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

2022
ANNUAL REPORT

CONTENTS

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, FCPA, FCCA

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

As to Hong Kong laws
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANK

Shizuoka Bank (Yamanashi Branch)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Yuhang District Hangzhou City
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited
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16 Harcourt Road
Hong Kong

WEBSITE

http://www.tuyigroup.com

STOCK CODE

1701

The lifting of strict prevention measures in relation to the outbreak of the novel coronavirus ("**COVID-19**") in December 2022 by the central government of the People's Republic of China (the "**PRC**") has enabled the Tu Yi Holding Company Limited (the "**Company**") and its subsidiaries (the "**Group**") to resume its sales of outbound packaged tours and outbound free independent traveller products (the "**FIT Products**"), which have been suspended since January 2020, pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局). While it certainly takes some time for the Group as well as the tourism and hospitality industry in the PRC to re-build its FIT Products capacities and the volume and varieties of tourism products for the purpose of gradually resuming the operation scales back to the pre-COVID-19 level, the Group, as a comprehensive travel products and service provider in both the PRC and Japan as well as an online store retailer for Japanese-lifestyle-oriented products coupled with its balanced portfolio of product and service offerings as strategically repositioned since the outbreak of COVID-19, is well-equipped to capture the rebound of travel demand upon the easing of all travel restrictions relating to the COVID-19 pandemic and the recovery of Japan tourism market as Japan resumed local travels in 2022. During the year ended 31 December 2022 ("**Year Under Review**"), the revenue of the Group increased to approximately RMB26.3 million, representing an increase of approximately 26.5% as compared to that for the year ended 31 December 2021 and the net loss attributable to equity shareholders of the Company decreased to approximately RMB18.5 million from approximately RMB40.6 million for the year ended 31 December 2021. In view of the net loss the Group made during the Year Under Review, the board (the "**Board**") of directors (the "**Directors**") will not recommend the payment of a final dividend for the year ended 31 December 2022.

BUSINESS REVIEW AND PROSPECTS

The Group is a well-established and active outbound travel products and service provider in the PRC, focusing on the design, development and sale of Japan outbound travel package tours and day tours and outbound FIT Products, the provision of visa application processing services and other ancillary travel-related products and services, and the operation of self-owned Shuzenji Onsen Hotel Takitei (the "**Shizuoka Hotel**") and Hotel Comfact (the "**Tokyo Hotel**") in Japan (collectively, the "**Hotel Operation**"). During the Year Under Review, the performance of Hotel Operation had picked up substantially with its revenue increased significantly from approximately RMB1.0 million in 2021 to approximately RMB6.1 million in 2022 and recovered from a gross loss position in 2021 to recording a gross profit margin of 30% in 2022 as local travel in Japan resumed in 2022. The Hotel Operation have a diverse customer base with customers such as Japanese, PRC, Hong Kong, Taiwan, Indonesia, Thailand, etc., and the occupancy rate of the Hotel Operation for the year ending 31 December 2023 is expected to reach 80%. Sales of day tour and margin incomes from sales of FIT products in Japan and the provision of visa application processing services has resumed since October 2022 and their growth rates (i.e. the rate of recovery) were promising with the number of customers increased substantially on a monthly basis. For example, the number of customers of sales of day tour were 954 and 1,544 in December 2022 and January 2023, respectively, and the number of customers of the provision of visa application processing services had a remarkable growth between December 2022 and January 2023, respectively. During the Year Under Review, the Group managed to improve the gross profit margin of its e-commerce business platform – the online Japanese-lifestyle-oriented cross-border duty-free shop business under its brand "Direct Courier from Shop Manager" ("**店長直郵**") (the "**Duty-free Shop Business**") substantially by 11 percentage points from approximately 16% in 2021 to approximately 27% in 2022 through building up its own product brands and expanding its products design and manufacturing capabilities to enhance its product variety. In addition, in 2022, the Group's own face mask product brands achieved a remarkable growth in terms of sales volume. Meanwhile, the Group's own brand HDT launched two popular products: (i) phosphatidylaldehyde for improving senile dementia, and (ii) NMN products combating anti-aging issues. The management of the Group believes that, having launched the Duty-free Shop Business for more than 3 years, it has come to a point that the Group is able to harness the full potential of this e-commerce business platform to obtain insights in consumption behaviour, market trends and customers' preference of product variety and product design to drive growths and the Group expects that both revenue and gross profit margin of the Duty-free Shop Business will improve at a faster pace in 2023 and onwards.

Looking ahead to 2023, the Group will put more focus on: (i) launching customised tourism products; and (ii) initiating the application for financial licence in relation to the provision of cross-border payment/transfer/exchange services. The Group is optimistic with the prospect of customised tourism products in Japan, which will enable the Group to further improve its gross profit margin and differentiate its products and services from other competitors by offering unique features like customised travelling itineraries combined with camping, study tour or recreational vehicle trips. Customised tourism products will require in-depth understanding of the market and the ability to integrate and design the itinerary/products, which is a strong suite of the Group. The Group will initiate the application for financial licence in relation to the provision of cross-border payment/transfer/exchange services in second half of 2023 for the purpose of: (i) lowering the transaction costs for the Group's Direct Courier from Shop Manager business line; and (ii) enhancing business relationships with certain suppliers or e-commerce businesses via provision of such cross-border payment/transfer/exchange services to further facilitate the Group's transactions with these suppliers.

FINANCIAL REVIEW

Revenue and gross profit margin

The breakdown of revenue, average revenue per traveller ("**ART**") and gross profit margin by revenue type during the Year Under Review with comparative figures for the year ended 31 December 2021 are set forth below:

	For the year ended 31 December 2022				For the year ended 31 December 2021			
	Revenue *RMB'000*	**ART** *RMB*	**Percentage of revenue**	**Gross profit margin**	Revenue *RMB'000*	ART *RMB*	Percentage of revenue	Gross profit margin
(Part 1 of 2)								
Sales of package tours								
– Japan	**2,891**	**56,681**	**11.0%**	**16%**	–	–	–	N/A
– Other than Japan	**50**	**3,544**	**0.2%**	**4%**	1,442	4,790	6.9%	30%
Sales of day tours – Japan	**429**	**391**	**1.6%**	**25%**	–	–	–	N/A
Margin income from sales of FIT products (net basis)								
– Japan	**303**	**985**	**1.2%**	**100%**	–	–	–	N/A
– Other than Japan	**292**	**65**	**1.1%**	**100%**	187	8	0.9%	98%
Margin income from the provision of visa application processing service (net basis)	**61**	**295**	**0.2%**	**100%**	–	–	–	N/A
Hotel Operation – Japan	**6,074**	**233**	**23.1%**	**30%**	1,040	432	5.0%	-103%

	For the year ended 31 December 2022				For the year ended 31 December 2021			
	Revenue	ART	Percentage of revenue	Gross profit margin	Revenue	ART	Percentage of revenue	Gross profit margin
	RMB'000	*RMB*			*RMB'000*	*RMB*		
(Part 2 of 2)								
Duty-free Shop business – Japan, Taiwan, China and The PRC	**16,193**	**178**	**61.6%**	**27%**	18,120	201	87.2%	16%
	26,293		**100%**		20,789		100%	

Sales of day tour and package tours, margin incomes from sales of FIT products and the provision of visa application processing services

The Group is a well-established and active outbound travel products and service provider in the PRC, focusing on the design, development and sale of Japan outbound travel package tours and day tours and outbound FIT products, the provision of visa application processing services and other ancillary travel-related products. The revenue of sales of day tour, margin incomes from sales of FIT products in Japan and the provision of visa application processing services has resumed since October 2022 as Japan lifted COVID-19's travel restrictions for foreigners in October 2022.

Hotel Operation – Japan

The Group operates its self-owned Shizuoka Hotel and Tokyo Hotel. The revenue of the Hotel Operation increased from approximately RMB1.0 million for the year 31 December 2021 to approximately RMB6.1 million for the year 31 December 2022 and gross profit margin returned to a positive level of 30% for the year 31 December 2022 from a negative level in 2021, primarily attributable to the reasons mentioned in the business review above.

Duty-free Shop Business

The Group operates its Duty-free Shop Business in the premise of the Tokyo Hotel, together with its online Duty-free Shop Business under the name "Direct Courier from Shop Manager" ("店長直郵"). The revenue of the Duty-free Shop Business decreased by approximately 10.6% while its gross profit margin increased by 11 percentage points from approximately 16% for the year 31 December 2021 to approximately 27% for the year 31 December 2022, which was primarily attributable to the change in product mix as the Group has shifted to focus on building its own product brands and expanding its products design and manufacturing capabilities and at the same time, suspended the sales of products with slim gross profit margin.

Selling and distribution costs

The Group's selling and distribution costs remained relatively stable for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021 as the Group exerted rigorous control over its marketing expenses.

Other income and other (losses)/gains, net

Other income and other (losses)/gains, net mainly consist of other interest income from loans to third parties, foreign exchange losses, fair value changes of financial assets at fair value through profit or loss and changes in fair value of investment properties. Other income and other (losses)/gains, net for the year ended 31 December 2022 mainly included the fair value changes of financial assets at fair value through profit or loss of approximately RMB2.3 million (2021: RMB2.4 million), other interest income from loans to third parties of approximately RMB1.6 million (2021: RMB1.5 million) and impairment loss on leasehold land and buildings of approximately RMB2.7 million (2021: Nil) while other income and other (losses)/gains, net for the year ended 31 December 2021 mainly included the loss in relation to foreign exchange of approximately RMB4.1 million (2022: RMB0.2 million).

Administrative expenses and other expenses

Administrative expenses and other expenses mainly consist of staff-related costs, various local taxes, depreciation, operating lease rental expenses, audit fees, and miscellaneous expenses. These expenses decreased by approximately RMB21.5 million in aggregate for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021, mainly due to the implementation of rigorous cost control measures by the Group.

IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP

Following the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020, which required the suspension of all packaged tours and FIT Products, the Group had suspended its sales of outbound packaged tours and outbound FIT products since January 2020 and up to December 2022, during which the Group has focused on the online Duty-free Shop Business business and please refer to the "Financial Review' section above for relevant quantitative measures.

The Group is cautious about its liquidity, working capital and gearing level. As at 31 December 2022, the Group had interest-bearing bank borrowings of approximately RMB59.1 million, including approximately RMB27.5 million which was classified as current liability and repayable in one year's time. Taking into account the aforesaid short-term interest-bearing bank borrowings and the cash and cash equivalents of approximately RMB29.9 million as at 31 December 2022, the Group considers that it is equipped with sufficient liquidity and financial resources in case of any resurgence of the COVID-19 pandemic.

OTHER INFORMATION

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

References are made to the annual report of the Company for the year ended 31 December 2020 published by the Company on 28 April 2021 and the interim results announcement of the Company for the six months period ended 30 June 2021 (the "**2021 Interim Results Announcement**") dated 31 August 2021.

The information of use of net proceeds of the Company (the "**Net Proceeds**") was disclosed as follows:

Description of use of Net Proceeds	Intended use of Net Proceeds as disclosed in the 2021 Interim Results Announcement	Utilised Net Proceeds during the period from Listing Date to 31 December 2021	Utilised Net Proceeds during the Year Under Review	Unutilised Net Proceeds as at 31 December 2022	Expected timeline for unutilised Net Proceeds
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	
(i) Enhancing the Group's product portfolio by developing new products and services	1,760	(1,760)	–	–	–
(ii) Purchasing tour buses and engaging third party tour bus operators	11,440	(11,440)	–	–	–
(iii) Acquiring hospitality asset in Kyoto, Japan	17,600	–	–	17,600	Before or around 31 December 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	

During the Year Under Review, the Net Proceeds from the initial public offer of shares of the Company were used and expected to be used according to the intentions as disclosed above. Unutilised proceeds were deposited in licensed banks in Hong Kong.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals during the Year Under Review. As at 31 December 2022, there were no significant investments held by the Group or any future plans for significant investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

There was no material events affecting the Group that occurred after 31 December 2022 and up to the date of this report.

CONTINGENT LIABILITIES

As at 31 December 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. The functional currency of subsidiaries incorporated in Japan use JPY as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. However, the Group is exposed to foreign currency exchange risks as costs for some of the travel products, such as hotel accommodations and fees paid to land operators, are settled in foreign currencies including JPY. At present, the Group does not intend to hedge its exposure to foreign currency exchange fluctuations. However, the Board 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 31 December 2022, the Group employed a total of 75 full time employees. The Group's employee benefits include salary and discretionary bonuses based on the Group's results and individual performance, medical and retirement benefits schemes. The remuneration committee of the Board (the "**Remuneration Committee**") reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group did not have any material capital expenditure commitment during the Year Under Review.

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

The Group's gearing ratio was maintained at a similar level during the Year Under Review (31 December 2022: 26.7%; 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. The Group's liquidity and financing requirements are reviewed regularly.

The trade receivables turnover days maintained in a similar level during the Year Under Review (31 December 2022: 12 days; 31 December 2021: 24 days).

The trade payables turnover days maintained in a similar level during the Year Under Review (31 December 2022: 24 days; 31 December 2021: 16 days).

EXECUTIVE DIRECTORS

Mr. Yu Dingxin（虞丁心）(“Mr. Yu”), aged 53, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Yu is also the chairman of the Board responsible for the overall strategic planning and overseeing general management and daily operation of the Group. Mr. Yu holds directorship in each of the subsidiary of the Company. He is also the chairman of the nomination committee (the “**Nomination Committee**”) and a member of remuneration committee of the Group.

Mr. Yu has around 30 years of experience in the travel and tourism industry. From December 1991 to April 2003, he worked in Zhejiang Overseas Travel Company Limited（浙江海外旅遊公司）, a company principally engaged in the provision of travel related services. From June 2003 to December 2004, Mr. Yu had worked for Zhejiang Everbright International Travel Company Limited（浙江光大國際旅遊有限公司）. He subsequently joined Zhejiang Female International Travel Company Limited（浙江婦女國際旅行社有限公司）from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Pan and Mr. Xu. Mr. Yu obtained a bachelor’s degree in tourism management at Zhejiang University（浙江大學）in June 2003.

Mr. Yu is the uncle of Mr. An Jiajin, an executive Director.

Mr. Pan Wei（潘渭）(“Mr. Pan”), aged 49, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Pan is principally responsible for overseeing procurement and sales and marketing of our Group.

Mr. Pan has over 28 years of experience in the travel and tourism industry. From July 1993 to April 2003, Mr. Pan worked in Zhejiang Overseas Travel Company Limited (浙江海外旅遊公司), a company principally engaged in the provision of travel related services. From June 2003 to December 2004, Mr. Pan had worked for Zhejiang Everbright International Travel Company Limited (浙江光大國際旅遊有限公司). He subsequently joined Zhejiang Female International Travel Company Limited (浙江婦女國際旅行社有限公司) from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Yu and Mr. Xu. Mr. Pan obtained a diploma in economics and management at Zhejiang University (浙江大學) in January 1999.

Mr. Xu Jiong（徐炯）(“Mr. Xu”), aged 49, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Xu is principally responsible for overseeing business development of the Group.

Mr. Xu has around 28 years of experience in the travel and tourism, and hospitality industry. From August 1993 to August 2002, he worked in Hangzhou Shangri-La Hotel Limited（杭州香格里拉飯店有限公司）as a director of sales department, with responsibilities of overseeing the business development with travel agents. From June 2003 to December 2004, Mr. Xu had worked for Zhejiang Everbright International Travel Company Limited（浙江光大國際旅遊有限公司）. He subsequently joined Zhejiang Female International Travel Company Limited（浙江婦女國際旅行社有限公司）from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Yu and Mr. Pan.

Mr. An Jiajin（安家晉）("Mr. An"), aged 32, was appointed as an executive Director on 9 April 2018. Mr. An is principally responsible for the sales and marketing of the Group. In October 2014, Mr. An joined Tuyi Group as a vice manager of sales department.

Mr. An obtained a bachelor's degree in English from the Zhijiang College of Zhejiang University of Technology（浙江工業大學之江學院）in June 2014.

Mr. An is the nephew of Mr. Yu, the Chairman of the Board and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Jianbo（趙劍波）("Mr. Zhao"), aged 48, was appointed as an independent non-executive Director on 1 March 2019. Mr. Zhao is responsible for supervising and providing independent judgment to the Board. He is also a member of the audit committee, the remuneration committee and the Nomination Committee.

In June 1997, Mr. Zhao joined Chiatal Qingchunbao Pharmaceutical Co., Ltd（正大青春寶藥業有限公司）as an administrative assistant and was a regional manager of Guangxi Province when he left in April 2006. He subsequently joined Beingmate Baby & Child Food Co., Ltd（貝因美嬰童食品股份有限公司）(Stock code: 002570), whose shares are listed on Shenzhen Stock Exchange and is principally engaged in the manufacture, R&D and sales of baby and child food, as a general manager assistant of the franchising department in October 2008 and was the general manager of Fuzhou Beingmate Baby & Child Food Co., Ltd（福州貝因美嬰童食品有限公司）, which is a subsidiary of Beingmate Baby & Child Food Co., Ltd, when he left in January 2015. In May 2016, Mr. Zhao founded Hangzhou Maijing Trading Co., Ltd（杭州邁境貿易有限公司）and served as the legal representative and general manager since then.

Mr. Zhao obtained a bachelor's degree in business administration from International Business University of Beijing（北京國際商務學院）in July 1999.

Ms. Zhou Li（周禮）("Ms. Zhou"), aged 44, was appointed as an independent non-executive Director on 1 March 2019. Ms. Zhou is responsible for supervising and providing independent judgment to the Board. She is also the chairperson of the remuneration committee and a member of the audit committee and the nomination committee of the Group.

From October 2003 to November 2005, Ms. Zhou worked in UT Starcom Co., Ltd (UT 斯達康通迅有限公司), which is a telecom infrastructure provider as a software engineer. She then joined Shaoxing Changfeng Textile Company Limited（紹興昌豐紡織有限公司）, which is principally engaged in manufacture, sales and import and export textile business, as a vice chairperson and general manager from December 2005 to March 2012. She subsequently worked in Hainan Kairui Property Company Limited（海南凱瑞置業有限公司）as a vice general manger, with responsibilities of overseeing the properties sales and operation since March 2012.

Ms. Zhou obtained a bachelor's degree in applied mathematics in September 2001 and a master's degree in laboratory of CAD & computer graphics in June 2004 from Zhejiang University（浙江大學）, the PRC.

Mr. Zheng Cheng (鄭誠) ("Mr. Zheng"), aged 41, was appointed as an independent non-executive Director on 1 June 2020. Mr. Zheng is responsible for supervising and providing independent judgment to the Board. He is a member of the nomination committee of the Group.

Mr. Zheng has approximately 16 years of experience in computer science and technology. From July 2005 to November 2009, Mr. Zheng worked as software development engineer in various institutions in the PRC. From November 2009 to April 2015, Mr. Zheng was the software development engineer of Hangzhou Daily Newspaper Group (杭州日報報業集團). Since May 2015 to present, Mr. Zheng is the technical director of Zhejiang China Media Holdings Co., Ltd. (浙江華媒控股股份有限公司).

Mr. Zheng obtained a bachelor's degree in computer science and technology from the Zhejiang University of Technology (浙江工業大學之江學院) in June 2005.

Mr. Ying Luming (應鹿鳴) ("Mr. Ying"), aged 51, was appointed as an independent non-executive Director on 30 November 2020. Mr. Zheng is responsible for supervising and providing independent judgment to the Board. He is the chairperson of the audit committee of the Group.

