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途屹控股

TU YI HOLDING COMPANY LIMITED

途屹控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1701)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Tu Yi Holding Company Limited (the “**Company**”) would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Period Under Review**”).

FINANCIAL HIGHLIGHTS

	For the six month ended 30 June		Period-on- period change (%)
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	27,115	12,581	115.5
Gross profit	12,785	7,015	82.3
Net profit/(loss) attributable to equity shareholders	2,716	(3,626)	174.9
Gross profit margin (%)	47.2%	55.8%	(8.6) percentage points
Profit/(loss) per share – Basic and diluted (<i>RMB cents</i>)	0.27	(0.36)	175.0
	As at 30 June 2023	As at 31 December 2022	Period-on- period change (%)
Current ratio (%)	115.6	103.6	12 percentage points
Gearing ratio (%)	26.6	26.7	(0.1) percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period Under Review, the Group as well as the tourism and hospitality industry (the “**Industry**”) in the People’s Republic of China (the “**PRC**”) have been rejuvenating and recovering rapidly after the lifting of strict prevention measures in December 2022 in relation to the outbreak of the novel coronavirus (“**COVID-19**”) by the central government of the PRC. The Group resumed and re-built its product varieties and capacities of its outbound packaged tours products and outbound free independent traveller products (the “**FIT Products**”) on a full-scale basis since early January 2023. Such products had previously been suspended from January 2020 to December 2022, 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). The overall revenue of the Group increased by approximately 115.5% as compared to that of the corresponding period in 2022. The net profit attributable to equity shareholders amounted to approximately RMB2.7 million, representing a substantial improvement as compared to the net loss attributable to equity shareholders of approximately RMB3.6 million in the first half of 2022. The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023.

BUSINESS REVIEW AND PROSPECTS

The Group is a well-established comprehensive travel products and service provider in both the PRC and Japan, 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; operation of an online store retailer for Japanese-lifestyle-oriented products and its e-commerce business platform – the online cross-border duty-free shop business under its brand “Direct Courier from Shop Manager” (“店長直郵”) (the “**Duty-free Shop Business**”); 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 Period Under Review, the management of the Group has been adapting its business strategies in response to shifts in consumer lifestyles and spending patterns from the pre-COVID-19 era to the post-COVID-19 era, which led to the anticipated increase in expenditures on services and travelling, as opposed to online shopping. During the Period Under Review, the Group experienced a notable recovery in sales of package tours and sales of day tours with respective revenue increases of approximately RMB5.0 million and RMB6.7 million. Furthermore, the Average Revenue Per Traveller (“**ART**”) increased to approximately RMB8,583 and RMB356 for these segments respectively. This upward trend in sales of package tours and sales of day tours further stimulated cross sales within our Hotel Operation. Consequently, revenue from the Hotel Operation surged by approximately 223.8%, amounting to approximately RMB8.1 million in the first half of 2023, with gross profit margin increasing to approximately 80.7% from its previous approximately 67.7%. Additionally, the occupancy rates of the Shizuoka Hotel and Tokyo Hotel for the first half of 2023 climbed to approximately 15.5% and 86.0% respectively, marking a substantial improvement as compared to the corresponding period in 2022.

Meanwhile, along with the shifts in consumer lifestyles and spending patterns, the revenue from the Duty-free Shop Business declined by approximately 64.1% during the Period Under Review as compared to the corresponding period in 2022. The Group expects this downturn will persist through the second half of 2023 but foresees a return to growth in 2024.

Looking ahead to the second half of 2023 and 2024, apart from focusing on the usual focus areas:– (i) building up its own product brands and expanding products design and manufacturing capacities for its Duty-free Shop Business; (ii) exploring and launching customised tourism products; and (iii) initiating the application for financial licence in relation to the provision of cross-border payment/transfer/exchange services, the Group has set its sights on the hotel management sector, aiming to pivot towards a more asset-light business model. Leveraging on the expertise garnered from its Hotel Operation business, along with the robust customer base cultivated through sale of package tours and sale of day tours business, the Group aims to extend its business segment into hotel management business in order to maximise the full potential of the Group’s expertise in the Industry.

