682</u>	<u>563,906</u>

7. FINANCE COSTS

	2022 (RMB'000)	2021 (RMB'000)
Finance charge on lease liabilities	<u>177</u>	<u>181</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	2022 (RMB'000)	2021 (RMB'000)
Concession fee	169,099	169,950
Depreciation of property, plant and equipment	1,154	1,826
Write-off of property, plant and equipment	35	–
Amortisation of intangible assets (note 12)	35,088	90,007
Impairment losses of intangible assets (note 12)	–	562,598
Depreciation of right-of-use assets	2,259	2,702
Lease charges of short term leases	16	38
Research and development costs	4,277	10,100
Auditor's remuneration		
– Current year	1,880	2,600
– Under-provision in prior year	<u>786</u>	<u>–</u>
	<u>2,666</u>	<u>2,600</u>
Foreign exchange gains, net	(4,671)	(3,757)
Provision for ECL allowance of trade receivables (note 13)	199	289
Gain on disposal of financial assets at FVTPL, net	(760)	(31)
Bank interest income	(2,504)	(6,114)
Government grants	<u>(2,641)</u>	<u>(6,039)</u>

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/ jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group operating in Mainland China as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on January 1, 2008.

Lvji Technology Group was qualified as a “High-and-New Technology Enterprise” (“**HNTE**”) under the PRC Corporate Income Tax Law in December 2016. Lvji Technology Group was entitled to a preferential income tax rate of 15% for three years starting from December 2016, if the criteria for HNTE were met each year. After the reapplication of HNTE in December 2019, Lvji Technology Group is entitled to a preferential income tax rate of 15% from December 2019 to December 2021, if the criteria for HNTE are met each year.

Guangxi Lvji was incorporated in Beihai, Guangxi, the PRC on September 21, 2018. According to the applicable regulations, Guangxi Lvji is entitled to a preferential income tax rate of 9% for five years from the first year of operation which was 2018.

Huoer Guosi Lvji was incorporated in Khorogos, Xinjiang, the PRC on May 31, 2017. According to the applicable regulations, Huoer Guosi Lvji is exempted from corporate income tax for five years from the first year of operation which was 2017. Huoer Guosi Lvji was deregistered on September 20, 2022 as disclosed in note 1.

Huoer Guosi Yuantai Technology Limited (“**Huoer Guosi Yuantai**”) was incorporated in Khorogos, Xinjiang, the PRC on November 6, 2021. According to the applicable regulations, Huoer Guosi Yuantai is exempted from corporate income tax for five years from the first year of operation which was 2021.

	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>
PRC Enterprise Income Tax		
Current income tax	10,990	9,198
Overprovision in prior years	(1,515)	(1,525)
Total income tax expense	<u>9,475</u>	<u>7,673</u>

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates is as follow:

	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>
Profit/(Loss) before tax	<u>47,012</u>	<u>(541,944)</u>
Tax calculated at a tax rate of 25%	11,753	(135,485)
Lower tax rates for specific provinces or enacted by local authority	1,543	42,682
Tax effect of non-deductible expenses	70	323
Utilisation of deductible temporary differences previously not recognised	23	101,666
Tax losses not recognised	172	262
Tax losses utilised from previous periods	(2,571)	(250)
Overprovision in prior years	<u>(1,515)</u>	<u>(1,525)</u>
Income tax expense	<u>9,475</u>	<u>7,673</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from January 1, 2008 and applies to earnings generated after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008. The applicable tax rate of the Group is 10%. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. Therefore, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China.

10. DIVIDENDS

No dividend has been declared and paid by the Company and its subsidiaries during 2022 (2021: nil).

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings/(loss) per share is based on the profit/(loss) for the year attributable to owners of the Company, and on the weighted average number of ordinary shares in issue during the year.