Mr. Ying has over 26 years of experience in accounting and corporate management. Mr. Ying had served as an audit staff of the Audit Bureau of Yuhang City* (余杭市審計局) in the PRC from 1994 to 1999 and as an audit engagement manager of Hangzhou Yongxin Certified Public Accountants Co., Ltd* (杭州永信會計師事務所有限公司) from 1999 to 2003. Mr. Ying has been serving as the head of the firm of Hangzhou Dongxin Certified Public Accountants Co., Ltd* (杭州東欣會計師事務所有限公司) since 2004.

Mr. Ying, obtained a bachelor's degree in accounting from Zhejiang University of Finance and Economics (浙江財經大學) in 1994 and was admitted as a certified public accountant in the PRC in 2000.

SENIOR MANAGEMENT

Ms. Chen Jing (陳靜), aged 57, is the executive general manager of the Group, and is responsible for the overseeing the administrative function of the Group. She has over 38 years of experience in the travel and tourism, and hospitality industry. She joined the Group in March 2014. Prior to joining the Group, in November 1983, she worked in Hangzhou Shangri-La Hotel Limited (杭州香格里拉飯店有限公司) as a general staff responsible for room management, and was a marketing director when she left in February 2014. She obtained a diploma of tourism English at Zhejiang Radio & Television University (浙江廣播電視大學) in July 1991.

Ms. Chen Ting (陳婷), aged 49, is a director for Japan business operations of the Group responsible for the overseeing the daily management of Japan business operations of the Group. She has around 12 years of experience in the travel and tourism industry. She joined our Group in January 2015. Prior to joining the Group, from January 1998 to May 1998, she had worked for Guangzhou Guangxing Food Company Limited Hangzhou Branch (廣州廣興食品有限公司杭州辦事處). From April 2007 to March 2010, she worked in Zhejiang Female International Travel Agent Company Limited (浙江婦女國際旅行社有限公司). From April 2010 to July 2010, she had worked for Zhejiang Overseas Travel Company Limited (浙江海外旅遊有限公司). From October 2010 to December 2014, she worked for the Group to provide Japan travel guide service.

Ms. Qiu Xiang (邱香), aged 41, is the secretary of the Board responsible for assisting the Board in terms of overseeing business of the Group. She has around 11 years of experience in the travel and tourism industry. From January 2006 to March 2009, she worked in Hangzhou Advance Hardware MFG Co., Ltd (杭州德美五金有限公司), a company principally engaged in the manufacture and export of hardware products, as a merchandiser. She then joined the Group in June 2010 and was promoted to a chairman secretary in June 2016. She was appointed as an executive director of the Company on 9 April 2018 and resigned as an executive director on 21 January 2020. She obtained a bachelor's degree in international trade from Zhejiang University of Technology (浙江工業大學) in June 2005.

Mr. Wu Longbin (吳龍斌), aged 44, is a sales manager of the Group responsible for the overseeing the online sales and marketing plan of the Group. He has around 9 years of experience in the travel and tourism industry. He joined our Group in January 2012.

Ms. Hu Huiling (胡慧玲), aged 35, is a corporate account sales manager of the Group responsible for the overseeing the maintenance and development of our corporate clients of the Group. She joined our Group in August 2010. She graduated from Zhejiang Travel Higher Vocational Institution (浙江旅遊職業學院) in June 2010, and she then obtained a bachelor degree in Japanese enrolled as part-time student at Zhejiang International Studies College (浙江外國語學院) while she worked at our Group and in July 2013.

Ms. Wang Jing (汪靜), aged 37, is the chairman assistant of the Group responsible for the overseeing the business operation of Japanese department of the Group. She has over 9 years of experience in travel and tourism industry. She joined the Group in July 2011. Prior to joining the Group, from July 2008 to April 2011, she worked in Toshiba International Logistics Co., Ltd (東芝外服貨運有限公司). She obtained a bachelor's degree in Japanese at Zhejiang Normal University (浙江師範大學) in June 2011.

COMPANY SECRETARY

Mr. Yip Ngai Hang, Henry (葉毅恒), aged 46, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also the chief executive officer of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Mr. Yip has over 20 years of experience in the field of accounting, auditing and regulatory compliance, corporate governance and corporate secretarial services with more than 10 years of experience in handling listed company secretarial and compliance related matters.

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 of the Company. During the Year Under Review, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for code provision C.2.1 of the CG Code as explained below.

Code Provision C.2.1

Under code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" which is deviated from the code provision C.2.1 of the CG Code.

Mr. Yu Dingxin, who acts as the chairman and an executive Director of the Company since 27 February 2018, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

DIRECTORS' SECURITIES TRANSACTIONS

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 model code for securities transactions by Directors and relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. Having made specific enquiries, all the Directors and relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company confirmed that they have complied with the Model Code during the year ended 31 December 2022 and up to the date of this annual report.

The Company has also adopted the Model Code as its written guidelines (the "**Employees Written Guidelines**") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The following is the board of directors ("**Board**") composition during the Year Under Review and up to the date of this report:

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

The Board currently comprises four executive Directors and four independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this annual report, the chairman of the Board is Mr. Yu Dingxin. The Company does not have a chief executive officer. The chairman's responsibility is to provide leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice.

Independent non-executive Directors

During the Year Under Review and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. As such, the Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors and the independent non-executive Directors has entered into either a service contract or a letter of appointment with the Company for a period of three years, respectively.

In accordance with the Company's articles of association (the "**Articles of Association**"), at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Director(s) newly appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting of the Company after appointment.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company under the Listing Rules and applicable laws.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

All Directors, including executive Directors and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules, the CG Code and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Group was provided briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance.

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant status, laws, rules and regulations. The Company also provides Directors with regular updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to perform their duties. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company (the "**Company Secretary**") has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director to the Directors.

During the Year Under Review, all Directors participated in continuous professional development by attending meetings and/or reading materials on topics related to the Group's business, corporate governance or regulations on the roles, functions and duties of being a director of a listed company:

Name of Directors	**Reading regulatory update**	**Attending meeting relevant to the business of the Group**
Executive Directors		
Mr. Yu Dingxin	✓	✓
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	✓	✓

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Zhao Jianbo, Ms. Zhou Li and Mr. Ying Luming. Mr. Ying Luming is the chairman of the Audit Committee and he confirmed that he possesses appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control, or other matters of the Group.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

The Audit Committee oversees the risk management and internal control systems of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Year Under Review, two meetings of the Audit Committee were held to discuss and consider the following matters:

- reviewed the annual results, auditor's report, internal audit report, auditors' remuneration, engagement conditions, independence and terms of reference of the Audit Committee of the Company and its subsidiaries for the year ended 31 December 2021; and

- reviewed the unaudited financial information of the Company and its subsidiaries for the six months ended 30 June 2022 and the risk management and internal control systems and external audit plan for the full year of 2022.

The attendance record of the Audit Committee members is set out in the table below:

Members of the Audit Committee	Attended/ Eligible to attend
Mr. Zhao Jianbo	2/2
Ms. Zhiu Li	2/2
Mr. Ying Luming	2/2

Pursuant to the code provision D.3.3 of the CG Code, the Audit Committee should meet with the Company's auditors at least twice a year. During the Year Under Review, the Company had met its auditors twice.

Remuneration Committee

The Remuneration Committee consists of three members, namely Ms. Zhou Li, independent non-executive Director, Mr. Yu Dingxin, executive Director and Mr. Zhao Jianbo, independent non-executive Director. Ms. Zhou Li is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2022 and up to the date of this annual report, one meeting was held by the Remuneration Committee to review the remuneration packages of the Directors and senior management for the year ended 31 December 2022.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Year Under Review, one meeting of the Remuneration Committee was held to discuss and consider the following matters:

- reviewed and discussed the performance of executive Directors and an analysis of bonus distribution and staff cost for the year ended 31 December 2021;

- reviewed remuneration policy, remuneration packages (including share option scheme) and structure of all Directors and senior management with reference to companies with comparable business or scale and propose adjustments if necessary; and

- reviewed the terms of reference of the Remuneration Committee.

The attendance record of the Remuneration Committee members is set out in the table below:

Members of the Remuneration Committee	Attended/ Eligible to attend
Mr. Yu Dingxin	1/1
Mr. Zhao Jianbo	1/1
Ms. Zhou Li	1/1
Mr. Zheng Cheng	1/1

Directors' Remuneration Policy

The remuneration of Directors comprises an annual directors' fee and may also be entitled to options under the rules of the share option scheme adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration Committee with reference to the respective Directors' qualifications, industry experience, position and performance, and the prevailing market conditions.

Nomination Committee

The Nomination Committee consists of four members, namely Mr. Yu Dingxin, executive Director, Mr. Zhao Jianbo, independent non-executive Director, Ms. Zhou Li, independent non-executive Director and Mr. Zheng Cheng, independent non-executive Director. Mr. Yu Dingxin is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy (as defined below in this report). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2022 and up to the date of this annual report, two meetings were held by the Nomination Committee to discharge duties, including assessing the independency of independent non-executive directors under the Listing Rules and reviewing the Board Diversity Policy (as defined below in this annual report) and terms of reference.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, experience, expertise, qualifications, skills and knowledge as well as independence of the Board.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives have been adopted:

(i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board current consists of one female Director. The Board aims to increase the ratio of female representation in the Board to no less than 20% by or before 2028.

All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board comprises eight members, including four executive Directors and four independent non-executive Directors. The Directors have a balanced mix of knowledge and experiences, including tourism management, business management, strategic development, administration and management, finance, auditing and accounting experiences. The Board members also obtained degrees in various majors including tourism management, economics and management, applied mathematics, art and auditing. Furthermore, the ages of the Directors range from 32 to 53 years old. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of the existing independent non-executive Directors of the Company is a female. The Company is also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of the corporate governance and will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

While the Company recognises that gender diversity at our Board level can be improved given one out of eight of our Directors is female, the Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole, and the Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the management levels. The Company will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with the board diversity policy. In particular, taking into account the business needs of the Group and changing circumstances from time to time that may affect the Group's business plans, the Company will actively identify female individuals suitably qualified to become the Board members and the Company aims to achieve a target of 20% female representation in the Board. To further ensure gender diversity of the Board in a long run, the Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become the Board members, which will be reviewed by our nomination committee quarterly in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board of the Company.

As at December 31, 2022, the gender ratio in the workforce (including senior management) is 48:52. The Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the section "Environmental, Social and Governance Report".

The Nomination Committee reviews the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and the Company will disclose the implementation of the board diversity policy in the corporate governance report on an annual basis. Currently, the Board reflects various genders, cultural and educational backgrounds, and professional development. The directors' average year of service is 3 years, therefore they have substantial knowledge of the Group. They have a broad range of individual attributes, interests and values, experiences and skills are balanced, therefore the Nomination Committee and the Board are of the view that the Board is diversified.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee (s) of the Company.

The Company has adopted a policy for nomination, pursuant to which, the Nomination Committee shall advise the Board on the appointment of any director in accordance with the following procedures and process:

1. When identifying or selecting suitable candidates, the Nomination Committee may seek any source of assistance as it sees fit, including referrals from existing directors, use of public advertisement or external consultancy services, and recommendations from the Shareholders of the Company.

2. The Nomination Committee shall conduct preliminary review over the qualifications and conditions of the candidates for directorship by convening Nomination Committee meeting before recommending suitable candidates for directorship to the Board. The Board shall have the right of final decision in all matters relating to the nomination of candidates for election at the general meeting.

3. The candidate nominated by the Board of Directors to stand for election at a general meeting and shall submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal information for the purpose of or in relation to their standing for election as a Director. The Nomination Committee may request the candidate to provide additional information and documents, if considered necessary.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to assume the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Board Independence Mechanism

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising at least one third of the of the independent non-executive Directors. The Audit Committee is chaired by an independent non-executive Director. The remuneration of independent non-executive Directors is subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board. The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

Dividend policy

The Company has adopted a dividend policy (the "**Dividend Policy**") which sets out the approach to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company does not have any pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of the shareholders in a shareholders' meeting.

The Directors may recommend a payment of dividends in the future after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Act. Historical dividend distributions are not indicative of the future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

Corporate Governance Functions

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

The Board's composition is in compliance with the requirements under Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board. The Board believes that the balance between executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

During the Year Under Review, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and its disclosure in this annual report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance of individual members of the Board and other Board committees meetings during the year ended 31 December 2022 is set out below:

	Number of Meetings Attended/Held			
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Executive Directors				
Mr. Yu Dingxin	4/4	–	1/1	2/2
Mr. Pan Wei	4/4	–	–	–
Mr. Xu Jiong	4/4	–	–	–
Mr. An Jiajin	4/4	–	–	–
Independent Non-executive Directors				
Mr. Zhao Jianbo	4/4	2/2	1/1	2/2
Ms. Zhou Li	4/4	2/2	1/1	2/2
Mr. Zheng Cheng	4/4	–	–	2/2
Mr. Ying Luming	4/4	2/2	–	–

The Company has adopted the practice of holding Board meetings regularly for at least four times in a period of 12 months at approximately quarterly intervals to discuss, among other matters, the financial performance and the business operation and strategic development of the Group. Ad-hoc meetings will also be held if necessary. Notice of Board meeting will be sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice will be given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers with complete and reliable information are sent to all the Directors in a timely manner before the meetings. All the Directors are provided with sufficient resources to discharge their duties and there are agreed procedures for the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances. All Directors will have the opportunity to include matters in the agenda for Board meetings. The Company Secretary is responsible for keeping the minutes of Board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. The Board notes that the chairman of the Board and the chairmen of, or in their absence, other members of the Audit Committee, Nomination Committee and Remuneration Committee of the Company should attend the annual general meeting to answer questions and collect views of shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation, monitoring and effectiveness of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following features and processes:

(a) The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification: Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment: Assesses the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response: Prioritises the risks by comparing the results of the risk assessment; and determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting: Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly. The specific work of risk management and internal audit is mainly carried out by the outsourced external professional firm which reports directly to the Audit Committee. The outsourced external professional firm has a high degree of independence, and is responsible for providing an evaluation on the effectiveness of the Company's risk management and internal control systems. The outsourced external professional firm focuses on significant risks to gradually form the systematic and standardized audit model and procedures, and examines key issues in relation to the key internal controls, and provide its findings and recommendations to the Audit Committee. The outsourced external professional firm shall study on the rectification measures and strictly monitor the implementation results of rectification measures jointly with the business and other relevant departments, in order to ensure that the rectification measures can be effectively and thoroughly implemented.

(b) The main features of the risk management and internal control systems are summarised as follows:

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; ensure that unauthorized access and use of inside information are strictly prohibited; and to provide reasonable assurance against material misstatement, loss or fraud.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless, the Company engaged an external professional firm to carry out internal audit functions. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. The Company reviews and reassesses its need for an internal audit function on an annual basis.

The Board has engaged an external professional firm as its risk management and internal control adviser (the "**Adviser**") to conduct an annual review of the risk management and internal control systems for the year ended 31 December 2022 to ensure the effectiveness and adequacy of the systems. Such review is conducted annually and cycles reviewed are under rotation basis. The Adviser has reported findings and areas for improvement to the Audit Committee and the Board. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group's risk management and internal control systems of the Company for the year ended 31 December 2022 were effective and adequate. The Board also satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

The Company has developed its information disclosure policy which provides guidelines and procedures to the Company's Directors, senior management and employees in evaluating and handling confidential information, monitoring information disclosure, handling market rumors, leakage of information and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Group has in place a restriction-to-access mechanism to ensure that inside information is restricted to authorised persons on a need-to-know basis in accordance with the nature of transactions.

The Company reviews and submits the internal control report to be prepared by external professional firm to the Board in relation to risk and control at least annually, detailing how risks have been reviewed, managed and internal controls been designed and implemented in accordance with the established risk and control frameworks, to keep our overall risk exposures within risk appetite and achieve our business objectives. The Board reviews the reasonableness of these reports and representations from management and makes sufficient enquiries whenever necessary, before reaching their conclusions. During the Year Under Review, the Board has conducted a review of the effectiveness of the Company's risk management and internal control systems with the application of the above review process, and considered our risk management and internal control systems effective and adequate in both design and operations.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules that inside information should be announced to the public as soon as reasonably practicable. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication;
- Before the relevant information is fully disclosed to the public, the Group should ensure that all inside information must be treated strictly confidential; and
- Disclosure must be made in a manner that provides the public with an equal, timely and effective access to the inside information disclosed, such as through the electronic publication system operated by the Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 69 to 72.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND OF REMUNERATION

Details of the remuneration of the Directors are set out in note 12 to the audited consolidated financial statements. Save as disclosed therein, the Company has 6 senior management members.

Pursuant to the CG Code, the remuneration of the senior management members of the Group by band for the Year Under Review is set out below:

Band of remuneration	**Number of person**
Nil to RMB500,000	6

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, McMillan Woods (Hong Kong) CPA Limited, in respect of audit services of the Group for the year ended 31 December 2022 amounted to RMB820,000.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and has appointed Mr. Yip Ngai Hang, Henry, as its company secretary. The biographical details of Mr. Yip are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Mr. Yip is not an employee of our Group and he is responsible for advisory to the Group on corporate governance matters. Mr. Yu Dingxin, executive Director of the Company and the chairman of the Board, is the primary contact of Mr. Yip at the Company. All Directors have access to the advice and services of Mr. Yip to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

Mr. Yip confirmed that he has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2022.

SHAREHOLDERS' RIGHTS

The Company engages with the shareholders of the Company (the "**Shareholders**") through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or a Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist (s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist (s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Companies Act or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene an extraordinary a general meeting following the procedures set out in the preceding paragraph. With written request sent to the Company by mail to the Company's principal place of business in Hong Kong at Room 02-03, 31st Floor, 118 Connaught Road West, Hong Kong.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Company by mail to the Company's principal place of business in Hong Kong at Room 02-03, 31st Floor, 118 Connaught Road West, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

Constitutional Documents

The memorandum of association and the articles of association of the Company have been amended and restated on 30 May 2022, and save as aforesaid, there had been no change in the memorandum of association and the Articles of Association during the Year Under Review. An up-to-date version of the Company's memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and nonselective disclosure of information, which will enable shareholders and investors to make the informed investment decisions. The annual general meeting ("**AGM**") provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board will attend the AGMs to answer Shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor independence. The Company considers its shareholder's communication policy is effective in light of the size, nature and complexity of the Group's business.

The Company has adopted a dividend policy pursuant to the CG Code.

OUR ESG MANAGEMENT APPROACH

Tu Yi Holding Company Limited and its subsidiaries (the "**Group**" or "**we**") have always been concerned with the development of the community and its stakeholders while striving for a return on investment for its shareholders in a balanced manner. We believe that, as a corporate citizen, we have responsibility to conduct business with sustainable development as one of our goals.

This Environmental, Social and Governance Report (the "**ESG Report**") summarises the environmental, social and governance ("**ESG**") initiatives, plans and performances of the Group, and demonstrates our commitment to sustainable development.

Corporate Social Responsibility ("CSR") Vision, Policy, and Strategy

The Group has embraced CSR with an aim to adopt the highest standards of corporate governance. The CSR function is intended to be incorporated into the business strategy and management approach of the Group.

The CSR Policy formulated by the Group describes a long-term approach to specific issues in four main cornerstones: Marketplace, Workplace, Community, and Environment, which are instrumental in carrying out our business operation in a sustainable manner. Each cornerstone comprises core principles and pragmatic objectives that provide guidance on practicing CSR in our daily operations.

Sustainable Operations Policy

With the vision of configuring the Group as a responsible corporation, we are here to commit to a long-term goal towards sustainability. The Group has been continuously implementing sustainable operations and protecting the environment in different ways to better the lives of people. Customer service, responsible tourism, employee rights and welfare, business ethics, and green supply chain are all being considered as our sustainability objectives.