FINANCIAL REVIEW

Revenue and gross profit margin

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

	For the six months ended 30 June 2023				For the six months ended 30 June 2022			
	Revenue RMB’000 (Unaudited)	ART RMB (Unaudited)	% of revenue (Unaudited)	Gross profit margin (Unaudited)	Revenue RMB’000 (Unaudited)	ART RMB (Unaudited)	% of revenue (Unaudited)	Gross profit margin (Unaudited)
Sales of package tours	4,952	8,583	18.3%	14.5%	-	-	-	N/A
Sales of day tours	6,687	356	24.7%	23.7%	-	-	-	N/A
Margin income from sales of FIT products (net basis)	317	221	1.2%	100%	-	-	-	N/A
Margin income from the provision of visa application processing services (net basis)	2,703	76	10.0%	100%	-	-	-	N/A
Hotel Operation – Japan	8,135	1,937	30.0%	80.7%	2,512	263	20.0%	67.7%
Duty-free Shop business – Japan, Taiwan, China and The PRC	3,403	N/A	12.4%	38.1%	9,481	N/A	75.4%	49.9%
Others	918	-	3.4%	-	588	-	4.6%	-
	<u>27,115</u>	<u></u>	<u>100%</u>	<u>47.2%</u>	<u>12,581</u>	<u></u>	<u>100%</u>	<u>55.8%</u>

Sales of package tours, sales of day tours and margin income from sales of FIT Products and provision of visa application processing services (net basis)

The Group's package tours generally comprises flights, hotel accommodations, meals, transportation and sight-seeing activities as a bundled package and are accompanied by tour escorts from departure till return to the PRC, and they range from standardised package tours to tailor-made and customised tours for customers with specific requirements. The Group's day tour products generally consist of day tours ranging from one day to six days, which mainly target travellers who are neither package tours nor the FIT Product customers and have purchased air tickets/hotel accommodations separately, but wish to participate in local day tours. The FIT Products mainly comprise air tickets, hotel accommodation and flight- plus-hotel bundled packages.

The revenue from sale of package tours, sale of day tours and margin income from sales of FIT products and provision of visa application processing services increased by approximately RMB5.0 million, approximately RMB6.7 million, approximately RMB0.3 million and approximately RMB2.7 million respectively as the Group resumed those businesses after the lifting of strict prevention measures in December 2022 in relation to the outbreak of COVID-19 by the central government of PRC.

Hotel Operation – Japan

The Group operates its self-owned Shizuoka Hotel and Tokyo Hotel. The revenue of the Hotel Operation increased from approximately RMB2.5 million for the first half of 2022 to approximately RMB8.1 million for the first half of 2023 and gross profit margin improved by approximately 13.0%, primarily attributable to the reasons mentioned in the business review above.

Duty-free Shop Business – Japan & Taiwan, China & The PRC

The Group operates its Duty-free Shop Business in the premises of the Tokyo Hotel, together with its online Duty-free Shop Business under the name “Direct Courier from Shop Manager” (“店長直郵”). During the Period Under Review, the revenue of the Duty-free Shop Business decreased by approximately 64.1% and its gross profit margin decreased by 11.8 percentage points from approximately 49.9% for the first half of 2022 to approximately 38.1% for the first half of 2023, which was primarily attributable to the reasons mentioned in the business review above.

Administrative expenses

The Group's administrative expenses increased by approximately 18.9% for the six months ended 30 June 2023 as compared to that of the corresponding period in 2022. This increase was consistent with the resumption and expansion in the Group's business scale, primarily attributable to the reasons mentioned in the business review above.