The calculation of basic Earnings/(Loss) per share is based on:

	2022 (RMB'000)	2021 (RMB'000)
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>37,537</u>	<u>(549,617)</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	<u>1,466,230,435</u>	<u>1,463,650,000</u>

The diluted earnings per share for the years ended December 31, 2022 and 2021 were the same as basic earnings per share as there were no dilutive potential ordinary shares in existence for both years.

12. INTANGIBLE ASSETS

December 31, 2022

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At January 1, 2022			
Cost	1,026,238	138	1,026,376
Accumulated amortisation and impairment	<u>(858,292)</u>	<u>(45)</u>	<u>(858,337)</u>
Net carrying amount	<u>167,946</u>	<u>93</u>	<u>168,039</u>
Cost at January 1, 2022, net of accumulated amortisation and impairment	167,946	93	168,039
Additions	239,258	–	239,258
Amortisation charge	<u>(35,074)</u>	<u>(14)</u>	<u>(35,088)</u>
At December 31, 2022	<u>372,130</u>	<u>79</u>	<u>372,209</u>
At December 31, 2022			
Cost	1,265,496	138	1,265,634
Accumulated amortisation and impairment	<u>(893,366)</u>	<u>(59)</u>	<u>(893,425)</u>
Net carrying amount	<u>372,130</u>	<u>79</u>	<u>372,209</u>

December 31, 2021

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At January 1, 2021			
Cost	793,978	138	794,116
Accumulated amortisation and impairment	<u>(205,701)</u>	<u>(31)</u>	<u>(205,732)</u>
Net carrying amount	<u>588,277</u>	<u>107</u>	<u>588,384</u>
Cost at January 1, 2021, net of accumulated amortisation and impairment	588,277	107	588,384
Additions	232,260	–	232,260
Amortisation charge	(89,993)	(14)	(90,007)
Impairment (Note 6)	<u>(562,598)</u>	<u>–</u>	<u>(562,598)</u>
At December 31, 2021	<u>167,946</u>	<u>93</u>	<u>168,039</u>
At December 31, 2021			
Cost	1,026,238	138	1,026,376
Accumulated amortisation and impairment	<u>(858,292)</u>	<u>(45)</u>	<u>(858,337)</u>
Net carrying amount	<u>167,946</u>	<u>93</u>	<u>168,039</u>

The amortisation charge of intangible assets for the year is included in the “Cost of sales” in the consolidated statement of profit or loss.

As of December 31, 2021, notwithstanding the growth in the Group’s overall revenue in the current financial year, the resurgence of the pandemic situation during the financial year has inevitably caused certain impact on both the overall tourism markets and business operation of the Group, mainly due to implementation of precautionary control measures requirements by the relevant local authorities, which inter alia, imposing 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 resulting decline in the overall sales demand of its overseas market. Given the dynamics and uncertainties of the pandemic situation, the management engaged an independent professional valuer to perform the impairment testing on copyrights for online tour guides. As of December 31, 2021, the carrying amounts of certain copyrights were written down to the recoverable amounts of RMB77,292,000, with the total impairment loss of RMB562,598,000 charged to profit or loss during the Corresponding Period.

The performance in tourism markets has been improved in 2022 because the Chinese government has released travel restrictions. Based on the assessment of the management and an independent professional valuer, no impairment loss was recognised in respect of the Group’s intangible assets during the Reporting Period.

13. TRADE RECEIVABLES

	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>
Trade receivables	29,469	48,255
Less: ECL allowance	<u>(559)</u>	<u>(360)</u>
	<u>28,910</u>	<u>47,895</u>

The Group's trading terms with OTAs are mainly on credit. The credit period for OTAs is generally 45 days. Each OTA has a maximum credit limit. The credit period for other customers is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of ECL allowance, was as follows:

	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>
0 to 3 months	24,382	43,529
3 to 6 months	1,389	738
6 months to 1 year	2,772	3,131
Over 1 years	<u>367</u>	<u>497</u>
	<u>28,910</u>	<u>47,895</u>

The movements in the ECL allowance of trade receivables are as follows:

	2022 <i>(RMB'000)</i>	2021 <i>(RMB'000)</i>
At beginning of year	360	207
Impairment for the year	199	289
Impairment provision written off during the year	<u>-</u>	<u>(136)</u>
At end of year	<u>559</u>	<u>360</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. At the end of the Reporting Period, the probability of default is minimal for debtors other than defaulted receivables, with expected credit loss rates of 1.80% to 8.58% (2021: 0.16% to 14.31%). Trade receivables for which the balances are overdue with ageing of more than a year and trade receivables where counterparties failed to make the demanded repayments are defaulted receivables, which are fully provided.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 (RMB'000)	2021 (RMB'000)
Prepayments to suppliers	7,841	25,546
Contract cost (<i>Note i</i>)	2,153	2,043
Deposit	4,513	5,851
Interest receivable	–	34
Prepaid taxes and other tax recoverable	11,412	13,847
Refundable investment cost in an associate (<i>Note ii</i>)	25,000	–
Other receivables	<u>789</u>	<u>1,808</u>
	<u>51,708</u>	<u>49,129</u>

Notes:

- (i) Contract cost consists of the costs incurred in our sales of customised content business, for which we already signed contracts with the customers and incurred cost but not yet completed nor delivered to the customers.
- (ii) The balance represents refund of investment cost in Guangzhou Wenjingyi, an associate upon withdrawal of capital contribution in December 2022. The balance was fully received in February 2023.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The majority of the above balances were settled within 12 months and had no historical default. During the Reporting Period, the Group estimated that the expected loss rate for the above receivables was insignificant.

15. FINANCIAL ASSETS AT FVTPL

	2022 (RMB'000)	2021 (RMB'000)
Unlisted investments		
Structured deposits (<i>Note i</i>)	–	20,104
Chongqing Chengyu Baijing Cultural Industry Equity		
Investment Fund Partnership (Limited Partnership) (<i>Note ii</i>)	–	15,000
Chongqing Mixiangcheng Culture Media Co., Ltd. (<i>Note iii</i>)	–	–
	<u>–</u>	<u>35,104</u>

Notes:

- (i) The structured deposits were issued by commercial banks and financial institutions in Mainland China, and classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest, and was held for trading in nature.
- (ii) In November 2021, the Group decided to withdraw its capital contribution of RMB15,000,000, of which was fully received in February 2022. Subsequent to the balance sheet date, the applicable registration process for change in shareholder is still pending from the final approvals of the relevant authorities.
- (iii) In July 2021, the Company contributed capital of RMB140,000, represented 10% of the total registered capital of Chongqing Mixiangcheng Culture Media Co., Ltd. (“CMCM”), and was classified as financial asset at FVTPL as it was held for trading in nature. The fair value as at balance sheet date was assessed as immaterial in view of the CMCM is temporarily ceased operation.

16. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2022 (RMB'000)	2021 (RMB'000)
Cash at bank and in hand	170,904	359,865
Short-term bank deposits	150,000	–
Less: Pledged bank deposits	<u>(500)</u>	<u>(200)</u>
Cash and cash equivalents	<u>320,404</u>	<u>359,665</u>

The short-term bank deposits earn 1.5% to 2.10% interest per annum for 2022 (2021: Nil). They have a maturity of 20 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The Directors of the Group considered that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

At the end of the Reporting Period, the cash and bank balances of the Group denominated in RMB amounted to RMB167,662,000 (2021: RMB288,659,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The pledged bank deposits were mainly pledged to the government authorities for conducting tourist-related business in Mainland China.

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

17. TRADE PAYABLES

	2022 (RMB'000)	2021 (RMB'000)
Trade payables	<u>5,306</u>	<u>10,312</u>

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

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

	2022 (RMB'000)	2021 (RMB'000)
0 to 3 months	4,927	10,042
3 to 12 months	117	143
1 to 2 years	136	–
Over 2 years	<u>126</u>	<u>127</u>
	<u>5,306</u>	<u>10,312</u>

All amounts are short term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

18. OTHER PAYABLES AND ACCRUALS

	2022 (RMB'000)	2021 (RMB'000)
Other payables	5,053	7,090
Payroll and welfare payables	2,336	3,448
Other tax payable	<u>12,381</u>	<u>11,918</u>
	<u>19,770</u>	<u>22,456</u>

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due are considered reasonable approximations of their fair values.