The Group believes that sound ESG performance is important to the Group's sustainable business development and community. The Group is committed to improving on all environmental and social aspects and minimizing the impact of its activities on the environment.

Board Statement – ESG Governance Structure

The board of directors (the "**Board**") is pleased to present this ESG Report. The Group sincerely commits towards the long-term sustainability and strives to be a responsible corporation.

The Group has developed a core governance framework to ensure the alignment of ESG governance with our strategic growth while advocating the integration of ESG into our business operations. The structure of our CSR is divided into two main components, namely the Board and an ESG working group.

The Board holds the ultimate responsibility on monitoring the Group's ESG issues, including ESG management approach, strategy, and policies. In order to ameliorate the management of the Group's ESG performance and identify potential risks, the Board conducts regular materiality assessments with the assistance of the ESG working group to evaluate and prioritise material ESG-related issues with reference to the opinions of our stakeholders.

The ESG Working Group

The ESG working group, comprising of core members from different departments, is established to facilitate the Board's oversight of ESG matters. The ESG working group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG working group also arranges regular meetings to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions to improve the overall performance of ESG policies. At the meetings, the ESG working group discussed the existing and upcoming plans to monitor and manage the Group's strategic goals in terms of sustainable development, mitigation of potential risks, and minimization of the negative impacts in our business operations. By setting ESG-related goals and targets, the Group affirmed its commitment to embedding sustainability into the business operation and fulfilling its corporate responsibility. The ESG working group is responsible to report to the Board periodically, assist in assessing and identifying the Group's ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanism, and review the progress of the set goals and targets.

Scope of Reporting

This ESG report has covered all material aspects of the Group's business operations, which included the operations in the People's Republic of China (the "**PRC**") and Japan, namely, the Group's head office in Hangzhou and Shanghai, and our operations of self-owned Shuzenji Onsen Hotel Takitei (the "**Shizuoka Hotel**") and Hotel Comfact (the "**Tokyo Hotel**") in Japan.

The ESG Report describes the ESG activities, challenges and measures taken by the Group from 1 January 2022 to 31 December 2022 (the "**Year**", "**Reporting Period**") and the scope of which has been determined with reference to our assessment of materiality and due consideration to major stakeholders such as shareholders, customers, staff, guests, and suppliers.

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Principles

During the preparation for this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as the following:

"Materiality" – The materiality assessment detailed under the section headed "Stakeholder Engagement and Materiality Assessment" has ensured the ESG Report addresses the most material ESG topics pertaining to our businesses.

"Quantitative" – Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.

"Consistency" – The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

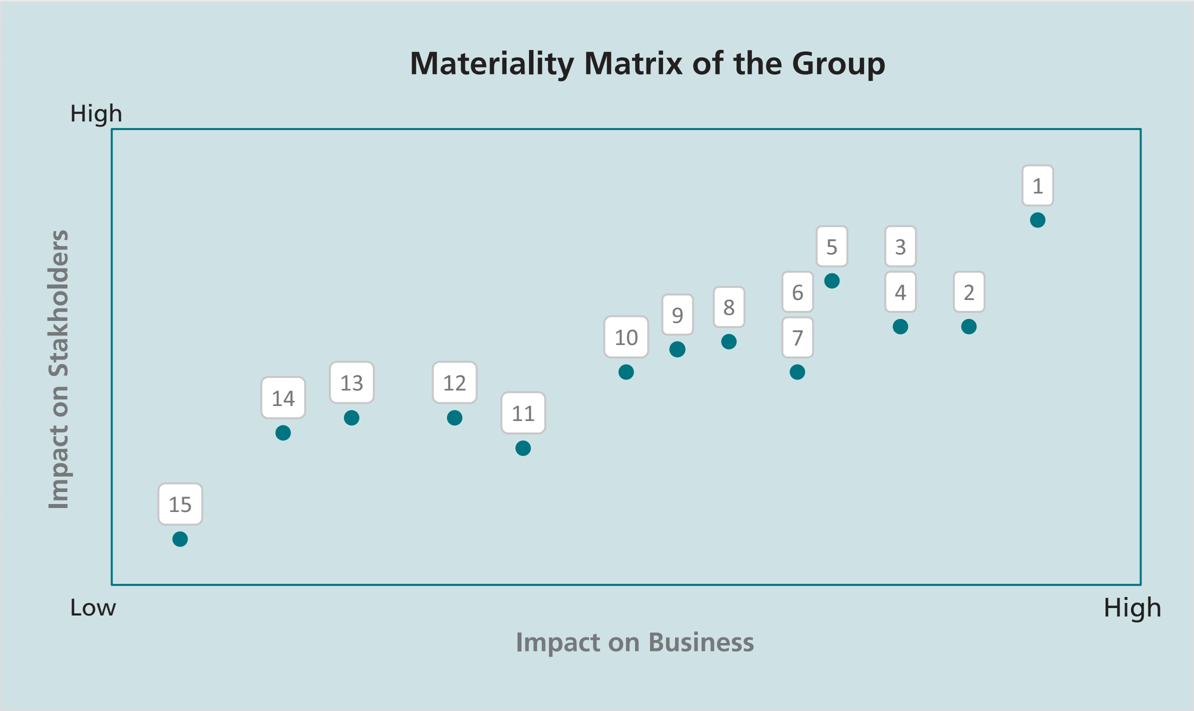
Stakeholder Engagement

The Group attaches great importance to multi-channel interaction with the stakeholders. The Group is committed to making proactive efforts to continuously interact with key stakeholder groups. The Group maintains its active engagement with stakeholders and collects their feedback through various communication channels illustrated below. The Group intends to further increase stakeholders' engagement via general meetings, corporate websites, and constructive dialogue, to understand and address their concerns.

Stakeholder	Key Concerns	Means of Communication
Shareholders and Investors	• Business performance • Corporate governance • Integrity and compliance	• Financial reports • General meetings • Press releases • Email newsletters • Official website
Employees	• Career development • Employee compensation and benefits • Occupational health and safety	• Performance appraisals • Meetings and training sessions • Internal mail communication
Customers	• Product or service quality control • Customer service • Customer benefits	• Customer service hotline • Email newsletters • Phone or instant messaging
Suppliers	• Fair and open competition • Responsible supply chain management • Win-win cooperation	• Qualification reviews • Field trips • Email newsletters
Government and Regulators	• Compliance with laws and regulations • Health and safety • Environmental protection	• Circulars • Email newsletters
Communities & Non-Governmental Organization ("**NGO**")	• Community involvement • Environmental awareness • Business ethics	• Open discussions • Email newsletters • ESG Report
Media and the Public	• Environmental protection • Community involvement • Open and transparent information	• ESG Report • Press releases • Social welfare activities

Materiality Assessment

Throughout the stakeholder engagement exercise, the Group has identified key ESG issues and assessed the importance of these issues to its business and stakeholders. It is the Group's policy to promote green operation, thereby gradually achieving the collaborated development of the Group, the environment, and the society. All material ESG issues, have been identified and illustrated in the matrix below. The Group will continue to monitor these major issues and their impact on its operations.



Material Topics	
1. Customer satisfaction	8. Product/service quality and safety
2. Responsible tourism	9. Occupational health and safety
3. Supply chain management	10. Employee rights and welfare
4. Employee training and development	11. Greenhouse gas emissions
5. Anti-corruption	12. Community investment
6. Protection of intellectual property rights	13. Energy consumption
7. Equal opportunities, diversity, and anti-discrimination	14. Waste management
	15. Water consumption

Feedback

The Group welcomes all feedback and opinions from its stakeholders. Feedbacks are cherished and incorporated in operation strategy wherever we see appropriate and consider as the cornerstone for development. The Group has its website where the comments and suggestions can be communicated to us directly.

ENVIRONMENTAL PROTECTION

The Group actively promotes policies such as energy saving, pollution prevention, emission reduction and environmental protection. These policies are carried out through our efforts in green management, utilization of green equipment and environmental awareness programs.

During the Year, the Group further promoted employee awareness on environmental protection. Specifically, we focused on carbon reduction, waste reduction, energy conservation, and water saving. Due to the impact brought by the COVID-19 pandemic on the tourism industry, the environmental data during the last few years might not be comparable across periods. Therefore, the Group will consider setting quantitative targets in the next financial year.

Emissions

The principal operations of the Group are (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of FIT Products; (iii) the provision of visa application processing service; (iv) the provision of other ancillary travel-related products and services; and (v) the operations of hotels, therefore our operations do not result in a significant amount of air pollutants. Despite that, the Group has continued to refine and improve its mitigation policies to reduce both its direct and indirect negative environmental impacts arising from its business operations.

During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Such relevant laws and regulations include but are not limited to the Environmental Protection Law of the People's Republic of China, Air Pollution Control Ordinance of Hong Kong, Waste Disposal Ordinance of Hong Kong, Noise Control Ordinance of Hong Kong, and Basic Environment Law of Japan.

Air Emissions

Due to the Group's business nature, only an immaterial amount of air emissions was generated from the use of company vehicles. Description of emission mitigation measures is provided in the following section – GHG Emissions.

GHG Emissions

Given the Group's principal operations, air emissions generated are primarily GHG emissions arising from its energy use and air transportation arising from tours escorts and package tours organised by the Group.

To reduce mobile fuel consumption and unnecessary consumption of mobile fuel by vehicles, the Group has taken initiative to ensure the vehicles are used for commercial purposes only. The use of public transport is encouraged among employees. Telephone conversation is also encouraged instead of meetings, as travelling may generate considerable amount of carbon.

To reduce GHG emissions, the Group is taking initiatives to efficiently use non-renewable resources, such as electricity and water, and further reduce the daily consumption by implementing a number of strategies, including the use of high-quality mobile fuel and the selection for eco-friendly vehicles in the future.

During the Year, GHG emissions significantly decreased comparing to that in 2021 due to the suspension of services at Shizuoka Hotel.

Summary of the Group's GHG emissions performance:

Indicator	**Unit**	2021	**2022**
Scope 1 – Direct GHG emissions			
• Petrol, natural gas, and kerosene consumption	tCO2e	30	**21**
Scope 2 – Indirect GHG emissions			
• Purchased electricity	tCO2e	158	**159**
Scope 3 – Other indirect GHG Emissions			
• Paper waste			
• Air travel	tCO2e	3	**2**
Total GHG emissions	tCO2e	191	**182**
Intensity	tCO2e/employee	2	**2**

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the latest released emission factors of China's regional power grid basis, and CO2 Emissions Intensity 2020 issued by Tokyo Electric Power Company Holdings, Inc..

2. tCO2e is defined as tonnes of carbon dioxide equivalent.

3. The number of employees as at 31 December 2021 and, 31 December 2022 are 77 and 75 respectively. The data is also used for calculating other intensity data.

Sewage Discharge

Due to the Group's business nature, the sewage discharge into land is insignificant. Similarly, there was no significant amount of sewage water discharged. Used water was discharged to the regional water treatment plant via the municipal sewage network.

Waste Management

Due to the Group's business nature, the operations did not generate a significant amount of hazardous waste during the Year.

Non-hazardous waste was created due to the daily operations of the hotels and the administrative offices and branches. Recycling was promoted in the Group under categories of plastic, paper, glasses, cans, and non-recyclable wastes. Printer or toner cartridges were also recycled on a regular basis by collaborating with our suppliers. Consistent reduction of potential impacts of its activities on the environment are encouraged. For instance, the Group promotes electronic communication using e-mail and electronic statements, where possible, with an aim to minimize wastes produced from its activities. The Group has also taken initiative to reduce the usage of plastic bags and encourage the use of eco-friendly bags.

Disclosure on non-hazardous waste disposal was introduced to improve transparency of data and to report in accordance with the ESG reporting guides. There is a significant increase in non-hazardous waste generated in the Year due to the opening of the Tokyo Hotel.

Summary of major non-hazardous waste discharge performance:

Indicator	**Unit**	2021	**2022**
Food waste	kg	676	**6,322**
Hotel domestic waste	kg	201	**3,012**
General office waste	kg	138	**1,903**
Total non-hazardous waste	kg	1,015	**11,237**
Intensity	kg/employee	13	**150**

Use of Resources

The Group recognizes its responsibility to take initiative in efficiently utilizing finite resources and carry out its corporate social responsibility for the purpose of introducing eco-friendly approaches to enhance the Group's sustainability performance.

Energy Management

The major resources used by the Group during the Year include electricity, fuel used in the vehicles, natural gas used for hotel catering, and kerosene used for hotel facility.

Our energy saving objective is promoted throughout our hotels and the office premises. Our environment awareness program is conducted through education and encouragement of energy-saving behaviour of our employees, including posting green messages in the workplace to remind employees to use electricity and water effectively.

In addition, the Group has adopted the following measures to conserve energy:

- Installation of light sensors to reduce electricity consumption; and
- Gradual replacement of halogen lamps with energy-saving light emitting diode lightbulbs.

During the Year, energy consumption generated by the use of kerosene decreased significantly due to suspension of operations at the Shizuoka Hotel as a result of the COVID-19 pandemic.

Summary of energy consumption performance:

Types of Energy	**Unit**	2021	**2022**
Direct energy consumption	MWh	123	**84**
• Petrol	MWh	28	**27**
• Natural gas	MWh	8	**11**
• Kerosene	MWh	87	**46**
Indirect energy consumption	MWh	308	**306**
• Electricity	MWh	308	**306**
Total energy consumption	MWh	431	**390**
Intensity	MWh/employee	5.60	**5.20**

Water Management

The Group is aware of the use of water resources throughout our business operations, and the improvement of efficiency on water usage is of paramount importance to us. Several practices have been adopted by the Group to manage the water resource, such as:

- Repair any dripping taps promptly,
- Send reminders and notices to remind employees of water saving tips; and
- Display posters to encourage the conservation of water.

Municipal water is supplied to the office premises and hotels via the local water supply department. Hence, the Group does not have any concern in sourcing water that is fit for such purpose. During the Year, water consumption significantly increased due to the opening of the Tokyo Hotel.

Summary of water consumption performance:

Indicators	Unit	2021	2022
Water consumption	m^3	2,583	**3,620**
Water consumption intensity	m^3/employee	34	**48**

Use of Packaging Materials

Packaging materials are used for protection of goods being sold by our online duty-free shop, Direct Courier from Shop Manager, during shipment to customers. The Group targets to use packaging material as they are needed without excessive packaging. During the year, the use of carton boxes reduced considerably because of a decline in sales of our online duty-free shop, along with our effort to reduce packaging material consumption.

Summary of packaging materials consumption performance:

Categories of Packaging Materials	Unit	2021	2022
Carton boxes	kg	11,801	**5,822**
Bubble wrap & plastics	kg	1,842	**1,461**
Total	kg	13,643	**7,283**

The Environment and Natural Resources

The Group is committed to alleviating any negative impacts that the Group's business operations may have on the environment. Due to the nature of business, the Group does not discharge any harmful materials that significantly impact the nature. The Group, however, continues to be vigilant to the potential environmental risks arising from its business operations.

Working Environment

The Group is committed to provide employees with a comfortable and green working environment by maintaining good air quality. The poor ventilation and air quality may be caused by photocopiers and stale air and hazardous substances drawn in from outside through poorly located fresh air inlets. In order to improve the indoor air quality, a range of air pollution mitigation measures have been implemented by the Group:

- Ensure air inlets are away from any source of pollutants with sufficient ventilation systems;
- Clean all air units regularly (e.g. air inlets, air outlets and filters); and
- Perform regular maintenance on carpet and furniture upholstery.

Climate Change

Climate Change Mitigation and Adaptation

The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential impact of climate change on our business and operations. In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures ("**TCFD**"), there are two major categories of climate-related risks, physical and transition risks. The Group has established Risk Management Policy in identifying and mitigating climate-related risks.

Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rainfalls, and extreme cold or heat bring acute and chronic physical risks to the Group's business. The Group's capacity and productivity will be reduced under extreme weather events as the safety of our employees is threatened and the operational sites might be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to direct negative impact on the Group's revenue.

To minimise the potential risks and hazards, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions such as typhoon and black rainstorm. The Group will explore emergency plan to further reduce the vulnerability of our installations to extreme weather events in order to enhance business stability.

Transition Risks

To achieve the global vision on carbon neutrality, the Group expects evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies and listing rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including GHG reduction measures and will set targets to gradually reduce the Group's energy consumption and GHG emissions in the future.

EMPLOYMENT AND LABOUR PRACTICES

Employment

Employees are valuable assets of the Group as they provide substantial support for attaining our goals on financial performance and sustainability. To retain talents in the Group, the management has taken initiatives to maintain an unbiased and dynamic working environment which is helpful in maintaining a positive atmosphere and employee diversity. The organization also provides a ladder for career development, proper compensation, and promotional benefits, care for both mental and physical health and mutual respect of the employees with the aim of discovering employees' potential talent, boosting performance and taking care of their wellness.

The Group respects employee diversity and values the outstanding performance of employee towards different tasks. A competitive compensation system and prospective career path and training are offered.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention, Control of Occupational Diseases and the Social Insurance Law of the People's Republic of China, Employment Ordinance of Hong Kong, Minimum Wage Ordinance of Hong Kong, Labour Standards Act of Japan, the Industrial Safety and Health Act of Japan, and the Labour Contract Act of Japan.

As of 31 December 2022, the Group had a total number of 75 (2021: 77) employees, the breakdown is as follows:

	2021	**2022**
Total number of employees	77	**75**
BY GENDER		
Male	37	**35**
Female	40	**40**
BY AGE GROUP		
Below 30 years old	13	**8**
30-50 years old	51	**55**
Above 50 years old	13	**12**
BY GEOGRAPHICAL REGION		
PRC	69	**62**
Japan	8	**13**
BY EMPLOYMENT TYPE		
Full-time	75	**69**
Part-time	2	**6**

During the Year, the Group recorded a turnover rate of approximately 3%. This is an impressive improvement from the previous year due to talent retention and a more stable workforce in Japan with opening of the Tokyo Hotel. The table below shows the employee turnover rate by gender, age group and geographical region:

	2021	**2022**
BY GENDER		
Male	46%	**6%**
Female	40%	**0%**
BY AGE GROUP		
Below 30 years old	26%	**48%**
30-50 years old	33%	**0%**
Above 50 years old	87%	**8%**
BY GEOGRAPHICAL REGION		
PRC	16%	**11%**
Japan	135%	**0%**

Note: Due to a small base of employees in the below 30 years old category, the turnover rate of this age group may appear volatile. The Group was not aware of abnormal trend in turnover during the Year.

Talent Attraction and Retention

The Group recruits based on the competency of the candidates. Specifically, it evaluates candidates using perimeters such as academic qualifications, skills, professionalism, conduct, among other factors. These factors ensure that the right talent is hired and becomes part of the Group. The company also aims at becoming a discrimination-free and diversified workplace, so equal opportunities are open to all. The Group follows the policy of zero discrimination in the workplace and bears no tolerance to any type of discrimination such as gender, religion, marital status, and race.

Promotion and advancement will be made based on merits and in line with the Recruitment and Selection Policy documented in the Employee Handbook. The Group conducts annual performance and salary review regularly to determine any salary adjustments and/or promotion opportunities. Written and verbal performance evaluations will be given to all employees at least once a year, such evaluations are intended to give recognition to the hard work of the employees and provide any comments for improvement. Unreasonable dismissal under any circumstances is prohibited. A detailed list of major offences regarded as justifiable reasons for immediate dismissal can be found in the Employee Handbook.