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

For the six months ended 30 June 2023 – unaudited

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	27,115	12,581
Cost of sales and services rendered		<u>(14,330)</u>	<u>(5,566)</u>
Gross profit		12,785	7,015
Other income and other gains/(losses), net	4	4,221	1,803
Selling and distribution costs		(3,056)	(3,345)
Administrative expenses		(10,256)	(8,626)
Other expenses		(393)	(54)
Finance costs	6	<u>(627)</u>	<u>(664)</u>
Profit/(loss) before tax	5	2,674	(3,871)
Income tax credit	7	<u>42</u>	<u>245</u>
Profit/(loss) for the period		<u><u>2,716</u></u>	<u><u>(3,626)</u></u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(1,654)	(9,662)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Fair value changes of financial assets at fair value through other comprehensive income		<u>–</u>	<u>(27)</u>
Other comprehensive loss for the period, net of tax		<u><u>(1,654)</u></u>	<u><u>(9,689)</u></u>
Total comprehensive income/(loss) for the period		<u><u>1,062</u></u>	<u><u>(13,315)</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONTINUED)**

For the six months ended 30 June 2023 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		2,716	(3,609)
Non-controlling interests		–	(17)
		<u>2,716</u>	<u>(3,626)</u>
Total comprehensive income/(loss) for the period attributable to:			
Equity shareholders of the Company		1,062	(13,298)
Non-controlling interests		–	(17)
		<u>1,062</u>	<u>(13,315)</u>
Earnings/(loss) per share			
	8		
Basic (<i>RMB cents</i>)		0.27	(0.36)
Diluted (<i>RMB cents</i>)		N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCE POSITION

At 30 June 2023 – unaudited

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		90,975	95,578
Investment properties		16,824	16,824
Right-of-use assets		2,700	3,249
Freehold land		39,524	41,233
Other intangible assets		353	396
Financial assets at fair value through other comprehensive income	10	9	10
Deferred tax assets		7,450	7,584
		<u>157,835</u>	<u>164,874</u>
Current assets			
Inventories	11	1,848	1,602
Trade receivables	12	5,268	857
Financial assets at fair value through profit or loss		3,125	3,113
Prepayments, other receivables and other assets		12,580	8,915
Pledged short-term bank deposits	13	1,500	1,500
Cash and cash equivalents	13	31,406	29,890
		<u>55,727</u>	<u>45,877</u>
Current liabilities			
Trade payables	14	3,601	1,261
Contract liabilities, other payables and accruals		16,509	13,784
Interest-bearing bank borrowings	15	27,138	27,496
Lease liabilities		409	1,147
Tax payable		553	588
		<u>48,210</u>	<u>44,276</u>
Net current assets		<u>7,517</u>	<u>1,601</u>
Total assets less current liabilities		<u>165,352</u>	<u>166,475</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCE POSITION
(CONTINUED)**

At 30 June 2023 – unaudited

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank borrowings	<i>15</i>	29,311	31,600
Lease liabilities		2,213	2,023
Deferred tax liabilities		4,462	4,548
		<u>35,986</u>	<u>38,171</u>
NET ASSETS		<u>129,366</u>	<u>128,304</u>
Capital and reserves			
Share capital	<i>16</i>	8,797	8,797
Reserves		118,616	117,554
		<u>127,413</u>	<u>126,351</u>
Equity attributable to equity shareholders of the Company		1,953	1,953
Non-controlling interests		<u>129,366</u>	<u>128,304</u>
TOTAL EQUITY		<u>129,366</u>	<u>128,304</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 – unaudited

		Six months ended 30 June	
	Note	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Net cash inflow/(outflow) in respect of operating activities		2,558	(14,424)
Net cash outflow in respect of investing activities		(331)	(3,610)
Net cash outflow in respect of financing activities		(1,803)	(1,285)
Net increase/(decrease) in cash and cash equivalents		424	(19,319)
Effect of foreign exchange rate changes, net		1,092	7,346
Cash and cash equivalents at beginning of period		29,890	43,614
Cash and cash equivalents at end of period	13	31,406	31,641