19. CONTRACT LIABILITIES

	2022 (RMB'000)	2021 (RMB'000)
Contract liabilities arising from receiving deposits from contracts of customised content	<u>2,650</u>	<u>2,960</u>

Contract liabilities include unsatisfied performance obligations resulting from contracts of customised content for which the Group has received consideration at the end of the Reporting Period. The Group typically receives a 50% deposit on signature of contracts. Contract liabilities are recognised as revenue upon the Group satisfying its performance obligations under the relevant contracts.

All deposits received are expected to be settled within one year.

The significant decrease of contract liabilities as at December 31, 2022 is mainly due to the decrease in the deposits received as a result of lesser orders received from customers during the Reporting Period. The significant increase of contract liabilities as at December 31, 2021 is mainly due to deposits received from customers for large contracts during the Reporting Period.

Contract liabilities outstanding at the beginning of 2022 amounted to HK\$2,960,000 (2021: HK\$2,712,000) have been recognised as revenue during the Reporting Period.

20. DEFERRED INCOME

	2022 (RMB'000)	2021 (RMB'000)
At the beginning of the year	2,503	3,512
Additions	–	338
Released to franchise income (note 5)	<u>(2,503)</u>	<u>(1,347)</u>
At the end of the year	–	2,503
Less: Current portion	<u>–</u>	<u>(1,161)</u>
Non-current portion	<u>–</u>	<u>1,342</u>

Deferred income represents the payment received in advance from franchisees for the right to use the brand name of the Group. These franchise payments are released to other income and gains over the franchise period.

21. SHARE CAPITAL

	2022		2021	
	<i>Number of shares</i>	<i>(RMB'000)</i>	<i>Number of shares</i>	<i>(RMB'000)</i>
Authorised:				
Ordinary shares of US\$0.01 each	<u>10,000,000,000</u>	<u>1,451,842</u>	<u>10,000,000,000</u>	<u>1,451,842</u>
Issued and fully paid:				
As at 1 January	1,463,650,000	100,648	1,463,650,000	100,648
Issue of shares under share award scheme (<i>note</i>)	<u>72,450,675</u>	<u>5,051</u>	<u>–</u>	<u>–</u>
As at 31 December	<u>1,536,100,675</u>	<u>105,699</u>	<u>1,463,650,000</u>	<u>100,648</u>

Note:

On December 19, 2022, the Company allotted and issued 72,450,675 ordinary shares at the subscription price of HK\$0.8 per share by way of share subscription. The net proceeds amounted to approximately HK\$57,960,540 (equivalent to RMB51,838,000) of which HK\$5,648,000 (equivalent to RMB5,051,000) was credited to the share capital account and approximately HK\$52,313,000 (equivalent to RMB46,787,000) was credited to share premium account.

All shares have been granted to eligible employees under the share award scheme on December 19, 2022.

22. SHARE AWARD SCHEME

On 21 January 2022, a share award scheme was approved and adopted by the Board of directors of the Company. Unless otherwise cancelled or amended, the share award scheme will remain valid and effective for 10 years from the date of adoption.

The number of shares to be award under the share award scheme throughout its duration is limited to 5% of the total number of issued shares of the Company from time to time. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the total number of issued shares of the Company in any 12-month period.

The Board has full discretion to determine the amount of the share award to be vested to eligible employees at the end of a performance period in accordance with the performance criteria approved by the Board.

During the year ended 31 December 2022, no share awards were purchased on the Stock Exchange.

The Company allotted, issued, vested and granted 72,450,675 ordinary shares to eligible employees on 19 December 2022 (notes 14 and 29).