The compensation benefits are provided by the Group after giving due consideration to the needs of the employees and market practice. We offer competitive compensation packages. Remuneration and benefits are comprised of basic salary, incentive payment for outstanding performance, bonus, commission, and other benefits where applicable. The paid leaves consist of annual leaves and public holidays. Furthermore, employees are entitled to marriage leaves, sick leaves, and maternity leaves. Promotions and salary increments are used as motivational tools along with non-monetary incentives such as internal recognition and verbal encouragement of exceptional performance. The benefits package mentioned above has been stated in the Employee Handbook.

The Group pays due importance to both the mental and physical health of employees. Gatherings and events, where family members are also invited to join, are organized on a regular basis to provide a relaxing environment, maintain work-life balance, and strengthen family ties. To enhance the sense of belongingness within the Group, a wide range of activities are organized among employees, such as annual outings or dinners. These activities increase morale and communication among employees.

Equal opportunities

Equal opportunities are provided to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Therefore, employees are protected from discrimination or deprivation of opportunities. Discrimination based on gender, ethnic background, religion, race, sexual orientation, age, marital status, family status, retirement, disability, pregnancy, among other types of discrimination, are prohibited. The Group also appreciates the cultural diversity of employees in a wide range of backgrounds, ages, genders, and ethnicities. In particular, the Group adopted a Board Diversity function to include members with different skills, industry knowledge and experience, education, background, and other qualities without discrimination.

Health and Safety

The Group places a high priority on employee health and safety. We have adopted procedures that are in line with the safety measures used by inns and hotels of Japan. In all of our subsidiaries, a comprehensive approach is adopted to ensure the safety of our employees and maintain a high occupational health standard. Awareness of safety measures is promoted and stressed among employees on a regular basis, along with the establishment of stringent safety procedures in event of accidents and emergencies, in order to avoid injuries or other hazards to health and safety.

Training sessions are conducted to ensure safety and occupational health. The training sessions include emergency handling procedures and practices to ensure safety standards. Fire drills, maintenance of the air conditioner, treatment of the carpets, and inspections of the safety standards, are carried out on a regular basis. Sufficient amount of first aid boxes are placed in the premises to handle unforeseen circumstances. The workplace is being kept as a non-toxic and smoke-free zone, to guarantee a safe and pleasant working environment for our employees. To ensure effective implementation of the safety standards and procedures, regular inspection is conducted in the workplace along with audit and reviews. The aim is to create an accident-free working environment.

During the Year, the Group has achieved zero work-related fatalities for three consecutive years (including this Year), thus zero lost days due to work injury. Moreover, the Group was not aware of any material non-compliance with the health and safety-related laws and regulations in Mainland China, Hong Kong and Japan that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, Labour Law of the People's Republic of China, Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong), Industrial Safety and Health Law of Japan, and the Inns and Hotels Act of Japan.

Development and Training

Professional development is facilitated by the training sessions offered by the Group. These training sessions provide a complete understanding of the Group's business philosophy as well as the requirements for different roles and positions. Since the hotel and travel industries are principally engaged in the provision of services, and are therefore highly dependent on the quality of its people, standardized training is provided to the sales representatives, office staff, tour escorts, and other employees. Customer expectations are also communicated to employees during training sessions, so as to enhance the overall level of customer service.

The Group provides comprehensive training and a clear path on career development to motivate continuous improvement and advancement of employees. This does not only result in better business performance but also higher employee morale.

To optimize the training and development process among employees, internal knowledge sharing is encouraged to share knowledge, skills, good working behaviours, and other information required for the business operations. Schedule for annual training is formulated at the beginning of every year to cover core areas of professional knowledge.

During the Year, the Group has 100% of employees trained and achieved a total training time of 1,014 hours (2021: 1,131 hours). The table below shows the employee training data by gender and employee category:

	2021		**2022**	
	Percentage of Employees Trained (%)	Average Training Hours (hours)	**Percentage of Employees Trained (%)**	**Average Training Hours (hours)**
BY GENDER				
Male	47%	14.41	**100%**	**13.74**
Female	53%	14.95	**100%**	**13.33**
BY EMPLOYEE CATEGORY				
Senior management	9%	13.00	**100%**	**13.00**
Middle-level management	11%	13.00	**100%**	**13.00**
Technical employees	2%	13.00	**100%**	**13.00**
General employees	78%	15.24	**100%**	**13.71**

Labour Standards

The Group strictly prohibits the recruitment of children and forced labour as prescribed by laws and regulations. The Group lists specific requirements on the advertisement to hire the most suitable candidate. All resumes, original identification cards, original certificates are checked by the HR department during the interview. The Group may contact the candidate's preceded employer for a reference check.

The Group has no tolerance for the use of forced labour or child labour in its business operations. The Group enters into an employment contract with each of its employees in accordance with the relevant laws and regulations. If the use of forced labour or child labour is discovered, the Group will terminate the employment contract and investigate if further action is needed.

During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations in in Mainland China, Hong Kong and Japan that would have a significant impact on the Group. The relevant laws and regulations include but are not limited to the Provisions on the Prohibition of Using Child Labour and Labour, Law of the People's Republic of China, Employment Ordinance of Hong Kong, and Labour Standards Act of Japan.

OPERATIONAL PRACTICES

Supply Chain Management

The supplier selection procedure is carried out by evaluation of the suppliers' license, service quality, qualifications, experience, service, management, logistics, and reputation in the market. To ensure the quality of our suppliers, quality assessment is conducted on an annual basis. Environmental and social risks of suppliers are examined and consideration is given to their ESG performance. Another consideration undertaken in the selection of a supplier is their contribution towards the community and their charitable initiatives.

Commitments with suppliers are made based on integrity, and no corruption bribery, or any other illegal activities are tolerated. The contract with suppliers clearly states each parties' rights and obligations.

Health and hygiene awareness are maintained with hotel operators, airline operators, ticketing agents, and land operators in Japan and destination countries when providing a range of hospitality products to customers. Spot check of the sanitary products, consumables, as well as other food and beverages delivered to our hotels is done along with the supplier's approved process to ensure that they meet specified standards.

Green Procurement

To fulfil the aim of environmental sustainability in supply chain management, procurement of eco-friendly products is given priority where possible and economically viable. The Group has been closely working with our suppliers to strengthen our sustainability portfolio and minimize risks throughout the supply chain. Collectively, we aim to promote sustainable and responsible operational standards. In this regard, the Group formulated a series of sustainable procurement policies. The Group prefers local suppliers whenever possible to reduce carbon emissions from transportation and to support the local economy. During the Year, the Group worked with 181 suppliers, 102 of which were in PRC and 79 of which were in Japan.

Purchase of Food Materials

The Group takes into consideration all legal requirements concerning the labelling of nutritional content and inclusion of warning phrases regarding food allergies for certain food products. Compliance procedures are in place to ensure adherence to applicable laws, rules, and regulations, which have a significant impact on the Group such as The Food Sanitation Act of Japan. During the Year, no material breach has been found and our food quality is maintained with compliance to laws and regulations.

Service Responsibility

The Group believes that quality service and products are the keys to the success of the Group. The Group has received several awards because of our commitment to providing quality service and products to our customers for over a decade. For instance, Fliggy (飛豬旅行), an online travel platform launched by the Alibaba Group, previously known as Taobao Travel (淘寶旅行) and Ali Travel (阿里旅行), has granted us "The Single's Day Popular Award (雙11人氣大獎)" in 2017. We also received the award of "Outstanding Travel Agency" from Japan Airlines for 2016 and 2017, respectively, and the "Best Sales Award" from All Nippon Airways in 2017 and 2018. In 2019, we were granted the awards of "Top 5 Quality Wholesaler (5大品質批發商)" and "Top 5 Quality Wholesaler/Japan (日本線5大品質批發商)" by guojialvye.com (國家旅業).

During the Year, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Trade Descriptions Ordinance of Hong Kong, Personal Data (Privacy) Ordinance of Hong Kong, the Act against Unjustifiable Premiums and Misleading Representations of Japan, and the Outdoor Advertisement Act of Japan, concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress.

Customer Information and Data Protection

Privacy protection is strictly enforced by the Group regarding the personal data of employees and customers. The laws and regulations are followed in line with the standards determined by the Personal Data (Privacy) Ordinance, General Data Protection Regulations, and the Act on the Protection of Personal Information of Japan. The information gathered during business development and customer relationship management is kept in records for the respective purpose only. Customers' agreement is obtained prior to any direct messaging. Only designated staff has access to the personal data of the customers, which is not shared with external parties. During the Year, no complaint related to the security of customer information and data has been received.

Protection of Intellectual Property Rights

Our brand "途益 Tuyi", based in Zhejiang Province of the PRC and has become a well-established brand in the field of outbound travel products and services. We have portrayed our distinctive image in the minds of customers through our outstanding performance for more than ten years. The brand has been presented as a one-stop destination for all types of travel services.

Advertising and Labelling

The Group adheres to the guidelines which are stated in the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Act against Unjustifiable Premiums and Misleading Representations of Japan, and the Outdoor Advertisement Act of Japan.

Anti-corruption

Business ethics and integrity are heavily emphasized within the organisation. The Group ensures that employees comprehend laws and regulations stated in the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China, and the Interim Provisions on Prohibition of Commercial Bribery. The Group maintains an Employee Handbook that highlights the expected ethical behaviour and integrity from the employees. The Employee Handbook establishes formal guidelines that clearly forbid the receipts of any benefits and interests from any business-related parties. Employees are required to report their conflict of interest to the Group. Employee integrity and moral ethics are maintained through continuous training.

The sincere efforts made by the Group not only ensure continuous and balanced growth, but also uphold the rectitude and faithfulness of our business. Incorporation of anti-corruption and anti-money laundering policies serves to guarantee probity and trustworthiness. The Group maintains its own anti-fraud and whistle blowing policies. Such policies include well-defined methods that facilitate the discovery and prohibition of illegal behaviours.

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering. The relevant laws and regulations include, but are not limited to, the Anti-Unfair Competition Law of the People's Republic of China, Criminal Law of the People's Republic of China, Interim Provisions on Prohibition of Commercial Bribery, Prevention of Bribery Ordinance of Hong Kong, Unfair Competition Prevention Act (Act No 47 of 1993) of Japan, and Penal Code (Act No 45 of 1907) of Japan. During the Year, there was no concluded legal cases regarding corrupt practices brought against the Group or its employees.

Anti-corruption Training

Trainings related to anti-corruption are rendered to our management and employees to boost their awareness on the prevention of any kind of unethical behaviour such as bribery, extortion, fraud and money laundering. The Group has organised anti-corruption training for its employees and its directors during the Year.

Whistle-blowing Mechanism

Two-way communication between employees and the management is highly encouraged as it increases mutual trust and the creation of new ideas. Any work-related complaints and issues communicated through emails or written records are kept confidential. To identify and handle violations at an early stage, the Group has set up an internal whistleblowing system, where employees can report any misconduct or reasonably suspected corruption to relevant departments of the Group through the internal whistleblowing system. All reported cases will be handled confidentially to protect the identity of the whistle blowers and their privacy. Their rights will be protected and they will not be subjected to unfair dismissal or unreasonable disciplinary action even if their reports are subsequently proved to be unsubstantiated.

COMMUNITY

Community Investment

The Group takes initiative to make continuous contribution in building a caring society and achieve our CSR goals. The awareness is cultivated among the employees and further encouraged at all levels of the Group. The Group actively engages in the contribution to neighbouring communities, and nurtures young talents through internship programs.

The Group will formulate the community investment policy with strategies that link with local concerns and leverage on the Group's business competency and resources for supporting our communities. Apart from these, the Group also aims to continue to encourage employee participation in various voluntary and charitable activities to express our care about the underprivileged groups in the community. This will enable us to take up our corporate responsibilities and create benefits to the society.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2022 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller products (the "**FIT Products**"); (iii) the provision of visa application processing service; (iv) duty-free shop business and (v) hotel operation.

BUSINESS REVIEW

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" in this annual report. This discussion forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

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 (collectively, the "**Operating Entities**")（杭州谷歌旅行社有限公司）. Pursuant to the relevant provisions of the Regulations on Travel Agencies (Revision 2017 and Revision 2020)《旅行社條例》) promulgated by the State Council of the PRC, the Group's Outbound Travel Business is prohibited from foreign ownership. Accordingly, the Group cannot acquire equity interest in our Operating Entities, which hold, or in the course of application for, Travel Agency Business License（旅行社業務經營許可證）with the scope to conduct outbound travel business for the operation of our Outbound Travel Business. As a result the Group conducts all its operations in the PRC and exerts management control over the operations of and enjoy the economic benefits derived from the Operating Entities through entering into the contractual arrangements (the "**Contractual Arrangements**") with the Operating Entities. Please refer to the section headed "Contractual Arrangements" in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**") and this annual report for further details.

The Board pays attention to the Group's policies and practices on compliance with all significant legal and regulatory requirements essential to is business operations. The Group would seek professional advice from its external legal advisers and consultants to ensure transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations. During the Year Under Review, as far as the Company is aware, it has complied in all material respects of the laws or regulations that have a significant impact on the Group's business and operation.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimizing the adverse effects caused by its operations on the environment. The Group continues to make endeavors in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using of energy-efficient light tubes, encouraging use of recycle papers and both sides of papers for printing and copying and keeping office temperature at reasonable level. The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business. A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules is set out on pages 30 to 47 of this annual report.

KEY RELATIONSHIPS WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group has developed a desirable working environment and provided a variety of benefits and career development to its employees. Share Options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group also recognizes that maintaining a good and stable relationship with its existing and potential customers, suppliers and other stakeholders are the keys to the sustainable development of the Group. Accordingly, the management has kept good communication with its suppliers and customers in order to monitor the credit quality of the customers and to make timely adjustments to its operating strategies to conform to the market trends. In addition, the Group places effort to build up and maintain good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive nature and require on-going funding to maintain continuous growth.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2022 and the Group's financial position at that date are set out in the consolidated financial statements on pages 73 to 157 of this annual report.

The Board did not declare the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 158 of this annual report. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year Under Review.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year Under Review are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 34 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the Year Under Review are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report. Loss attributable to equity shareholders, of approximately RMB18,462,000 (2021: RMB40,590,000) have been transferred to reserves. As at 31 December 2022, the Company's reserves available for distribution to shareholders consisted of share premium amounted to approximately RMB91.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, sales to the Group's five largest customers accounted for approximately 22% of the total sales for the year and sales to the largest customer included therein amounted to approximately 8%. Purchases from the Group's five largest suppliers accounted for 28% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 13%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

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

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

In accordance with the Articles of Association, Mr. Xu Jiong, Mr. An Jiajn and Mr. Zhao Jianbo will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors. As at the date of this report, they are considered to be independent.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its controlling shareholders was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the independent non-executive Directors has entered into a service contract/letter of appointment with the Company for a fixed term of three years which is subject to termination by either party giving not less than three months' written notice.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY PROVISION

During the Year, the Company has purchased liability insurance for all directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are provided in such directors liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no Director, controlling shareholders of the Company nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

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

As at 31 December 2022, 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 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 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	70.2312%
Mr. Pan Wei (2)	Interest in controlled corporation	702,312,000	70.2312%
Mr. Xu Jiong (3)	Interest in controlled corporation	702,312,000	70.2312%

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 31 December 2022, 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 Year Under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company 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 a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

So far as the Directors are aware, as at 31 December 2022, the following persons (not being Directors or chief executive of the Company) 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	41.8725%
David Xu Co., Ltd (1)	Beneficial owner	50,025,000	5.0025%
King Pan Co., Ltd (2)	Beneficial owner	121,062,000	12.1062%
Jeffery Xu Co., Ltd (3)	Beneficial owner	112,500,000	11.2500%

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 31 December 2022, the Company had not been notified by any persons (other than Directors or chief executives 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

Summary of terms

The Company has a share option scheme (the "**Share Option Scheme**") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 1 March 2019. The Share Option Scheme enables the Company to grant options to the Directors, the directors of the Group's subsidiaries and employees of any member of the Group and any other persons (including consultants or advisers) (the "**Eligible Persons**") as incentives or rewards for their contributions to the Group. The Board, at its absolution discretion and subject to the terms of the Scheme, shall be entitled, at any time within ten years commencing from the date the Share Option Scheme was adopted, to make an offer for the grant of an option to any Eligible Persons.

Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the board may approve from time to time

Maximum number of Shares

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

At the time of adoption by the Company of the Share Option Scheme or any new share option scheme the ("**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of the Company must not in aggregate exceed 10% of the Shares in issue from the date of listing of the Shares on the Stock Exchange (the "**Scheme Mandate Limit**"). For the purposes of calculating the Scheme Mandate Limit, shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

The Scheme Mandate Limit may be refreshed subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

As at the beginning of the period and the end of the period and the date of this report, the total number of shares available for issue under the Share Option Scheme is 100,000,000 shares, representing 10% of the issued share capital of the Company as at the date of this report. The maximum number of shares that may be granted by the Company to any one Eligible Participant shall not exceed 1% of the issued share capital of the Company from time to time.

Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person and shall be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option (the "**Offer Date**"), which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer to grant option; and (iii) the nominal value of the share of the Company. A consideration of HK$1.00 is payable on acceptance of the offer of an option or options.

Time of exercise of option

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impositions, conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The date of grant of any particular option is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Share Option Scheme. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by giving notice in writing to the Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

During the Reporting Period, no share option was granted, exercised, expired, cancelled or lapsed and there was no outstanding share option under the Share Option Scheme. Accordingly, the number of Shares that may be issued in respect of options granted under the Share Option Scheme of the Company during the Reporting Period divided by the weighted average number of Shares in issue is nil.

The remaining life of the Share Option Scheme is six years and two months.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands being the jurisdiction in which the Company is incorporated, under which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

During the Year, save for the Share Option Scheme, the Company did not enter into any equity-linked agreements in respect of the shares of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries with all the Directors by the Company, that they have complied with the required standard set out in the Model Code during the Year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, the controlling shareholders of the Company (the "**Controlling Shareholders**") entered into a deed of non-competition in favour of the Company on 1 March 2019 (for itself and as trustee for its subsidiaries) (the "**Deed of Non-Competition**"). Each of the Controlling Shareholders confirmed to the Company that they have compiled with the Deed of Non-Competition during the period from the Listing Date to 31 December 2022.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, subject to certain exceptions, during the period that the Deed of Non-Competition remain effective, each of the Controlling Shareholders shall not, and shall procure that their associates (other than any members of the Group) not to, directly or indirectly, carry on, participate in, be engaged, be interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

The independent non-executive Directors of the Company have reviewed the declaration made by the Controlling Shareholders regarding the compliance of the Deed of Non-Competition and the status of compliance, and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced by the controlling shareholders during the Year.

COMPETING INTERESTS

During the Year, so far as the Directors are aware, none of the Directors, Controlling Shareholders and substantial shareholders of the Company, and their respective close associates (as defined under the Listing Rules) had held any position or had interest in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held by the Company, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year. As at 31 December 2022, the Group had no future plan for any material investments or acquisitions or disposals of capital assets.

CONNECTED TRANSACTIONS

As disclosed in the section headed "Contractual Arrangements" of this report, the Group is primarily engaged in the provision of Outbound Travel Business through the Operating Entities. Pursuant to the Relevant Provisions of the PRC, the Group's Outbound Travel Business is prohibited from foreign ownership. Accordingly, the Group cannot acquire equity interest in the Operating Entities, which hold, or in the course of application for, the travel license with the scope to conduct outbound travel business for the operation of the 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 with the Operating Entities.