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited

Attributable to equity shareholders of the Company

	Issued capital <i>RMB'000</i>	Share premium* <i>RMB'000</i>	Capital reserves* <i>RMB'000</i>	Statutory surplus reserves* <i>RMB'000</i>	Fair value reserve of financial assets at fair value through other comprehensive income* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Revaluation reserves* <i>RMB'000</i>	Difference arising from acquisition of non- controlling interests* <i>RMB'000</i>	Foreign currency translation reserves* <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2023 (Audited)	8,797	91,120	88,967	6,482	(14)	(50,887)	1,579	(19)	(19,674)	126,351	1,953	128,304
Profit for the period	-	-	-	-	-	2,716	-	-	-	2,716	-	2,716
Exchange differences	-	-	-	-	-	-	-	-	(1,654)	(1,654)	-	(1,654)
At 30 June 2023 (Unaudited)	<u>8,797</u>	<u>91,120</u>	<u>88,967</u>	<u>6,482</u>	<u>(14)</u>	<u>(48,171)</u>	<u>1,579</u>	<u>(19)</u>	<u>(21,328)</u>	<u>127,413</u>	<u>1,953</u>	<u>129,366</u>
At 1 January 2022 (Audited)	8,797	91,120	88,967	6,482	(502)	(31,881)	1,579	(19)	(14,923)	149,620	1,999	151,619
Loss for the period	-	-	-	-	-	(3,609)	-	-	-	(3,609)	(16)	(3,625)
Exchange differences	-	-	-	-	(27)	-	-	-	(9,662)	(9,689)	-	(9,689)
At 30 June 2022 (Unaudited)	<u>8,797</u>	<u>91,120</u>	<u>88,967</u>	<u>6,482</u>	<u>(529)</u>	<u>(35,490)</u>	<u>1,579</u>	<u>(19)</u>	<u>(24,585)</u>	<u>136,322</u>	<u>1,983</u>	<u>138,305</u>

* These reserve accounts comprise the consolidated reserves of approximately RMB118,616,000 (31 December 2022: RMB117,554,000) in the consolidated statement of financial position.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In the opinion of the directors of the Company, as at 30 June 2023, 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 the British Virgin Islands), is directly and wholly owned by Mr. Yu Dingxin. King Pan Co., Ltd (incorporated in the British Virgin Islands), is directly and wholly owned by Mr. Pan Wei. Jeffery Xu Co., Ltd (incorporated in the British Virgin Islands), is directly and wholly owned by Mr. Xu Jiong.

2 BASIS OF PREPARATION

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

The Group’s unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022 except for the new and revised Hong Kong Financial Reporting Standards, amendments and Interpretations issued by the HKICPA that adopted for the first time for current period. The adoption has no significant effects on the results and financial position of the Group for current and prior periods. The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for investment properties and certain financial instruments that are measured at fair value.

These unaudited condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. The Group’s unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

3 OPERATING SEGMENT INFORMATION

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sales of package tours and day tours	12,542	434
Margin income from sales of FIT products	332	154
Margin income from the provision of visa application processing services	2,703	–
Income from duty-free shop business	3,403	9,481
Hotel operation income	8,135	2,512
	<u>27,115</u>	<u>12,581</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The PRC*	15,615	9,117
Japan [#]	11,283	2,876
Taiwan, China [▲]	217	588
Total	<u>27,115</u>	<u>12,581</u>

* 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 hotel operation and duty-free shop business.

[▲] Mainly from online duty-free shop business.

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2023 and 2022.

3 OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Non-current assets

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
The PRC	33,107	33,638
Japan	<u>117,269</u>	<u>123,642</u>
Total	<u>150,376</u>	<u>157,280</u>

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

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15	27,115	12,581
Other income		
Bank interest income	28	2
Government grants	8	257
Gross rental income from investment properties	919	–
Other interest income from financial assets at fair value through profit or loss	–	95
Other interest income from loans to third parties	649	657
Others	<u>371</u>	<u>797</u>
	<u>1,975</u>	<u>1,808</u>
Other gains/(losses), net		
Foreign exchange gains/(losses)	211	(33)
Gain on early termination of lease	–	28
Changes in fair value of financial assets at fair value through profit or loss	<u>2,035</u>	<u>–</u>
	<u>2,246</u>	<u>(5)</u>
	<u>4,221</u>	<u>1,803</u>

5 PROFIT/LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	12,222	810
Cost of inventories sold	2,108	4,756
Depreciation of property, plant and equipment	1,949	1,901
Depreciation of right-of-use assets	549	545
Amortisation of other intangible assets	27	29
	<u> </u>	<u> </u>

6 FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	614	641
Interest on lease liabilities	13	23
	<u> </u>	<u> </u>
	<u>627</u>	<u>664</u>

7 INCOME TAX CREDIT

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Pursuant to the rules and regulations of Japan, the subsidiaries incorporated in Japan are subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes was 33.6% (2022: 33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period Under Review, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime during the years of assessment 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 Period Under Review (2022: Nil).