The shares granted under the share award scheme of the Company during the year ended 31 December 2022 are as follows:

Date of grant	At 1 January 2022	Granted during the year	Vested during the year	Awarded during the year	Forfeited during the year	At 31 December 2022
19 December 2022	–	72,450,675	(72,450,675)	72,450,675	–	–

Note:

The fair value of the granted shares is calculated based on the closing market price of the shares of HK\$0.8 on the day of the grant, and amounted to HK\$58 million (equivalent to approximately RMB52 million) in total, of which the Group recognised a share award scheme expense of HK\$58 million (equivalent to approximately RMB52 million) during the year ended 31 December 2022.

As at 31 December 2022, no shares was held for share award scheme.

23. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following parties are related parties that had transactions or balances with the Group during the year.

(a) Name and relationship

Name of related parties	Relationship with the Group and the Company
Mr. Zang	A substantial shareholder and director
Mr. Fan Baoguo (“ Mr. Fan ”)	A substantial shareholder
Mr. Wang Lei (“ Mr. Wang ”)	A director

(b) Outstanding balances with related parties

The Group had the following balances with related parties:

	2022 (RMB'000)	2021 (RMB'000)
Amounts due from related parties:		
Mr. Zang	2,293	–
Mr. Wang	<u>81</u>	<u>–</u>
	<u>2,374</u>	<u>–</u>
	2022 (RMB'000)	2021 (RMB'000)
Amount due to a related party:		
Mr. Fan	<u>1,045</u>	<u>3,405</u>

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

	2022 (RMB'000)	2021 (RMB'000)
Maximum amounts due from related parties outstanding:		
Mr. Zang	2,293	80
Mr. Wang	<u>81</u>	<u>–</u>
	<u>2,374</u>	<u>80</u>

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

(c) Key management personnel remuneration

Key management personnel are those persons including Directors having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The remuneration of key management personnel during the years are as follows:

	2022 (RMB'000)	2021 (RMB'000)
Short-term employee benefits	697	507
Contributions to the pension scheme	195	163
Equity-settled share award scheme expenses	<u>17,279</u>	<u>–</u>
	<u>18,171</u>	<u>670</u>

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND PLACING

The Shares were successfully listed on the Stock Exchange on the Listing Date. The Proceeds were approximately HK\$580.0 million (after deducting the underwriting commissions and other expenses relating to the Global Offering). In addition, the Company completed an allotment and issuance of Shares under the general mandate on October 28, 2020, and the net proceeds raised from such placing (after deducting all relevant expenses) amounted to approximately HK\$47.9 million (the “**Placing Proceeds**”). Further details are disclosed in the Company’s announcements dated October 12, 2020 and October 28, 2020, respectively.

In order to improve the utilisation efficiency of the Proceeds and reduce financing cost, and based on the actual situation and operational development needs of the Company, on December 16, 2022, the Board considered and approved the resolution in relation to the proposed change in the use of the unutilized Proceeds. As such, portions of the Proceeds originally allocated for the use of (i) upgrade of existing products’ contents; (ii) expansion of content production team; (iii) upgrade of existing hardware and software; (iv) procurement of servers; and (v) strategic investment will be reallocated for (i) data collection and content production of the tourist attractions for online tour guide development; and (ii) working capital and general corporate purposes. Further details are disclosed in the Company’s announcement dated December 16, 2022. Save as disclosed above, as of December 31, 2022, there was no material change in the use of the Proceeds.

The original expected timeline to use the Placing Proceeds was to mature on December 31, 2022. After careful consideration, the Board considered and approved the extension of the expected timeline to use the Placing Proceeds to December 31, 2024. Further details are disclosed in the Company’s announcement dated December 16, 2022. As of December 31, 2022, there was no material change in the use of the Placing Proceeds.