The independent non-executive Directors of the Company have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the continuing connected transactions (the "**Continuing Connected Transactions**") set out above and confirmed that these Continuing Connected Transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Moreover, our independent non-executive Directors have reviewed the Contractual Arrangement and confirmed that: (i) the transactions carried out during the Year Under Review have been entered into in accordance with the relevant provisions of the Contractual Arrangement so that the revenue generated by the Operating Entities have been mainly retained by our Group; and (ii) no dividends or other distributions have been made by the Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

McMillan Woods (Hong Kong) CPA Limited, the Company's auditor, was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. After performing the procedure related to Continuing Connected Transactions, McMillan Woods (Hong Kong) CPA Limited confirmed that:

Based on the foregoing, in respect of the Continuing Connected Transactions:

a. nothing has come to our attention that causes us to believe that the Continuing Connected Transactions have not been approved by the Company's board of directors;

b. nothing has come to our attention that causes us to believe that the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the Structured Contracts comprising the Contractual Arrangements (both defined in the Prospectus) governing such transactions; and

c. with respect to the transactions carried out pursuant to the Structured Contracts, nothing has come to our attention that causes us to believe that dividends or other distributions have been made by the Operating Entities (as defined in the Prospectus) to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group by virtue of the Contractual Arrangements.

McMillan Woods (Hong Kong) CPA Limited have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

Tuyi Group is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in travel business. It was established as a limited liability company in the PRC on 29 April 2008.

Guge Travel is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in travel business. It was established as a limited liability company in the PRC on 23 April 2010.

Summary of the major terms of the Contractual Arrangements

With respect to each of the Contractual Arrangements, the WFOE, Tuyi Group and the Relevant Shareholders and their spouse (where applicable) have entered into a set of the following underlying agreements:

(i) the Exclusive Business Cooperation and Service Agreement (獨家業務合作與服務協議);

(ii) the Exclusive Option Agreement (獨家購買權協議);

(iii) the Equity Interest Pledge Agreement (股權質押協議); and

(iv) the Shareholders' Rights Entrustment Agreement (股東表決權委託協議).

A brief description of the major terms of the underlying agreements are set out below:

(i) Exclusive Business Cooperation and Service Agreement

WFOE entered into the Exclusive Business Cooperation and Service Agreement with Tuyi Group on 21 May 2018, pursuant to which Tuyi Group agreed to engage WFOE as its exclusive provider of technical and management consulting and other related services requested by the Operating Entities from time to time to the extent permitted under PRC laws in exchange for service fees.

The consultation and services provided by WFOE include:

– designing, developing, updating and maintaining travel-related software used on computers and mobile devices, webpages and websites required for travel-related businesses and the management information system required for travel-related businesses, and providing other technological support required for its travel business or travel peripheral services;

– assisting the Operating Entities to formulate employees' training and development plans, conducting pre-job training, management training and technical trainings for its staff to enhance the service standard of its staff and management personnel, engaging relevant technical personnel to provide on-site technical guidance for Operating Entities;

– assisting the Operating Entities to conduct relevant information collection and research, providing the Operating Entities with marketing plans and implementation services, travel business related technical services and consulting services (including but not limited to providing feasibility studies, technical predictions, special technical surveys and analysis reports);

– providing travel products designing service and providing travel route design service;

– providing support and services for recruitment and/or training of tour guides, land operators and other staff;

– providing travel products promotion services and support, including but not limited to planning travel products positioning, identifying customer groups and assisting the Operating Entities to establish an integrated online and offline modern marketing network;

– formulating corporate management system and financial management system, advising and optimising financial budgets;

– formulating regional, national and global tourism market development plans for the Operating Entities;

– assisting in the establishment of a sound business process management and providing the Operating Entities with management and consultation services in daily operations, finance, investment, assets, credits and debts, human resources and internal informatisation, and other management and consultation services;

– assisting the Operating Entities to find suitable financing channels for their operation funding needs;

– assisting the Operating Entities in the formulating supplier, customer and partner relationships maintenance plans and assisting in the maintenance of such relationships; and

– other services that are negotiated and determined from time to time based on actual business needs and the ability to provide services.

According to the Exclusive Business Cooperation and Service Agreement, Tuyi Group shall pay service fees to WFOE on an annual basis as calculated by WFOE and Tuyi Group based on the respective financial conditions of WFOE and the Operating Entities. In the premises of compliance with the PRC laws and regulations, the service fees are equal to the profits of the Operating Entities after deducting losses in previous years, necessary operating costs, expenses and taxes. The services fees are subject to WFOE's adjustment taking into account the actual situations of provision of services and the Operating Entities' operating status and development needs.

The Exclusive Business Cooperation and Service Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period until (a) acquisition by WFOE of the entire equity interests or assets of the Operating Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by WFOE by giving 30-day prior notice to Tuyi Group.

(ii) Exclusive Option Agreement

Tuyi Group and the Relevant Shareholders entered into the Exclusive Option Agreement with WFOE on 21 May 2018, pursuant to which the Relevant Shareholders irrevocably, exclusively and unconditionally grant exclusive options to WFOE which entitles WFOE to elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests or assets (as the case may be) of Tuyi Group from the Relevant Shareholders or Tuyi Group (as the case may be) by itself or through its appointee (s) for a nominal consideration of RMB1 or the lowest value permitted by the then applicable PRC laws. WFOE or its appointee (s) shall have the right to purchase all or part of equity interests in or assets of the Operating Entities as it decides at any time.

Pursuant to the Exclusive Option Agreement, unless in the ordinary and usual course of business or with the prior consent of WFOE (where applicable), Tuyi Group has undertaken to WFOE not to, and to procure its subsidiaries not to, among others:

– sell, transfer, pledge or otherwise deal with any assets, business or revenue or allow to impose any security interest on its assets;

– enter into transactions that will materially and adversely affect its assets, liabilities, operations, shares and other legal rights;

– distribute dividends and bonuses in any forms;

– incur, inherit, guarantee or allow the existence of any debt;

– increase or reduce the registered capital through a resolution at a general meeting, or otherwise change the structure of registered capital;

– supplement, change or amend the articles of association of the Operating Entities, or change the scope of business, in any forms;

– change or remove any directors or replace senior management personnel;

– change normal business procedures or modify any major internal company rules and regulations;

– make material adjustments to business models, marketing strategies, business principles or customer relations;

– carry out any activities beyond the normal business scope or operate the Operating Entities business in a manner that is not consistent with the past or unusual; and

– merge or combine with any party, or acquire any party or invest in any party.

Furthermore, pursuant to the Exclusive Option Agreement, unless with the prior consent of WFOE, the Relevant Shareholders have jointly and severally undertaken to WFOE not to, among others:

– supplement, change or amend the constitutional documents of the Operating Entities, and such supplement, change or amendment will materially and adversely affect the assets, liabilities, operations, shares and other legal rights of the Operating Entities;

– issue shares and other equity instruments to any entities other than the Relevant Shareholders by capital contribution or, by any other means, causing the total equity held by the Relevant Shareholders to be less than 100%;

– procure the Operating Entities to enter into transactions that will materially and adversely affect the assets, liabilities, operations, shares and other legal rights of the Operating Entities;

– procure the Operating Entities to distribute dividends and bonuses through a resolution at a general meeting;

– sell, transfer, pledge or otherwise deal with any legal or beneficial rights of the shares of the Operating Entities, or allow to impose any security interest on its assets;

– procure the Operating Entities to sell, transfer, pledge or otherwise deal with any legal or beneficial rights of their shares, or allow to impose any security interest on their assets through the approval by a resolution at a general meeting;

– procure the Operating Entities to merge or combine with any party, or acquire any party or invest in any party, or restructure in any other forms through the approval by a resolution at a general meeting; and

– voluntary close, wind up or dissolve the Operating Entities.

The Exclusive Option Agreement became effective upon execution and shall remain effective during the continuance of the Operating Entities. It shall be (a) automatically terminated upon acquiring by WFOE or its appointee (s) the entire equity interests or assets of the Operating Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by WFOE by giving 30-day prior notice to Tuyi Group.

(iii) Equity Interest Pledge Agreement

Tuyi Group, the Relevant Shareholders and WFOE entered into the Equity Interest Pledge Agreement on 21 May 2018. Under the Equity Interest Pledge Agreement, the Relevant Shareholders agreed to pledge all their respective equity interests in Tuyi Group to WFOE, as a security interest, to guarantee the performance of contractual obligations of the Relevant Shareholders and Tuyi Group under the Structured Contracts. The pledge in respect of Tuyi Group takes effect after execution and shall remain valid until all the contractual obligations of the Relevant Shareholders and Tuyi Group under the Contractual Arrangements have been fully performed and all the outstanding debts of the Relevant Shareholders and Tuyi Group under the Contractual Arrangements have been fully paid. The Equity Interest Pledge Agreement shall also be terminated unilaterally by WFOE by giving 30-day prior notice to Tuyi Group. During the valid period of the pledge, absent prior written consent of WFOE, the Relevant Shareholders shall not, and Tuyi Group shall not facilitate the Relevant Shareholders to, create or agree to create any new pledge or any other security on the equity interests of Tuyi Group, nor assign or transfer any of the equity interests of Tuyi Group or any rights or obligations under the Equity Interest Pledge Agreement.

We have completed registrations of the equity pledge of Tuyi Group as contemplated under the Equity Interest Pledge Agreement on 14 June 2018 with Hangzhou Municipal Administration of Market Supervision (杭州市市場監督管理局).

(iv) Shareholders' Rights Entrustment Agreement

Tuyi Group, the Relevant Shareholders and WFOE entered into the Shareholders' Rights Entrustment Agreement on 21 May 2018 pursuant to which the Relevant Shareholders irrevocably authorised WFOE to exercise their shareholders' rights in Tuyi Group, including attending shareholders' meetings and exercising voting rights and dividend distribution rights. WFOE is authorised to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, WFOE is entitled to authorise other individuals to exercise the shareholder's rights within the scope authorised by the Relevant Shareholders.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Relevant Shareholders also entered into a power of attorney on the same date of the agreement (the "**Powers of Attorney**"). Pursuant to the Powers of Attorney, each of the Relevant Shareholders irrevocably appoints WFOE (or its designated persons) to act as his/its attorney on his/its own behalf to exercise all rights in connection with matters concerning his/its rights as shareholder of Tuyi Group as below:

– convening and attending shareholders' meetings of Tuyi Group;

– exercising shareholder's voting rights with regard to all matters discussed and resolved during the shareholders' meetings; and

– exercising all other shareholders' rights under the constitutional documents of Tuyi Group.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective until (a) acquisition by WFOE of the entire equity interests or assets of the Operating Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by WFOE by giving 30-day prior notice to Tuyi Group.

Revenue and Assets in relation to the Contractual Arrangements

During the year ended 31 December 2022, revenue attributable to the Operating Entities (before any inter-company eliminations) was approximately RMB4.8 million (2021: approximately RMB1.6 million). During the year ended 31 December 2022, the total asset and net asset attributable to the Operating Entities (before any inter-company eliminations) was approximately RMB180.7 million and RMB96.6 million (2021: approximately RMB171.8 million and RMB105.2 million), respectively.

Risks Related to the Contractual Arrangements and actions taken by the Company to mitigate the risks

There are certain risks that are associated with the Contractual Arrangements, including:

- The PRC government may determine that the Contractual Arrangements are not in compliance with appliable PRC laws, rules, regulations or policies and may take actions against the Company or the Company's operation;
- There are substantial uncertainties with respect to the enactment timetable interpretation and implementation of the 2015 draft foreign investment law;
- There are substantial uncertainties with respect to the interpretation and implementation of the foreign investment law;
- The Contractual Arrangements may not be as effective in providing control over the Operating Entities as equity ownership;
- The owners of the Operating Entities may have conflict of interest with the Company, which may materially and adversely affect our business, financial condition and results of operations;
- The Company may have to incur additional costs and expend substantial resources to enforce the Contractual Arrangements, temporarily or permanently lose control over our primary operations or lose access to the Company's primary source of revenue, if the Operating Entities or their respective ultimate shareholders fail to perform their obligations under the Contractual Arrangements;
- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws;
- The Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustments;
- The Company may lose the ability to use and enjoy certain important assets, which could reduce the size of the Company's operations, impair our ability to generate revenue and materially affect the market price of the Company's shares, if any of the Operating Entities becomes the subject of a bankruptcy or liquidation proceeding; and
- The Company's ability to acquire the entire entity interest and/or assets of the Operating Entities is subject to restrictions.

Further details of the risks associated with the Contractual Arrangements please refer to the section headed "Risk factors – Risks relating to our Contractual Arrangements" in the Prospectus.

The Group has adopted measures to ensure the effective operation of our Group's businesses with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements, including:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

2. the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

3. the Directors undertake to provide periodic updates in the annual reports regarding the latest development of the foreign investment law; and

4. the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOEs and the Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

No Material Change

Save as disclosed above, as at the date of this report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding of Contractual Arrangements

It is the intention of the Group to unwind the Contractual Arrangements when foreign investment in Outbound Travel Business is no longer restricted in the PRC. However, as at the date of this report, there is no unwinding of any of the Contractual Arrangements or failure to unwind when the restrictions that led to the adoption of the Contractual Arrangement are removed.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Japan is the most popular destination of the Group's package tours and FIT Products and any material adverse change in the economic, political or social conditions relating to Japan, deterioration of diplomatic relationships between the PRC and Japan, negative developments related to the Japan tourism market, or natural or other disasters occurring in Japan may materially and adversely affect our business and operating results.

2. The Group's business and revenue may be adversely affected by any future changes to the respective visa application policies of the PRC government and the Japanese government.

3. Changes in the foreign exchange rate for Japanese Yen would impact our operating performance and our financial condition.

4. The Group derives material portion of our revenue from customers in the PRC and any downturn in the PRC economy could have a material adverse effect on our business and operating results.

5. The Group faced increased market competition from competing agents, hotel or flight providers, online travel platforms and alternative travel booking media.

6. Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect consumer demand for travel activities or a general apprehension of such events may significantly and adversely impact on the Group's business and operating results.

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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year Under Review are set out in note 39 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction which is subject to the reporting, annual review, announcement and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. Except for the transactions described in the section headed "Connected Transactions" in this report, none of these related party transactions constitute connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2022 comply with applicable reporting standards, the Listing Rules, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There was no material events affecting the Group occurred subsequent to 31 December 2022 and up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

AUDITOR

Ernst & Young resigned as auditor of the Company with effect from 24 August 2021 as the Company and EY cannot reach a consensus on the audit fee for the financial year ended 31 December 2021 and McMillan Woods (Hong Kong) CPA Limited was appointed as the new auditors to fill the causal vacancy.

The financial statements for the year ended 31 December 2021 and 31 December 2022 were audited by McMillan Woods (Hong Kong) CPA Limited. McMillan Woods (Hong Kong) CPA Limited will retire at the conclusion of the forthcoming annual general meeting and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our Shareholders, clients and suppliers for their continuous and valuable support.

On behalf of the Board
Yu Dingxin
Chairman and executive Director
29 March 2023

McMillanWoods
Professionalism at the forefront

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TU YI HOLDING COMPANY LIMITED
途屹控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tu Yi Holding Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 73 to 157, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified is impairment assessment of leasehold land and buildings and freehold land:

Impairment assessment of leasehold land and buildings and freehold land	How our audit addressed the Key Audit Matter
We refer to the significant accounting policies in note 4, and relevant disclosures in respect of impairment of the Group's leasehold land and buildings in note 17 and freehold land in note 19 to the Group's consolidated financial statements. As the aggregated carrying value of the Group's leasehold land and buildings and freehold land amounted to approximately RMB135,806,000 (2021: RMB148,293,000), represented 64% (2021: 62%) of the total assets of the Group and the determination of the recoverable amount requires management judgement. As such, we determined that this is a key audit matter. As at 31 December 2022 and 2021, the Group had leasehold land and buildings and freehold land deployed in hotel operation in Japan and leasehold land and buildings in Mainland China for office units and car parks. Given the economic environment in which the Group's hotels operate and the impact of COVID-19 pandemic on the Group's travel business results have been considered as an indicator for impairment testing on leasehold land and buildings and freehold land. Management has carried out impairment assessments which involved estimating the recoverable amounts, being the higher of fair value less costs of disposal and value in use, requires management significant judgements and estimations. Based on management analysis of the recoverable amount of leasehold land and buildings and freehold land, an impairment loss of approximately RMB2,739,000 for leasehold land and buildings was recognised in profit or loss for the year ended 31 December 2022 and no impairment was considered to be necessary for freehold land.	Our procedures in relation to management's assessments of impairment of leasehold land and buildings and freehold land held by the Group's subsidiary in Japan and Mainland China included: – Understanding management's process to identify triggering events for potential impairment of leasehold land and buildings and freehold land; – Assessing whether there were any indicators exist which show that the leasehold land and buildings and freehold land may have been impaired; – Involving our valuation expert to assist us with our evaluation of management's impairment assessments and tested the reasonableness of inputs and assumptions adopted therein, and assessing the results of their work as part of our audit; and – Assessing the adequacy of the Group's disclosures in the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Ngan Hing Hon

Audit Engagement Director
Practising Certificate Number: P05294

24/F, Siu On Centre,
188 Lockhart Road,
Wan Chai,

Hong Kong, 29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	9	**26,293**	20,789
Cost of sales and services rendered		**(18,884)**	(18,315)
Gross profit		**7,409**	2,474
Other income and other (losses)/gains, net	9	**(3,629)**	463
Selling and distribution costs		**(6,786)**	(6,700)
Administrative expenses		**(10,729)**	(29,922)
Share of loss of an associate		**–**	(20)
(Allowance for)/reversal of expected credit losses		**(2,805)**	130
Impairment of goodwill		**(54)**	–
Impairment loss on investment in an associate		**–**	(1,643)
Other expenses		**(89)**	(2,347)
Finance costs	10	**(1,310)**	(1,398)
Loss before tax	11	**(17,993)**	(38,963)
Income tax expense	14	**(515)**	(1,705)
Loss for the year		**(18,508)**	(40,668)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
Other comprehensive income, net of tax:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(4,798)**	(8,847)
Item that will not be reclassified to profit or loss in subsequent periods:			
Fair value changes of financial assets at fair value through other comprehensive income		**(9)**	(94)
Other comprehensive loss for the year		**(4,807)**	(8,941)
Total comprehensive loss for the year		**(23,315)**	(49,609)
Loss for the year attributable to:			
Equity shareholders of the Company		**(18,462)**	(40,590)
Non-controlling interests		**(46)**	(78)
		(18,508)	(40,668)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(23,269)**	(49,531)
Non-controlling interests		**(46)**	(78)
		(23,315)	(49,609)
Loss per share	16		
Basic (RMB cents)		**(1.85)**	(4.06)
Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Non-current assets			
Property, plant and equipment	17	**95,578**	106,015
Investment properties	18	**16,824**	17,777
Right-of-use assets	20(a)	**3,249**	4,481
Freehold land	19	**41,233**	43,541
Goodwill	21	**–**	54
Other intangible assets	22	**396**	481
Investment in an associate	23	**–**	2,390
Financial assets at fair value through other comprehensive income	24	**10**	791
Deferred tax assets	33	**7,584**	8,289
		164,874	183,819
Current assets			
Inventories	25	**1,602**	4,218
Trade receivables	26	**857**	1,372
Prepayments, other receivables and other assets	27	**8,915**	5,717
Financial assets at fair value through profit or loss	28	**3,113**	–
Pledged short-term bank deposits	29	**1,500**	1,750
Cash and cash equivalents	29	**29,890**	43,614
		45,877	56,671
Current liabilities			
Trade payables	30	**1,261**	810
Contract liabilities, other payables and accruals	31	**13,784**	15,304
Interest-bearing bank borrowings	32	**27,496**	28,573
Lease liabilities	20(b)	**1,147**	1,347
Tax payable		**588**	1,639
		44,276	47,673
Net current assets		**1,601**	8,998
Total assets less current liabilities		**166,475**	192,817
Non-current liabilities			
Interest-bearing bank borrowings	32	**31,600**	33,445
Lease liabilities	20(b)	**2,023**	3,147
Deferred tax liabilities	33	**4,548**	4,606
		38,171	41,198
NET ASSETS		**128,304**	151,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Capital and reserves			
Share capital	34	**8,797**	8,797
Reserves	35	**117,554**	140,823
Equity attributable to equity shareholders of the Company		**126,351**	149,620
Non-controlling interests		**1,953**	1,999
TOTAL EQUITY		**128,304**	151,619