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

7 INCOME TAX CREDIT (CONTINUED)

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Deferred	(42)	(245)
	<u>(42)</u>	<u>(245)</u>

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity shareholders of the Company of approximately RMB2,716,000 (2022: loss of RMB3,609,000), and the weighted average number of 1,000,000,000 (30 June 2022: 1,000,000,000) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2023 and 2022.

9 INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Listed equity investments, at fair value		
Raily Aesthetic Medicine International Holdings Limited	9	10
	<u>9</u>	<u>10</u>

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

11 INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Merchandise for sales	1,763	1,513
Hotel supplies	85	89
	<u>1,848</u>	<u>1,602</u>

12 TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
1 to 30 days	5,146	625
31 to 90 days	22	232
91 to 180 days	65	–
181 to 360 days	35	–
	<u>5,268</u>	<u>857</u>

13 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM BANK DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	31,406	29,890
Pledged short-term bank deposits (Pledged for services quality)*	1,500	1,500
	<u>32,906</u>	<u>31,390</u>
Less: Pledged short-time bank deposits	(1,500)	(1,500)
	<u>31,406</u>	<u>29,890</u>

* Guarantee deposits for the Group's tourism operation as required by the PRC government

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 time 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 are approximate to their fair values.

14 TRADE PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
1 to 30 days	3,189	886
31 to 90 days	84	87
91 to 180 days	42	–
181 to 360 days	–	–
1 to 2 years	286	288
	<u>3,601</u>	<u>1,261</u>

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

15 INTEREST-BEARING BANK BORROWINGS

Current	Effective interest rate (%) p.a.	Maturity	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
RMB10,000,000 (2022: RMB10,000,000) secured bank loan	3.75	2024	10,000	10,000
JPY241,812,000 (2022: JPY241,812,000) current portion of long-term secured bank loan*	1.88	2024	13,509	14,056
JPY13,552,000 (2022: JPY7,128,000) current portion of long-term secured bank loan*	1.88	2024	1,043	737
JPY51,624,000 (2022: JPY51,624,000) current portion of long-term secured bank loan*	1.88	2024	2,586	2,703
			<u>27,138</u>	<u>27,496</u>

15 INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Non-current	Effective interest rate (%)	Maturity	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
JPY Nil				
(2022: JPY18,424,000) secured bank loan	1.88	2024	–	964
JPY585,121,000				
(2022: JPY585,121,000) secured bank loan	1.88	2032	<u>29,311</u>	<u>30,636</u>
			<u>29,311</u>	<u>31,600</u>
			30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:				
Bank loans repayable				
– Within one year or on demand			27,138	27,496
– Within a period of more than one year but not exceeding two years			2,586	3,667
– Within a period of more than two years but not exceeding five years			7,758	8,109
– More than five years			<u>18,967</u>	<u>19,824</u>
			<u>56,449</u>	<u>59,096</u>

* The current portion of long-term bank loans of approximately RMB16,095,000, which was supposed to be repaid fully during 2023, was granted extension of repayment to a point of time in 2024 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.

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 RMB7,910,000 (31 December 2022: RMB8,230,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying amount of RMB4,411,000 (31 December 2022: RMB4,500,000);

15 INTEREST-BEARING BANK BORROWINGS (CONTINUED)

- (ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of RMB8,932,000 (31 December 2022: RMB8,932,000); and
- (iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB39,524,000 (31 December 2022: RMB41,233,000).
- (b) Except for the RMB10,000,000 (31 December 2022: RMB10,000,000) secured bank loan which denominated in RMB and arranged at floating rates was exposing the Group to cash flow interest risk, the remaining secured bank loans amounting to approximately RMB46,449,000 (31 December 2022: RMB49,096,000) were denominated in JPY and are fixed interest rates and expose the Group to fair value interest rate risk.