As of December 31, 2022, the Group had used (i) approximately HK\$364.2 million (equivalent to approximately RMB322.7 million), representing approximately 62.79% of the Proceeds, in accordance with the use as stated in the paragraph headed “Future Plans and Use of Proceeds” in the Prospectus or the use after the change on December 16, 2022, and (ii) approximately HK\$4.8 million (equivalent to approximately RMB4.1 million), representing approximately 10% of the Placing Proceeds, in accordance with the use as stated in the Company’s announcement dated December 16, 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders and enhance its value and accountability. Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code. During the Reporting Period, the Company had complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision C.2.1 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the period from January 1, 2022 to August 14, 2022, Mr. Zang served as the chairman of the Board and the CEO of the Company. He was responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believed that vesting the roles of both chairman and the chief executive officer in the same person would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. The Board also met regularly on a quarterly basis to review the operations of the Company led by Mr. Zang. Accordingly, the Board believed that this arrangement would not have impact on the balance of power and authorizations between the Board and the management of the Company. With effect from August 15, 2022, Mr. Zang resigned from the role of the chief executive officer of the Company and Mr. Yuan Ting was appointed as the chief executive officer of the Company. Therefore, the Company has complied with Code provision C.2.1 of the Corporate Governance Code.

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

Compliance with the Model Code

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

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the Reporting Period.

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

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities in 2022.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Gao Yuanyuan and Ms. Gu Ruizhen. The chairman of the Audit Committee is Ms. Gu Jianlu.

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by our Company as well as the annual financial results for the Reporting Period.

The Audit Committee considers that the annual financial results for the Reporting Period are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Scope of Work of the Auditors

The financial information set out in this announcement does not constitute the Group's audited accounts for the Reporting Period, but represents an extract from the consolidated financial statements for the Reporting Period which have been audited by the auditor of the Company, Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

Corporate Governance Events after December 31, 2022

We refer to the announcement of the Company dated January 5, 2023 about the change of the company secretary and authorized representatives. Mr. Chu Wing Tim Benedict and Ms. Lam Yin Ling have been appointed as the joint company secretaries of the Company, and Ms. Lam Yin Ling has been appointed as a Listing Rules Authorised Representative and the Companies Ordinance Authorised Representative (both as defined in the aforesaid announcement).

Events after December 31, 2022

Save for the above and otherwise disclosed in the section headed "*Notes to the Financial Statements – Events After the Reporting Period*" in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2022 and up to the date of this announcement.

DIVIDEND

No dividend was declared and paid by the Company for the Reporting Period (2021: Nil). The Directors do not recommend any payment of a final dividend for the Reporting Period (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Friday, June 16, 2023 to Wednesday, June 21, 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM to be held on Wednesday, June 21, 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m., Wednesday, June 14, 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Company's annual report for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

DEFINITION

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

“2021” or “Corresponding Period”	the year ended December 31, 2021
“2022” or “Reporting Period”	the year ended December 31, 2022
“AGM”	the 2023 annual general meeting of the Company to be held on Wednesday, June 21, 2023 or any adjournment thereof

“AI”	artificial intelligence
“API”	application programming interface, a set of clearly defined methods of communication between various software components
“APP”	application software designed to run on smartphones and other mobile devices
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2019 in the Cayman Islands
“Corporate Governance Code”	the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	2019 novel coronavirus disease
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Group”, “we”, “us”, or “our”	the Company and its subsidiaries
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard

“HKAS”	Hong Kong Accounting Standard
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Date”	January 17, 2020, the date on which the Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lvji Technology”	Lvji Technology Group Co. LTD (驢跡科技集團有限公司) (formerly known as 廣州市驢跡科技有限責任公司), a company established in the PRC with limited liability on December 14, 2013 and an indirect wholly-owned subsidiary of our Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“OTA”	online travel agency
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of China

“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share Award Scheme”	a share award scheme adopted by the Company on January 21, 2022
“Share Option Scheme”	a share option scheme adopted by the Company on December 20, 2019
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“XR”	extended reality, a combined term for augmented reality, virtual reality and mixed reality

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

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

Guangzhou, the PRC, March 24, 2023

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. Gao Yuanyuan and Ms. Gu Ruizhen.