Approved and authorised for issue by the Board of Directors on 29 March 2023 and are signed on its behalf by:

Yu Dingxin
Director

Pan Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company											
	Issued capital	Share premium *	Capital reserves*	Statutory surplus reserves*	Fair value reserves of financial assets at fair value through other comprehensive income*	Retained profits/ (accumulated losses)*	Revaluation reserves*	Difference arising from acquisition of non-controlling interests*	Foreign currency translation reserves*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 34)	(note 35)	(note 35)	(note 35)	(note 35)		(note 35)		(note 35)			
At 1 January 2021	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 year	–	–	–	–	–	(40,590)	–	–	–	(40,590)	(78)	(40,668)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(94)	–	–	–	–	(94)	–	(94)
Exchange differences	–	–	–	–	12	–	–	–	(8,859)	(8,847)	–	(8,847)
Total comprehensive loss for the year	–	–	–	–	(82)	(40,590)	–	–	(8,859)	(49,531)	(78)	(49,609)
At 31 December 2021	8,797	91,120	88,967	6,482	(502)	(31,881)	1,579	(19)	(14,923)	149,620	1,999	151,619
At 1 January 2022	**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 year	**-**	**-**	**-**	**-**	**-**	**(18,462)**	**-**	**-**	**-**	**(18,462)**	**(46)**	**(18,508)**
Transfer upon disposal of financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**544**	**(544)**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**(9)**	**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Exchange differences	**-**	**-**	**-**	**-**	**(47)**	**-**	**-**	**-**	**(4,751)**	**(4,798)**	**-**	**(4,798)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**488**	**(19,006)**	**-**	**-**	**(4,751)**	**(23,269)**	**(46)**	**(23,315)**
At 31 December 2022	**8,797**	**91,120**	**88,967**	**6,482**	**(14)**	**(50,887)**	**1,579**	**(19)**	**(19,674)**	**126,351**	**1,953**	**128,304**

* These reserve accounts comprise the consolidated reserves of approximately RMB117,554,000 (2021: RMB140,823,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
Cash flows from operating activities		
Loss before tax	**(17,993)**	(38,963)
Adjustments for:		
Depreciation of property, plant and equipment	**3,647**	4,028
Depreciation of right-of-use assets	**1,149**	1,432
Amortisation of other intangible assets	**57**	65
Loss on modification of leases	**–**	7,733
Gain on early termination of lease	**(29)**	–
Changes in fair value of investment properties	**953**	2,817
Gain on disposal of property, plant and equipment	**–**	(35)
Changes in fair value of financial assets at fair value through profit or loss	**–**	(2,380)
Allowance for/(reversal of) expected credit loss of trade receivables	**806**	(130)
Impairment of goodwill	**54**	–
Impairment loss on leasehold land and buildings	**2,739**	–
Allowance for expected credit loss of other receivables and other assets	**1,999**	–
Impairment loss on investment in an associate	**–**	1,643
(Gains)/losses on loan modification	**(158)**	1,917
Write-down of inventories to net realisable value	**–**	142
Share of loss of an associate	**–**	20
Bank interest income	**(9)**	(11)
Other interest income from loans to third parties	**(1,603)**	(1,491)
Other interest income from financial assets at fair value through profit or loss	**–**	(83)
Finance costs	**1,310**	1,398
Foreign exchange losses	**155**	4,126
Operating loss before working capital changes	**(6,923)**	(17,772)
(Increase)/decrease in trade receivables	**(291)**	592
(Increase)/decrease in prepayments, other receivables and other assets	**(5,187)**	3,118
Increase in financial assets at fair value through profit or loss	**(3,113)**	–
Decrease/(increase) in inventories	**2,616**	(202)
Increase in trade payables	**451**	27
Increase in contract liabilities, other payables and accruals	**870**	6,907
Net cash used in operating activities	**(11,577)**	(7,330)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 *RMB'000*	2021 *RMB'000*
Cash flows from investing activities			
Purchases of property, plant and equipment		**(224)**	(609)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	3,000
Other interest income from financial assets at fair value through profit or loss		**–**	83
Proceeds from disposal of property, plant and equipment		**–**	372
Purchase of financial assets at fair value through other comprehensive income		**–**	(1,935)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**870**	11,165
Decrease/(increase) in pledged short-term bank deposits		**250**	(1,430)
Interest received from banks		**9**	11
Interest received from loans to third parties		**1,603**	1,491
Net cash generated from investing activities		**2,508**	12,148
Cash flows from financing activities			
Principal portion of lease payments		**(1,212)**	(1,416)
Interest paid		**(1,310)**	(1,398)
Net cash used in financing activities		**(2,522)**	(2,814)
Net (decrease)/increase in cash and cash equivalents		**(11,591)**	2,004
Effect of foreign exchange rate changes, net		**(2,133)**	(2,414)
Cash and cash equivalents at beginning of year		**43,614**	44,024
Cash and cash equivalents at end of year	29	**29,890**	43,614

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 Mainland China 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 People's Republic of China (the "**PRC**"). The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited since 28 June 2019.

The Company is an investment holding company. During the year, 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 31 December 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.

Information about subsidiaries

Particulars of the Company's subsidiaries at 31 December 2022 are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Citizen Holiday Co., Ltd	British Virgin Islands/ Hong Kong 6 March 2018	United States dollar ("**USD**") 1	100	–	Investment holding
Tuyi HK Group Co., Limited 途易香港有限公司	Hong Kong 19 March 2018	USD1	–	100	Investment holding
Hangzhou Tuyi Information Technology Company Limited ("**WFOE**") (a)* 杭州途屹信息技術有限公司	The PRC/ Mainland China 3 April 2018	USD5 million	–	100	Investment holding

1 CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tu Yi Group Company Limited ("**Tuyi Group**") (b) (c)* 途益集團有限公司	The PRC/ Mainland China 29 April 2008	RMB60 million	–	100	Travel business and duty-free shop business
Zhejiang Kaida Ticketing Company Limited ("**Kaida Ticketing**") (b)* 浙江凱達票務有限公司	The PRC/ Mainland China 18 August 2010	RMB5 million	–	100	Air ticket booking services
Tu Yi Group Japan Co., Ltd ("**Tuyi Group Japan**")* 途易集團日本株式會社	Japan 31 March 2015	Japanese Yen ("**JPY**") 5 million	–	100	Travel and hotel accommodation agency services
Hangzhou Guge Travel Company Limited ("**Guge Travel**") (b) (c) (d)* 杭州谷歌旅行社有限公司	The PRC/ Mainland China 23 April 2010	RMB0.3 million	–	–	Travel business
Hangzhou Tuyi Investment Management Company Limited ("**Tuyi Investment**") (b)* 杭州途易投資管理有限公司	The PRC/ Mainland China 2 June 2015	RMB1 million	–	98	Investment holding
Tu Yi Tourism Development Company Limited ("**Tuyi Tourism Development**")* 途易觀光開發株式會社	Japan 7 May 2015	JPY 1 million	–	100	Investment holding
Shuzenji Takitei Company Limited ("**Shuzenji Takitei**")* 修善寺滝亭株式會社	Japan 15 March 2010	JPY 0.1 million	–	100	Hotel operation and duty-free shop business

(a) The entity is a wholly-foreign-owned enterprise established under PRC law.

(b) These entities are limited liability enterprises established under PRC law.

(c) These entities are controlled through contractual arrangements and they are collectively referred to as "PRC Operating Entities".

(d) This entity was dissolved on 4 July 2022.

* The English names of the above entities registered in Mainland China and Japan represent the best efforts made by the management of the Company to directly translate their Chinese and Japanese names as they did not register any official English names.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations issued by HKICPA. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed in note 4.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Annual Improvements Project	*Annual Improvements to HKFRS Standards 2018-2020*
Amendments to Accounting Guideline 5	*Merger Accounting for Common Control Combinations*

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and equity shareholders of the Company.

Profit or loss and each component of other comprehensive income are attributed to the equity shareholders of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity shareholders of the Company.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are, with limited exceptions, measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation

(i) Functional and presentation currency

The financial statements is presented in Renminbi ("**RMB**") because the Group's principal operations are carried out in Mainland China. The functional currency of the Company is in Hong Kong Dollars ("**HKD**") and certain subsidiaries incorporated outside Mainland China use Japanese Yen ("**JPY**") as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Freehold land	Not depreciated
Leasehold land and buildings	Over the shorter of the term of the land use rights or 40 years
Computer and office equipment	3 to 10 years
Motor vehicles	4 years
Leasehold improvements	5 years

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

The residual value rates of property, plant and equipment are as follows:

Leasehold land and buildings	1% to 5%
Computer and office equipment	1% to 5%
Motor vehicles	5%
Leasehold improvements	0%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(r).

(h) Freehold land

Land is stated at acquisition cost less any accumulated impairment. The Group's freehold land is situated in Japan and is not depreciated. It is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office units and equipment, motor vehicle and hotel facilities. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group companies, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

(i) The Group as a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term and the estimated useful lives of the assets as follows:

Office units and equipment	2 to 5 years
Motor vehicle	5 years
Hotel facilities	2 to 30 years

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

(i) The Group as a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(j) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Onsen use right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 20 years.

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 4 to 5 years.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Contract liabilities (included under Contract liabilities, other payables and accruals)

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Recognition and derecognition of financial instruments (Continued)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified under the amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserves of financial assets at fair value through other comprehensive income until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserves of financial assets at fair value through other comprehensive income is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses ("**ECL**").

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial liabilities and equity instruments (Continued)

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from contracts with customers

The Group mainly operates the business of providing travel-related products and services, and duty-free products. Revenue from contracts with customers is recognised when control of the products and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products and services.

Sales of travel-related products and services and duty-free products

(i) Revenue from sales of package tours and day tours is recognised over time because it is simultaneously received and consumed by the customer when the Group performs. The revenue is recognised based on the actual service provided to the end of each reporting period as a proportion of the total services to be provided. This is determined based on the actual day spent at the destination relative to the total expected tour days.

(ii) Margin income from sales of FIT products is recognised when the services have been rendered.

(iii) Margin income from the provision of visa application processing is recognised when the services have been rendered.

(iv) Hotel operation income is recognised upon the provision of the accommodation services and other ancillary services.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income (Continued)

Sales of travel-related products and services and duty-free products (Continued)

(v) Revenue from sales of duty-free products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the duty-free products by the customers.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other income

Interest income is recognised as it accrues using the effective interest method.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(s) Employee benefits

(i) Pension obligations

The employees of the Group's subsidiaries which operated in Mainland China and Japan are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

The employees of the Group'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 Group'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.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asses. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(w) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, other receivables and other assets, pledged short-term bank deposits and bank and cash balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

A related party is a person or entity that is related to the reporting entity:

(a) A person or a close member of that person's family is related and that person

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that obtains control over any of the following: (i) goods or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; or (iii) goods or services from the other party that the Group then combines with other goods or services in providing the specified goods or services to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

The Group's management performs the assessment based on the above mentioned factors and reaches the conclusion that the Group acts as a principal in the provision of package tour services since the Group controls the services before they are transferred to the customers and acts as an agent in the sales of FIT products since the Group does not obtain control over the services performed by the airline companies, hotels and the relevant government authorities for visa application processing services. Accordingly, the Group recognises revenue from the provision of package tour services on a gross basis and the revenue from the air tickets and hotel accommodation booking and agency services on a net basis.

For duty-free shop business, management reaches the conclusion that the Group acts as a principal except for the sales of "one-click ship" for which the Group acts as an agent. For usual duty-free products sales, the Group controls the products before delivering to the customers. While for "one-click ship" sales, the supplier controls the products and is responsible for the warehousing, logistics distribution, after-sales service and other services of the sold products. Accordingly, the Group recognises revenue from the usual duty-free products sales on a gross basis and the revenue from "one-click ship" on a net basis.

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgements in applying accounting policies (Continued)

(ii) Contractual Arrangements

The PRC Operating Entities are engaged in the outbound travel business. Under the PRC laws and regulations, foreign investors are prohibited to invest in such business.

The Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Group does not have any equity interests in the PRC Operating Entities. However, as a result of the Contractual Arrangements, the Company has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is therefore considered to have control over them. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries. The Company has consolidated the financial positions and results of the PRC Operating Entities in the financial statements during the year.

(iii) Significant increase in credit risk

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(i) Allowance for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables disclosed in note 26 to the consolidated financial statements.

As at 31 December 2022, the carrying amount of trade receivables was approximately RMB857,000 (2021: RMB1,372,000).

(ii) Allowance for expected credit losses on other receivables and other assets

The Group estimates the loss allowances for other receivables and other assets by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of debtors and thus the impairment loss in the period in which such estimate will be changed. The Group keeps assessing the ECLs of other receivables and other assets during their expected lives.

As at 31 December 2022, the carrying amount of other receivables and other assets was approximately RMB6,002,000 (2021: RMB1,892,000).

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(iii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, freehold land, right-of-use assets and other intangible assets at the end of each reporting period are disclosed in notes 17, 19, 20 and 22 to the consolidated financial statements.

(iv) Fair value of investment properties

Investment properties carried at fair value were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying amount of investment properties was approximately RMB16,824,000 (2021: RMB17,777,000). Further details, including the key assumptions used for fair value measurement, are given in note 18 to the consolidated financial statements.

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(v) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of deferred tax assets in respect of unrecognised tax losses in Mainland China at 31 December 2022 was approximately RMB253,000 (2021: RMB441,000). The amount of deferred tax assets in respect of unrecognised tax losses in Japan at 31 December 2022 was approximately RMB4,375,000 (2021: RMB5,176,000). Further details are contained in note 33 to the consolidated financial statements.

(vi) Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income tax. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences are realised. During the year, approximately RMB515,000 (2021: RMB1,705,000) of income tax was charged to profit or loss based on the estimated profits from operations. Further details are disclosed in note 14 to the consolidated financial statements.

6 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and pledged short-term bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the JPY and USD exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

2022	**Changes in rate of foreign currency** **%**	**Increase/ (decrease) in loss before tax** ***RMB'000***
If RMB weakens against JPY	**5**	**20**
If RMB strengthens against JPY	**(5)**	**(20)**
If RMB weakens against USD	**5**	**6**
If RMB strengthens against USD	**(5)**	**(6)**

2021	Changes in rate of foreign currency %	Increase/ (decrease) in loss before tax *RMB'000*
If RMB weakens against JPY	5	106
If RMB strengthens against JPY	(5)	(106)
If RMB weakens against USD	5	57
If RMB strengthens against USD	(5)	(57)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the Director and the Chairman of the Board.

Maximum exposure and year-end staging classification

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-months ECLs	**Lifetime ECLs**			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	–	–	–	14,479	14,479
Financial assets included in prepayments, other receivables and other assets – Normal**	8,011	–	–	–	8,011
Pledged short-term bank deposits	1,500	–	–	–	1,500
Cash and cash equivalents	29,890	–	–	–	29,890
	39,401	–	–	14,479	53,880

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Maximum exposure and year-end staging classification (Continued)

As at 31 December 2021

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	14,188	14,188
Financial assets included in prepayments, other receivables and other assets – Normal**	1,892	–	–	–	1,892
Pledged short-term bank deposits	1,750	–	–	–	1,750
Cash and cash equivalents	43,614	–	–	–	43,614
	47,256	–	–	14,188	61,444

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful". The management reassess the 12-months ECL on these financial assets at reporting dates and consider the high credit risk remained unchanged due to the global economy was still affected during the post COVID-19 pandemic. The Group applies general approach for the impairment which is disclosed in the note 27 to the consolidated financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, and the financial assets included in other receivables and other assets are disclosed in notes 26 and 27, respectively, to the consolidated financial statements.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the year, based on the contractual undiscounted payments, is as follows:

	2022						
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 2 years** *RMB'000*	**2 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	**375**	**886**	**–**	**–**	**–**	**–**	**1,261**
Financial liabilities included in contract liabilities, other payables and accruals	**8,583**	**–**	**–**	**–**	**–**	**–**	**8,583**
Lease liabilities	**–**	**311**	**932**	**1,209**	**1,020**	**–**	**3,472**
Interest-bearing bank borrowings	**–**	**14,315**	**14,057**	**4,252**	**9,856**	**22,594**	**65,074**
	8,958	**15,512**	**14,989**	**5,461**	**10,876**	**22,594**	**78,390**

	2021						
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Trade payables	494	316	–	–	–	–	810
Financial liabilities included in contract liabilities, other payables and accruals	8,696	–	–	–	–	–	8,696
Lease liabilities	–	394	1,183	1,425	1,765	–	4,767
Interest-bearing bank borrowings	–	13,669	13,041	3,497	11,454	24,538	66,199
	9,190	14,379	14,224	4,922	13,219	24,538	80,472

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group has interest-bearing assets and liabilities in relation to loan receivables, pledged short-term bank deposits, cash and cash equivalents and interest-bearing bank borrowings, details of which are disclosed in notes 27,29 and 32 respectively, to the consolidated financial statements. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's loan receivables and certain bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its pledged short-term bank deposits, cash and cash equivalents and certain bank borrowings at floating interest rates. These assets and liabilities bear interests at variable rates that vary with the then prevailing market condition.

If the interest rates increase/decrease by 5% (2021: 5%) with all other variables held constant, the loss before tax for the year would have been approximately RMB1,070,000 higher/lower (2021: RMB504,000 lower/higher), arising as a result of the increase/decrease in interest expenses on bank borrowings.

(e) Equity price risk

The Group's financial assets at FVTOCI and financial assets at FVTPL are measured at fair value. Therefore, the Group is exposed to equity security price risk due to the fluctuation of share prices of financial assets at FVTOCI and financial assets at FVTPL.

If the share prices of the financial assets at FVTOCI and financial assets at FVTPL increase/decrease by 5% (2021: 5%) with all other variables held constant, the other comprehensive loss and loss before tax for the year would have been approximately RMB490 lower/higher (2021: RMB39,000 lower/higher) and approximately RMB156,000 (2021: RMBNil) lower/higher respectively, arising as a result of the fair value gain/loss of the financial assets at FVTOCI and financial assets at FVTPL respectively.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Categories of financial instruments at the end of the reporting period

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

Financial assets

Financial assets at amortised cost

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**857**	1,372
Financial assets included in prepayments, other receivables and other assets	**6,002**	1,892
Pledged short-term bank deposits	**1,500**	1,750
Cash and cash equivalents	**29,890**	43,614
	38,249	48,628

Financial assets at fair value through other comprehensive income

	2022	2021
	RMB'000	*RMB'000*
Equity investments	**10**	791

Financial assets at fair value through profit or loss

	2022	2021
	RMB'000	*RMB'000*
Held for trading	**3,113**	–

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Categories of financial instruments at the end of the reporting period (Continued)

Financial liabilities

Financial liabilities – at amortised cost

	2022 **RMB'000**	2021 RMB'000
Trade payables	**1,261**	810
Financial liabilities included in contract liabilities, other payables and accruals	**9,660**	8,696
Interest-bearing bank borrowings	**59,096**	62,018
	70,017	71,524

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values as at 31 December 2022 and 2021.