16 SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised:		
1,500,000,000 ordinary shares of HK\$0.01 each	<u>15,000</u>	<u>15,000</u>
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>8,797</u>	<u>8,797</u>

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	Utilised	Utilised		Expected
	use of Net Proceeds as disclosed in the 2021 Interim Results Announcement	Net Proceeds during the period from Listing Date to 31 December 2022	Net Proceeds during the Period Under Review	Unutilised Net Proceeds as at 30 June 2023	
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	
(i) Enhancing the Group’s product portfolio by developing new products and services	1,760	(1,760)	–	–	–
(ii) Purchasing tour buses and engaging third party tour bus operators	11,440	(11,440)	–	–	–
(iii) Acquiring hospitality asset in Kyoto, Japan	17,600	–	–	17,600	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)	–	–	–
	<u>88,000</u>	<u>(70,400)</u>	<u>–</u>	<u>17,600</u>	

During the Period 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.

EVENTS AFTER THE REPORTING PERIOD

There was no material events affecting the Group occurred subsequent to 30 June 2023 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 145 full time employees. The Group's employee benefits included salary and discretionary bonuses based on the Group's results and individual performance, medical and retirement benefits schemes. The remuneration committee of the Company (the "**Remuneration Committee**") reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing, expressed as a percentage of net debt dividend by total capital plus net debt remained at a similar level during the Period Under Review (30 June 2023: 26.6%; 31 December 2022: 26.7%). The Group adopts conservative treasury policies in cash and financial management. The Group's cash is generally placed as current deposits which are mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

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

The trade receivables turnover days increased during the Period Under Review as the Group resumed the Hotel Operation during the Period Under Review, which typically has longer turnover days (30 June 2023: 71 days; 31 December 2022: 12 days).

The trade payables turnover days increased during the Period Under Review as the Group resumed the Hotel Operation during the Period Under Review, which typically has longer turnover days (30 June 2023: 92 days; 31 December 2022: 24 days).

INTERIM DIVIDEND

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

PLEDGE OF ASSETS

As at 30 June 2023, the Group's pledged short-term bank deposits of approximately RMB1.5 million (31 December 2022: approximately RMB1.5 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

SIGNIFICANT INVESTMENT HELD, ACQUISITION AND DISPOSAL

Save as disclosed in note 10 to the condensed consolidated financial statements, as at 30 June 2023, there were no significant investments held by the Group or future plans for material investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2023.

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) has three members, namely Mr. Ying Luming, Mr. Zhao Jianbo and Ms. Zhou Li, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Ying Luming. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

REMUNERATION COMMITTEE

As at the date of this announcement, the Remuneration Committee has three members, namely Mr. Yu Dingxin, Mr. Zhao Jianbo and Ms. Zhou Li, of whom Mr. Zhao Jianbo and Ms. Zhou Li are independent non-executive Directors and Mr. Yu Dingxin is the chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Ms. Zhou Li. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

As at the date of this announcement, the nomination committee of the Company (the “**Nomination Committee**”) consists of three members, namely Mr. Yu Dingxin and Mr. Zhao Jianbo and Ms. Zhou Li, of whom Mr. Zhao Jianbo and Ms. Zhou Li are independent non-executive Directors and Mr. Yu Dingxin is the chairman of the Board and an executive Director. The chairman of the Nomination Committee is Mr. Yu Dingxin. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim result announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tuyigroup.com). The Company’s interim report for the six months ended 30 June 2023 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Tu Yi Holding Company Limited
Yu Dingxin
Chairman and executive Director

The People’s Republic of China, 31 August 2023

As at the date of this announcement, the Board comprises four executive Directors: Mr. Yu Dingxin, Mr. Pan Wei, Mr. Xu Jiong and Mr. An Jiajin and three independent non-executive Directors: Mr. Zhao Jianbo, Ms. Zhou Li, and Mr. Ying Luming.