7 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Accounts Manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The Accounts Manager reports to the Board of Directors for these fair value measurements.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

7 FAIR VALUE MEASUREMENTS (CONTINUED)

The Group measures its investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair values of the financial assets and liabilities are included the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management has assessed that the fair values of cash and cash equivalents, pledged short-term bank deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in contract liabilities, other payables and accruals, the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of interest-bearing bank borrowings approximate their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on market interest rates and collateral available by the Group.

The fair values of the financial assets and liabilities are included the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table illustrates the disclosure of level in fair value measurement hierarchy of the Group:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Investment properties*	**–**	**–**	**16,824**	**16,824**
Financial assets at fair value through other comprehensive income	**10**	**–**	**–**	**10**
Financial assets at fair value through profit or loss	**3,113**	**–**	**–**	**3,113**
	3,123	**–**	**16,824**	**19,947**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	791	–	–	791

* Please refer to note 18 for the information on fair value measurement hierarchy of the Group's investment properties.

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

8 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 year is as follows:

	2022 **RMB'000**	2021 RMB'000
Revenue		
Sales of package tours and day tours	**3,370**	1,442
Margin income from sales of FIT products	**595**	187
Margin income from the provision of visa application processing services	**61**	–
Income from duty-free shop business	**16,193**	18,120
Hotel operation income	**6,074**	1,040
Total	**26,293**	20,789

The Group's chief operating decision makers are the executive directors of the Company. The information reported to the Company's executive directors, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the executive directors reviewed the financial results of the Group as a whole.

Geographical information

(a) Revenue from external customers

	2022 **RMB'000**	2021 RMB'000
The PRC*	**18,580**	19,302
Taiwan, China▲	**1,108**	403
Japan#	**6,605**	1,084
Total	**26,293**	20,789

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

▲ Mainly from online duty-free shop business.

\# Mainly from hotel operation and duty-free shop business.

8 OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the Group's revenue are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Customer A (Note)	**–**	3,759

Note: The corresponding revenue in 2022 did not contribute over 10% of the total revenue of the Group.

(c) Non-current assets

	2022 ***RMB'000***	2021 *RMB'000*
The PRC	**33,638**	45,081
Japan	**123,642**	129,658
Total	**157,280**	174,739

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

9 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

Revenue represents the consideration to which the Group expects to be entitled in exchange for products and services sold net of value-added tax and government surcharges during the year.

An analysis of revenue, other income and other (losses)/gains, net are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15	**26,293**	20,789
Other income		
Bank interest income	**9**	11
Government grants*	**391**	864
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**–**	55
Other interest income from financial assets at fair value through profit or loss	**–**	83
Other interest income from loans to third parties	**1,603**	1,491
Others	**303**	1,616
	2,306	4,120
Other (losses)/gains, net		
Gain on disposal of property, plant and equipment	**–**	35
Gain on early termination of lease	**29**	–
Changes in fair value of financial assets at fair value through profit or loss	**(2,275)**	2,380
Gain on disposal of financial assets	**–**	871
Gains on loan modification	**158**	–
Impairment loss on leasehold land and buildings	**(2,739)**	–
Changes in fair value of investment properties	**(953)**	(2,817)
Foreign exchange losses	**(155)**	(4,126)
	(5,935)	(3,657)
	(3,629)	463

* Government grants mainly represented financial support funds from government. There are no unfulfilled conditions or other contingencies attached to these grants and recognised as income when the Group received.

9 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET (CONTINUED)

Notes:

(a) Disaggregation of revenue from contracts with customers within the score of HKFRS 15

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product and services lines:

	2022 *RMB'000*	2021 *RMB'000*
Timing of revenue recognition		
Over time		
– Sales of package tours and day tours	**3,370**	1,442
– Hotel operation income	**6,074**	1,040
	9,444	2,482
At a point in time		
– Margin income from the sales of FIT products	**595**	187
– Margin income from the provision of visa application processing services	**61**	–
– Income from duty-free shop business	**16,193**	18,120
	16,849	18,307
Total	**26,293**	20,789

(b) Contract liabilities

Details of contract liabilities are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Current*	**995**	121

* Included in "contract liabilities, other payables and accruals" in the consolidated statement of financial position.

(i) Significant changes in contract liabilities

Contract liabilities represent the obligations to transfer goods or services to a counterparty for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to the receipt of advances from customers and the recognition of revenue when fulfilling the performance obligations. Increase in contract liabilities in 2022 was mainly due to the increase in advances received from customers in relation to the sales on package tour and day tour at the end of the reporting period.

(ii) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the year related to carried-forward contract liabilities.

	2022 *RMB'000*	2021 *RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**121**	272

(iii) Performance obligations

At 31 December 2022 and 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

10 FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	**1,262**	1,314
Interest on lease liabilities	**48**	84
	1,310	1,398

11 LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services rendered		**7,028**	3,171
Cost of inventories sold		**11,856**	15,144
Depreciation of property, plant and equipment	17	**3,647**	4,028
Depreciation of right-of-use assets	20(a)	**1,149**	1,432
Amortisation of other intangible assets	22	**57**	65
Lease payments not included in the measurement of lease liabilities	20(c)	**6**	18
Impairment loss on investment in an associate		**–**	1,643
Auditor's remuneration		**820**	818
Write-down of inventories to net realisable value*		**–**	142
Impairment of other receivables and other assets	27	**1,999**	–
Impairment/(reversal of impairment) of trade receivables	26	**806**	(130)
Impairment of goodwill	21	**54**	–
(Gains)/losses on loan modification		**(158)**	1,917
Employee benefit expense (excluding directors' remuneration):	12		
Wages and salaries		**3,899**	3,908
Pension scheme contributions		**1,031**	647
Staff welfare expenses		**381**	1,844
		5,311	6,399

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

12 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Fees	**79**	79
Other emoluments:		
Salaries, allowances and benefits in kind	**290**	1,090
Pension scheme contributions	**57**	66
	347	1,156
	426	1,235

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022	2021
	RMB'000	*RMB'000*
Ms. Zhou Li	**43**	43
Mr. Zhao Jianbo	**–**	–
Mr. Ying Luming	**36**	36
Mr. Zheng Cheng	**–**	–
	79	79

There were no other emoluments paid or payable to the independent non-executive directors during the year (2021: Nil).

12 DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022				
Executive directors:				
Mr. Yu Dingxin	**–**	**90**	**18**	**108**
Mr. Pan Wei	**–**	**64**	**13**	**77**
Mr. Xu Jiong	**–**	**66**	**13**	**79**
Mr. An Jiajin	**–**	**70**	**13**	**83**
	–	**290**	**57**	**347**
2021				
Executive directors:				
Mr. Yu Dingxin	–	296	20	316
Mr. Pan Wei	–	276	18	294
Mr. Xu Jiong	–	259	16	275
Mr. An Jiajin	–	259	12	271
	–	1,090	66	1,156

There was no emolument paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of an office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

The Group did not appoint a chief executive, and the duty of a chief executive was performed by the chairman.

13 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no directors (2021: three), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the five (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**970**	1,394
Pension scheme contributions	**152**	116
	1,122	1,510

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HKD1,000,000	**5**	2

There was no emolument paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of an office.

14 INCOME TAX EXPENSE

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%).

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 year, 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 2022 and 2021. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2021: Nil).

14 INCOME TAX EXPENSE (CONTINUED)

During the year, except for certain subsidiaries of the Group which were entitled to a preferential income tax rate of 20% for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for a 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for a 50% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

The income tax expense of the Group is analysed as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Current – Mainland China	**–**	72
Current – Japan	**–**	–
Deferred (note 33)	**515**	1,633
Total tax charge for the year	**515**	1,705

A reconciliation of the tax expense applicable to loss before tax at the statutory rates in Mainland China and Japan to the tax expense at the effective tax rates, are as follows:

2022

	Mainland China ***RMB'000***	**Japan** ***RMB'000***	**Total** ***RMB'000***
Loss before tax	**(16,663)**	**(1,330)**	**(17,993)**
Tax at the statutory tax rate of 25% in Mainland China	**(4,166)**	**–**	**(4,166)**
Tax at the statutory tax rate of 33.6% in Japan	**–**	**(447)**	**(447)**
Income not subject to tax	**(1,153)**	**(660)**	**(1,813)**
Non-deductible expenses for tax purposes	**3,508**	**447**	**3,955**
Tax losses not recognised	**2,359**	**627**	**2,986**
Tax expense/(credit)	**548**	**(33)**	**515**

14 INCOME TAX EXPENSE (CONTINUED)

2021

	Mainland China RMB'000	Japan RMB'000	Total RMB'000
Loss before tax	(17,529)	(21,434)	(38,963)
Tax at the statutory tax rate of 25% in Mainland China	(4,382)	–	(4,382)
Tax at the statutory tax rate of 33.6% in Japan	–	(7,202)	(7,202)
Lower tax rates enacted by the local authority	12	–	12
Loss attributable to an associate	416	–	416
Income not subject to tax	(1,020)	(939)	(1,959)
Non-deductible expenses for tax purposes	545	3,578	4,123
Tax losses not recognised	6,004	4,693	10,697
Tax expense	1,575	130	1,705

15 DIVIDENDS

At the meetings of the Directors held on 29 March 2023, the directors of the Company did not recommend any payment of final dividend for the year (2021: Nil).

16 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity shareholders of the Company of approximately RMB18,462,000 (2021: RMB40,590,000), and the number of 1,000,000,000 ordinary shares (2021: 1,000,000,000) in issue during the year.

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2022 and 2021.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Computer and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2022					
At 1 January 2022:					
Cost	**122,139**	**1,375**	**1,165**	**925**	**125,604**
Accumulated depreciation	**(17,387)**	**(745)**	**(578)**	**(879)**	**(19,589)**
Net carrying amount	**104,752**	**630**	**587**	**46**	**106,015**
At 1 January 2022, net of accumulated depreciation	**104,752**	**630**	**587**	**46**	**106,015**
Additions	**38**	**186**	**–**	**–**	**224**
Depreciation	**(3,208)**	**(178)**	**(261)**	**–**	**(3,647)**
Exchange realignments	**(4,270)**	**(5)**	**–**	**–**	**(4,275)**
Impairment	**(2,739)**	**–**	**–**	**–**	**(2,739)**
At 31 December 2022, net of accumulated depreciation	**94,573**	**633**	**326**	**46**	**95,578**
At 31 December 2022:					
Cost	**117,324**	**1,543**	**1,165**	**925**	**120,957**
Accumulated depreciation	**(20,012)**	**(910)**	**(839)**	**(879)**	**(22,640)**
Accumulated impairment	**(2,739)**	**–**	**–**	**–**	**(2,739)**
Net carrying amount	**94,573**	**633**	**326**	**46**	**95,578**
31 December 2021					
At 1 January 2021:					
Cost	134,552	870	1,590	925	137,937
Accumulated depreciation	(15,161)	(742)	(340)	(879)	(17,122)
Net carrying amount	119,391	128	1,250	46	120,815
At 1 January 2021, net of accumulated depreciation	119,391	128	1,250	46	120,815
Additions	–	609	–	–	609
Disposals	–	(3)	(334)	–	(337)
Depreciation	(3,609)	(90)	(329)	–	(4,028)
Exchange realignments	(11,030)	(14)	–	–	(11,044)
At 31 December 2021, net of accumulated depreciation	104,752	630	587	46	106,015
At 31 December 2021:					
Cost	122,139	1,375	1,165	925	125,604
Accumulated depreciation	(17,387)	(745)	(578)	(879)	(19,589)
Net carrying amount	104,752	630	587	46	106,015

Certain leasehold land and buildings of the Group with an aggregate net carrying amount of approximately RMB12,730,000 (2021: RMB16,901,000) are pledged to secure bank loan facilities granted to the Group (note 32(a)(i)).

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

The management of the Group carried out an impairment review on property, plant and equipment as at 31 December 2022 and 2021 and concluded that there was indication for impairment on the leasehold land and buildings with the carrying amount of approximately RMB15,853,000 (2021: RMB19,244,000) located in Mainland Chain and approximately RMB78,720,000 (2021: RMB85,508,000) located in Japan. The recoverable amount of the leasehold land and buildings for both years have been determined based on their fair value less costs of disposal estimated by International Valuation Limited (2021: Ravia Global Appraisal Advisory Limited), an independent professional qualified valuer.

The leasehold land and buildings located in Mainland China represent the office units and car parks. As at 31 December 2022, the Group use direct comparison approach to estimate the recoverable amount of the Group's leasehold land and buildings located in Mainland China which is based on the recent transaction prices of comparable properties in the open market adjusted for nature, conditions, character and location. The fair value measurement is categorised into Level 3 fair value hierarchy. Based on the management analysis of the recoverable amount of leasehold land and buildings of RMB15,853,000, an impairment loss of approximately RMB2,739,000 was recognised in profit or loss for the year ended 31 December 2022.

The leasehold land and buildings located in Japan represent the hotel buildings and residential property. As at 31 December 2022, the Group use direct capitalisation method to estimate the recoverable amount of the hotel buildings. It values a property by dividing net operating income generated by the property by its capitalization rate which is determined by using market sales of comparable properties in the area. The Group use replacement cost method to estimate the recoverable amount of the residential property. Replacement cost method is adopted to value the residential property in Japan which is estimate the new replacement costs of the building elements of the property from which deductions allowed for physical, economical and functional obsolescence are made. The fair value measurement is categorised into Level 3 fair value hierarchy. The recoverable amount of leasehold land and buildings is higher than the carrying amount based on the management analysis assessment, no impairment was recognised in profit or loss for the year ended 31 December 2022.

As at 31 December 2021, the Group used direct comparison approach to estimate the fair value less costs of disposal of the Group's leasehold land and buildings and freehold land located in Japan which was based on the recent transaction prices for similar properties adjusted for nature, location, and conditions. The fair value measurement was categorised into Level 3 fair value hierarchy. The valuation of both leasehold land and buildings and freehold land had been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account had been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance had been made for the property to be sold in one lot or to a single purchaser.

There has been a change in valuation techniques used from direct comparison approach to direct capitalisation approach for leasehold land and buildings and freehold land in Japan as new information becomes available in the current year results in a measurement that is equally or more representative of fair value.

18 INVESTMENT PROPERTIES

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**17,777**	20,594
Fair value adjustment recognised in profit or loss	**(953)**	(2,817)
Carrying amount at 31 December	**16,824**	17,777

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties with an aggregate net carrying amount of approximately RMB8,932,000 (2021: RMB9,423,000) were pledged to secure bank loan facilities granted to the Group as at 31 December 2022 (note 32(a)(ii)).

The Group's investment properties consist of retail shops and offices in Mainland China. As at 31 December 2022 and 2021, the Group's investment properties were revalued based on valuations performed by Zhejiang Huaxia Assets Appraisal Co. (浙江華夏資產評估有限公司), an independent professional qualified valuer. The fair value measurement is categorised into Level 3 fair value hierarchy. The investment properties were leased to third parties under operating leases, further details of which are included in note 20 to the consolidated financial statements.

Fair value hierarchy

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Retail shops	**Office units**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January 2021	10,544	10,050	20,594
Net loss from a fair value adjustment recognised in other income and other (losses)/gains, net in profit or loss	(2,190)	(627)	(2,817)
Carrying amount at 31 December 2021 and 1 January 2022	8,354	9,423	17,777
Net loss from a fair value adjustment recognised in other income and other (losses)/gains, net in profit or loss	**(462)**	**(491)**	**(953)**
Carrying amount at 31 December 2022	**7,892**	**8,932**	**16,824**

18 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

As at 31 December 2022:

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Retail shops	Direct market comparison method	Price per square metre, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	RMB18,800 to RMB21,000 per square metre	The higher the market unit rate, the higher the fair value
Office units	Direct market comparison method	Price per square metre, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	RMB18,800 to RMB21,000 per square metre	The higher the market unit rate, the higher the fair value

As at 31 December 2021:

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Retail shops	Direct market comparison method	Price per square metre, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	RMB21,200 to RMB21,900 per square metre	The higher the market unit rate, the higher the fair value
Office units	Direct market comparison method	Price per square metre, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	RMB21,200 to RMB21,900 per square metre	The higher the market unit rate, the higher the fair value

18 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

As at 31 December 2021 and 2022, the valuations of investment properties have been arrived by adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition adjusted for differences in key valuation attributes, such as size and floor, were used to value the properties. The most significant input into this valuation approach is the price per square meter. A significant increase/(decrease) (2021: increase/(decrease)) in the estimated price per square metre will result in a significant increase/(decrease) (2021: increase/(decrease)) in the fair value of the investment properties.

19 FREEHOLD LAND

	2022 ***RMB'000***	2021 *RMB'000*
Carrying amount at beginning of year	**43,541**	49,445
Exchange realignments	**(2,308)**	(5,904)
Carrying amount at the end of year	**41,233**	43,541

The Group's freehold land with an aggregate carrying amount of approximately RMB41,233,000 (2021: RMB43,541,000) was pledged to secure bank loan facilities granted to the Group (note 32(a)(iii)).

The leasehold land held under medium-term leases in Japan.

Impairment assessment

As at 31 December 2022 and 2021, management of the Group concluded that there was indication for impairment in hotel operation and conducted impairment assessment on the Group's freehold land with carrying amount of approximately RMB41,233,000 (2021: RMB43,541,000). The recoverable amount of the freehold land has been determined based on their fair value less costs of disposal (2021: fair value less costs of disposal).

As at 31 December 2022, the Group used direct capitalization approach to estimate the fair value less costs of disposal of the Group's freehold land. It values a property by dividing net operating income generated by the property by its capitalization rate which is determined by using market sales of comparable properties in the area.

As at 31 December 2021, the Group used direct comparison approach to estimate the fair value less costs of disposal. Details refer to note 17 to consolidated financial statements.

The fair value measurement at the reporting dates are categorised into Level 3 fair value hierarchy. As at 31 December 2022 and 2021, no provision for impairment loss of freehold land was recognised in profit or loss during the years.

20 LEASES

The Group as a lessee

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office units and equipment *RMB'000*	**Motor vehicle** *RMB'000*	**Hotel facilities** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	135	156	13,334	13,625
Additions	127	–	–	127
Depreciation charge	(73)	(40)	(1,319)	(1,432)
Reduction as a result of lease modifications	(106)	–	(7,733)	(7,839)
As at 31 December 2021 and 1 January 2022	83	116	4,282	4,481
Depreciation charge	–	(38)	(1,111)	(1,149)
Early termination of lease	(83)	–	–	(83)
As at 31 December 2022	**–**	**78**	**3,171**	**3,249**

The Group has lease contracts for various items of office units and equipment, motor vehicle and hotel facilities used in its operations. Leases of office units and equipment generally have lease terms between 2 to 5 years (2021: 2 to 5 years), motor vehicle generally have lease terms for 5 years (2021: 5 years), while hotel facilities generally have lease terms between 5 to 10 years (2021: 2 to 30 years). Other equipment generally has lease terms of 12 months or less (2021: 12 months or less). Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

20 LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount at 1 January	**4,494**	5,889
New leases	**–**	127
Reduction as a result of lease modifications	**–**	(106)
Early termination of lease	**(112)**	–
Accretion of interest recognised during the year	**48**	84
Payments	**(1,260)**	(1,500)
Carrying amount at 31 December	**3,170**	4,494
Analysed into:		
Current portion	**1,147**	1,347
Non-current portion	**2,023**	3,147
Carrying amount at 31 December	**3,170**	4,494

The maturity analysis of lease liabilities is disclosed in note 6(c) to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Interest on lease liabilities	**48**	84
Depreciation charge of right-of-use assets	**1,149**	1,432
Expense relating to short-term leases (included in administrative expenses)	**6**	18
Gain on early termination of lease	**29**	–
Total amount recognised in profit or loss	**1,232**	1,534

(d) The total cash flow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 38, respectively, to the consolidated financial statements.

Lease liabilities are recognised with related right-of-use assets as at 31 December 2022. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

20 LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties (note 18) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMBNil due to the waiver of payments during the COVID-19 (2021: RMB55,000), details of which are included in note 9 to the consolidated financial statements.

21 GOODWILL

	2022 ***RMB'000***	2021 *RMB'000*
Cost	**13,686**	13,686
Accumulated impairment	**(13,686)**	(13,632)
Net carrying amount	**–**	54

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the individual cash-generating unit, Shuzenji Takitei unit, which is one of the Group's subsidiaries for impairment testing.

Based on the impairment assessment review, an impairment loss of goodwill of approximately RMB54,000 (2021: RMB Nil), was recognised in profit or loss for the year ended 31 December 2022. As at 31 December 2022, the accumulated impairment on goodwill was approximately RMB13,686,000 (2021: RMB13,632,000).

The impairment charges recognised with respect to Shuzenji Takitei unit reflect management's latest assessment of likely touristic and economic conditions in the five year business plan. Management's view of the long-term potential in these markets remains unchanged.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2022 ***RMB'000***	2021 *RMB'000*
Long term growth rate	**1.00%**	0.49%
Pre-tax discount rate	**13.69%**	9.49%

Assumptions were used in the value in use calculation of the Shuzenji Takitei unit for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

21 GOODWILL (CONTINUED)

Long term growth rate – For the purposes of the Group's value in use calculation, a long-term growth rate into perpetuity is applied immediately at the end of the five year forecast period which is based on the nominal GDP growth rate forecasts for Japan, the country where the Shuzenji Takitei unit operates.

Pre-tax discount rate – The pre-tax discount rate reflects specific risks relating to the Group's cash-generating unit, which is determined using the capital asset pricing model with reference to the beta coefficient and the debt ratio of certain publicly listed companies conducting business in Japan's hotel industry.

The values assigned to the key assumptions on market development of the cash-generating unit and discount rate are consistent with external information sources.

The recoverable amount of the cash-generating unit at the end of the reporting period was approximately RMB47,004,000 (2021: RMB24,782,000).

22 OTHER INTANGIBLE ASSETS

31 December 2022	**Onsen use right** *RMB'000*	**Software** *RMB'000*	**Total** *RMB'000*
Cost at 1 January 2022, net of accumulated amortisation	**407**	**74**	**481**
Amortisation	**(35)**	**(22)**	**(57)**
Exchange realignments	**(24)**	**(4)**	**(28)**
At 31 December 2022	**348**	**48**	**396**
At 31 December 2022:			
Cost	**721**	**227**	**948**
Accumulated amortisation	**(373)**	**(179)**	**(552)**
Net carrying amount	**348**	**48**	**396**

31 December 2021	Onsen use right *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost at 1 January 2021, net of accumulated amortisation	507	112	619
Amortisation	(40)	(25)	(65)
Exchange realignments	(61)	(12)	(73)
At 31 December 2021	406	75	481
At 31 December 2021:			
Cost	649	163	812
Accumulated amortisation	(242)	(89)	(331)
Net carrying amount	407	74	481

The remaining amortisation period of onsen use right is 9.6 years (2021: 10.6 years).

23 INVESTMENT IN AN ASSOCIATE

	2022	2021
	RMB'000	*RMB'000*
Share of net assets	–	4,033
Less: Impairment loss	–	(1,643)
	–	2,390

Particulars of the associate at the end of reporting period are as follows:

Company	Place of registration and business	Registered and paid up share capital	Percentage of ownership interest attributable to the Group		Principal activity
			2022	2021	
Hangzhou Yitu Network Technology Co., Ltd. ("**Hangzhou Yitu**")	PRC/Mainland China	RMB10,000,000	–	40%	Technology consulting

In the opinion of the directors, the associate was not material to the Group. The associate was accounted for using the equity method.

The above investment was held by an indirectly wholly-owned subsidiary of the Company.

The associate was established on 27 September 2019 and was dissolved on 27 January 2022.

The following table illustrates the summarised financial information in respect of Hangzhou Yitu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022	2021
	RMB'000	*RMB'000*
At 31 December		
Current assets	–	10,084
Net assets	–	10,084
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	–	40%
Group's share of net assets of the associate	–	4,033
Year ended 31 December		
Loss and total comprehensive loss for the year	–	(49)

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 **RMB'000**	2021 *RMB'000*
Listed equity investments, at fair value		
Meituan	**–**	774
Raily Aesthetic Medicine International Holdings Limited	**10**	17
	10	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.

The fair value of listed equity investments are based on current bid prices. Financial assets at fair value through other comprehensive income are denominated in HKD (2021: HKD).

25 INVENTORIES

	2022 **RMB'000**	2021 *RMB'000*
Merchandise for sales	**1,513**	4,205
Hotel supplies	**89**	13
	1,602	4,218

26 TRADE RECEIVABLES

	2022 **RMB'000**	2021 *RMB'000*
Trade receivables	**14,479**	14,188
Less: allowance for expected credit losses	**(13,622)**	(12,816)
	857	1,372

The credit terms granted by the Group generally ranged up to one month, extending up to three months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

26 TRADE RECEIVABLES (CONTINUED)

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:

	2022 ***RMB'000***	2021 *RMB'000*
1 to 30 days	**625**	750
31 to 90 days	**232**	44
91 to 180 days	**–**	9
181 to 360 days	**–**	569
	857	1,372

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

	2022 ***RMB'000***	2021 *RMB'000*
At beginning of year	**12,816**	12,946
Allowance for expected credit loss provided for the year	**806**	–
Reversal of expected credit loss for the year	**–**	(130)
At end of year	**13,622**	12,816

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Pass due		
	Current	**Less than 3 months**	**Over 3 months**	**Total**
As at 31 December 2022				
Expected credit loss rate	**6.16%**	**18.60%**	**100.00%**	**94.08%**
Gross carrying amount (RMB'000)	**666**	**285**	**13,528**	**14,479**
Expected credit losses (RMB'000)	**41**	**53**	**13,528**	**13,622**
As at 31 December 2021				
Expected credit loss rate	1.09%	0.72%	95.75%	90.33%
Gross carrying amount (RMB'000)	803	9	13,376	14,188
Expected credit losses (RMB'000)	9	–	12,807	12,816

27 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Prepayments	**2,558**	2,674
Prepaid expenses	**355**	224
Prepaid other tax	**–**	927
	2,913	3,825
Deposits and other receivables	**3,011**	1,892
Less: allowance for expected credit losses	**(755)**	–
	2,256	1,892
Loan receivables	**5,000**	–
Less: allowance for expected credit losses	**(1,254)**	–
	3,746	–
Total	**8,915**	5,717

As at 31 December 2022, loan receivables represented short-term loans granted to two individual third parties during the year. The loans are unsecured, interest bearing at rate of 5% per annum and repayable by 1 July 2023. The loans are denominated in RMB. Loan receivables are carried at fixed interest rates and therefore subject to fair values interest rate risk. Except for the loan receivables, the remaining other receivables and deposits are unsecured, interest free and repayable on demand. As at 31 December 2022, the management has carried out an impairment assessment according to HKFRS 9, details please refer to note 6(c).

As at 31 December 2021, the financial assets included in the above balances were non-interest-bearing, unsecured and repayable on demand and related to receivables for which there was no recent history of default and past due amounts. Therefore, no allowance was provided.

The movements in the loss allowance for expected credit loss of other receivables and other assets are as follow:

	2022 *RMB'000*	2021 *RMB'000*
At beginning of year	**–**	–
Impairment losses	**1,999**	–
Exchange realignments	**10**	–
At end of year	**2,009**	–

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Equity security held for trading, at fair value		
Listed outside Hong Kong	**3,113**	–

The carrying amounts of the above financial assets are measured at fair value through profit or loss in accordance with HKFRS 9 is denominated in USD.

The investments included above represent investments in a listed equity security that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

There is no concentration of credit risk in respect of the financial assets at fair value through profit or loss because these financial assets are kept in well-established securities firm in Hong Kong.

The fair values of listed security is based on current bid prices.

29 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM BANK DEPOSITS

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**29,890**	43,614
Pledged short-term bank deposits (Pledged for services quality*)	**1,500**	1,750
	31,390	45,364
Less: Pledged short-term bank deposits	**(1,500)**	(1,750)
Cash and cash equivalents	**29,890**	43,614
Denominated in RMB	**19,800**	21,055
Denominated in JPY	**9,286**	2,852
Denominated in USD	**18**	1,147
Denominated in HKD	**786**	18,560
Cash and cash equivalents	**29,890**	43,614

* Guarantee deposits for the Group's tourism operation as required by the PRC government

29 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM BANK DEPOSITS (CONTINUED)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged short-term bank 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 bank deposit rates. The bank balances and pledged short-term bank deposits are deposited with creditworthy banks with no recent history of default.

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

30 TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
1 to 30 days	**886**	494
31 to 90 days	**87**	–
181 to 360 days	**–**	20
1 to 2 years	**288**	296
	1,261	810

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

31 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities (note 9)	**995**	121
Payroll payables	**1,077**	1,902
Tax payable other than income tax	**3,129**	4,585
Other payables	**8,583**	8,696
	13,784	15,304

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

32 INTEREST-BEARING BANK BORROWINGS

Current	Effective interest rate (%) p.a.	Maturity	**2022** ***RMB'000***	2021 *RMB'000*
RMB10,000,000 secured bank loan	3.75	2023	**10,000**	10,000
JPY241,812,000 current portion of long-term secured bank loan*	1.88	2023	**14,056**	14,872
JPY7,128,000 current portion of long-term secured bank loan*	1.88	2023	**737**	840
JPY51,624,000 current portion of long-term secured bank loan*	1.88	2023	**2,703**	2,861
			27,496	28,573

Non-current	Effective interest rate (%) p.a.	Maturity	**2022** ***RMB'000***	2021 *RMB'000*
JPY18,424,000 secured bank loan	1.88	2024	**964**	1,021
JPY585,121,000 secured bank loan	1.88	2032	**30,636**	32,424
			31,600	33,445

	2022 ***RMB'000***	2021 *RMB'000*
Analysed into:		
Bank loans repayable		
– Within one year or on demand	**27,496**	28,573
– Within a period of more than one year but not exceeding two years	**3,667**	3,256
– Within a period of more than two years but not exceeding five years	**8,109**	9,208
– More than five years	**19,824**	20,981
	59,096	62,018

* The current portion of long-term bank loan of approximately RMB17,496,000, which was supposed to be repaid fully during 2022, was granted extension of repayment to a point of time in 2023 that is subject to the mutual agreement between the Group and the Japanese bank.

During the year ended 31 December 2022, 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 RMB158,000 was charged to profit or loss for the year ended 31 December 2022 at loan modification date.

32 INTEREST-BEARING BANK BORROWINGS (CONTINUED)

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 approximately RMB8,230,000 (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 approximately RMB4,500,000 (2021: RMB5,998,000) as at 31 December 2022 (note 17);

(ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of approximately RMB8,932,000 (2021: RMB9,423,000) as at 31 December 2022 (note 18); and

(iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of approximately RMB41,233,000 (2021: RMB43,541,000) (note 19).

(b) Except for the RMB10,000,000 (2021: RMB10,000,000) secured bank loan which denominated in RMB and arranged at floating rates was exposing the Group to cash flow interest rate risk, the remaining secured bank loans amounting to approximately RMB49,096,000 (2021: RMB52,018,000) were denominated in JPY and are fixed interest rates and expose the Group to fair value interest rate risk.

33 DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

(a) Deferred tax assets

	Impairment of trade receivables, other receivables and other assets and inventories write-off *RMB'000*	**Tax losses** *RMB'000*	**Accruals** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	3,524	7,828	253	1,962	13,567
Credited/(charged) to profit or loss during the year (note 14)	(237)	(1,784)	(49)	(445)	(2,515)
Exchange realignment	(35)	(427)	–	–	(462)
At 31 December 2021 and 1 January 2022	3,252	5,617	204	1,517	10,590
Credited/(charged) to profit or loss during the year (note 14)	508	(793)	(204)	(407)	(896)
Exchange realignment	(3)	(175)	–	–	(178)
At 31 December 2022	**3,757**	**4,649**	**–**	**1,110**	**9,516**

33 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Accelerated depreciation for tax purposes *RMB'000*	Fair value change of investment properties *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2021	3,726	1,402	807	1,962	7,897
(Credited)/charged to profit or loss during the year (note 14)	–	267	(704)	(445)	(882)
Exchange realignment	–	(108)	–	–	(108)
At 31 December 2021 and 1 January 2022	3,726	1,561	103	1,517	6,907
(Credited)/charged to profit or loss during the year (note 14)	(180)	309	(103)	(407)	(381)
Exchange realignment	3	(49)	–	–	(46)
At 31 December 2022	**3,549**	**1,821**	**–**	**1,110**	**6,480**

Certain deferred tax assets and liabilities have been offset according to note 4(v) in the consolidated statement of financial position under the same jurisdiction. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 ***RMB'000***	2021 *RMB'000*
Net deferred tax assets recognised	**7,584**	8,289
Net deferred tax liabilities recognised	**(4,548)**	(4,606)
	3,036	3,683

As at 31 December 2022, the Group has unrecognised tax losses arose in Mainland China and Japan of approximately RMB253,000 (2021: RMB441,000) and approximately RMB4,375,000 (2021: RMB5,176,000) that will be expired in one to five years and nine years respectively for offsetting against further taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has no tax losses arising in Hong Kong as at 31 December 2022 (2021: Nil) that are available for offsetting against future taxable profits of the companies in which the losses arose.

33 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred tax liabilities (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 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. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2022 and 2021, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB5,731,000 as at 31 December 2022 (2021: RMB17,350,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34 SHARE CAPITAL

	2022 ***RMB'000***	2021 *RMB'000*
Authorised:		
1,500,000,000 ordinary shares of HK$0.01 each	**15,000**	15,000

	2022 ***RMB'000***	2021 *RMB'000*
Issued and fully paid:		
1,000,000,000 ordinary shares of HK$0.01 each	**8,797**	8,797

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

34 SHARE CAPITAL (CONTINUED)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, contract liabilities, other payables and accruals and lease liabilities, less cash and cash equivalents and pledged short-term bank deposits. Total capital represents equity attributable to the equity shareholders of the Company. The gearing ratios as at the end of the years were as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Interest-bearing bank borrowings	**59,096**	62,018
Lease liabilities	**3,170**	4,494
Trade payables	**1,261**	810
Contract liabilities, other payables and accruals	**13,784**	15,304
Less: Cash and cash equivalents	**(29,890)**	(43,614)
Pledged short-term bank deposits	**(1,500)**	(1,750)
Net debt	**45,921**	37,262
Equity attributable to equity shareholders of the Company	**126,351**	149,620
Total capital and net debt	**172,272**	186,882
Gearing ratio	**26.7%**	20%

35 RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 77 of the consolidated financial statements.

35 RESERVES (CONTINUED)

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as a dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Capital reserves

The capital reserve of the Group represents the aggregate paid-up capital of the subsidiaries, comprising the Group and the deemed contribution from Mr. Yu Dingxin, one of the Controlling Shareholders.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Fair value reserves of financial assets at FVTOCI

Fair value reserves of financial assets at fair value through other comprehensive income comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy for financial assets at fair value through other comprehensive income.

Revaluation reserves

Revaluation reserves represent the gain on revaluation upon re-classification to investment properties, net of tax.

Foreign currency translation reserves

The foreign currency translation reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for foreign currencies.

36 PLEDGE OF ASSETS

Details of the Group's assets pledged for bank loans and for the tour business granted to the Hangzhou Tourism Commission are included in notes 17, 18, 19, 29 and 32 to the consolidated financial statements.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMBNil (2021: RMB127,000) and RMBNil (2021: RMB127,000), respectively, in respect of lease arrangements for office units and hotel facilities.

(b) Changes in liabilities arising from financing activities

2022	**Lease liabilities** *RMB'000*	**Interest-bearing bank borrowings** *RMB'000*
At 1 January 2022	**4,494**	**62,018**
Changes from financing cash flows	**(1,260)**	**(1,262)**
Finance costs	**48**	**1,262**
Early termination of lease	**(112)**	**–**
Gain on loan modification	**–**	**(158)**
Foreign exchange movement	**–**	**(2,764)**
At 31 December 2022	**3,170**	**59,096**

2021	Lease liabilities *RMB'000*	Interest-bearing bank borrowings *RMB'000*
At 1 January 2021	5,889	67,172
New leases	127	–
Changes from financing cash flows	(1,500)	(1,314)
Finance costs	84	1,314
Reduction as a result of lease modifications	(106)	–
Loss on loan modification	–	(1,917)
Foreign exchange movement	–	(3,237)
At 31 December 2021	4,494	62,018

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within operating activities	**6**	18
Within financing activities	**1,260**	1,500
Lease rental paid	**1,266**	1,518

38 COMMITMENTS

The Group as lessee

The Group has no lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are RMB Nil (2021: RMB65,000) due within one year.

The Group as lessor

Operating leases relate to investment properties owned by the Group with lease terms of 6 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Within year 1	**965**	–
In the second year	**965**	–
In the third year	**1,003**	–
In the fourth year	**1,003**	–
In the fifth year	**1,043**	–
After five years	**1,043**	–
Total	**6,022**	–

39 RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

(a) Compensation of key management personnel of the Group:

	2022 ***RMB'000***	2021 *RMB'000*
Salaries, allowances and benefits in kind	**478**	1,770
Pension scheme contributions	**67**	142
Total compensation paid to key management personnel	**545**	1,912

Further details of directors' emoluments are included in note 12 to the consolidated financial statements.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2022	2021
	RMB'000	*RMB'000*
Non-current assets		
Investment in a subsidiary	**–**	5
	–	5
Current assets		
Due from subsidiaries	**89,285**	83,997
Prepayments, other receivables and other assets	**160**	92
Cash and cash equivalents	**41**	499
	89,486	84,588
Current liabilities		
Other payables and accruals	**–**	83
	–	83
Net current assets	**89,486**	84,505
Total assets less current liabilities	**89,486**	84,510
NET ASSETS	**89,486**	84,510
Capital and reserves		
Share capital	**8,797**	8,797
Reserves	**80,689**	75,713
TOTAL EQUITY	**89,486**	84,510

Approved and authorised for issue by the Board of Directors on 29 March 2023 and are signed on its behalf by:

Yu Dingxin
Director

Pan Wei
Director

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) A reserve movement of the Company

	Share premium *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2021	91,120	(4,086)	(5,192)	81,842
Loss for the year	–	–	(1,425)	(1,425)
Exchange differences on translation	–	(4,704)	–	(4,704)
At 31 December 2021 and 1 January 2022	91,120	(8,790)	(6,617)	75,713
Profit for the year	–	–	883	883
Exchange differences on translation	–	4,093	–	4,093
At 31 December 2022	**91,120**	**(4,697)**	**(5,734)**	**80,689**

FINANCIAL SUMMARY

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out below.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**26,293**	20,789	30,869	233,803	205,051
(Loss)/profit before tax	**(17,993)**	(38,963)	(55,517)	36,652	10,771
Income tax expense	**(515)**	(1,705)	10,101	(10,842)	(3,702)
(Loss)/profit for the year	**(18,508)**	(40,668)	(45,416)	25,810	7,069

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**210,751**	240,490	289,650	357,121	278,008
Total liabilities	**82,447**	88,871	88,422	(104,469)	(154,452)
Non-controlling interests	**1,953**	1,999	2,077	(2,201)	(2,603)
Total equity	**128,304**	151,619	201,228	(250,451)	(120,953)