

# 旅橙文化控股有限公司

## Orange Tour Cultural Holding Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8627



**Annual Report**  
**2019**

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the "**Directors**") of Orange Tour Cultural Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhou Yang (*Chairman*)

Ms. Song Ruiqing (*Chief Executive Officer*)

### Independent Non-executive Directors

Mr. Ho Yau Kwok

Mr. Yip Koon Shing

Mr. Wong Kin Yip

## BOARD COMMITTEES

### Audit Committee

Mr. Ho Yau Kwok (*Chairman*)

Mr. Yip Koon Shing

Mr. Wong Kin Yip

### Remuneration Committee

Mr. Yip Koon Shing (*Chairman*)

Ms. Song Ruiqing

Mr. Wong Kin Yip

### Nomination Committee

Mr. Zhou Yang (*Chairman*)

Mr. Ho Yau Kwok

Mr. Yip Koon Shing

## COMPANY SECRETARY

Mr. Pang Wai Ching

## AUTHORISED REPRESENTATIVES

Mr. Zhou Yang

Mr. Pang Wai Ching

## COMPLIANCE ADVISER

Frontpage Capital Limited

26/F, Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

## AUDITOR

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1

30 Canton Road,

Tsimshatsui

Kowloon

Hong Kong

*Certified Public Accountants*

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Sertus Chambers

Governors Square

Suite #5-204

23 Lime Tree Bay Avenue

P.O. Box 2547

Grand Cayman, KY1-1104

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Composite Building

Xiazhang Village

Yicheng Subdistrict

Yixing City

Jiangsu Province

The People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 813, 8/F

Tai Yau Building

181 Johnston Road

Wan Chai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Global Services (Cayman) Limited

71 Fort Street

P.O. Box 500

George Town

Grand Cayman KY1-1106

Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKS

Jiangsu Yixing Rural Commercial Bank Co., Ltd.

China Construction Bank (Asia) Corporation Limited

Industrial and Commercial Bank of China Limited

## COMPANY'S WEBSITE

[www.otch.com.cn](http://www.otch.com.cn)

## STOCK CODE

8627

# FINANCIAL SUMMARY

## FINANCIAL SUMMARY

	For the year ended 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
<b>Revenue</b>	<b>60,998</b>	53,358	40,877	34,913
Other income	153	309	108	42
Project costs	(22,117)	(19,959)	(12,235)	(10,353)
Depreciation of property, plant and equipment	(264)	(329)	(387)	(352)
Employee benefits expense	(11,984)	(11,143)	(10,083)	(10,207)
(Provision for)/reversal of allowance of expected credit loss on trade receivables, net	(666)	(360)	(83)	15
Other operating expenses	(4,130)	(2,467)	(1,840)	(1,276)
Listing expenses	(6,870)	(8,048)	–	–
Finance costs	(11)	–	–	–
<b>Profit before income tax</b>	<b>15,109</b>	11,361	16,357	12,782
Income tax	(6,230)	(5,054)	(4,103)	(3,242)
<b>Profit for the year</b>	<b>8,879</b>	6,307	12,254	9,540

## SUMMARY OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At as 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total non-current assets	556	5,323	630	660
Total current assets	111,253	53,678	58,654	27,798
Total assets	111,809	59,001	59,284	28,458
Total liabilities	19,266	14,934	25,148	10,330
Total equity	92,543	44,067	34,136	18,128



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**"), Orange Tour Cultural Holding Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present you our first annual report of the consolidated results of the Group for the financial year ended 31 December 2019 ("**FY2019**") to all shareholders of the Company ("**Shareholders**").

During the last year, we have spent much effort on the listing of the shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 14 November 2019. The successful listing of the shares of the Group represented a significant milestone for the Company's development. We are confident that the listing will help us to expand our principal business. And the financial support from the proceeds will enable us to better implement our business expansion plans in order to demonstrate our strong competitiveness.

In the recent year, it has been full spectrum of challenges in the market. While it has been keeping an upward trend for market development, competitions were also becoming more intensified in the PRC. Despite of the escalating challenges, we successfully coped with the rapid market changes by consistently carrying out varying degree of innovations and quality management as well as actively seeking for dynamic perspective on creativity. With such efforts, the Group meet the expected results in the financial year 2019.

The Group for the FY2019 achieved a considerable growth in revenue by 14.3% to approximately RMB61.0 million compared with the last financial year. The increase was primarily due to increase in number of projects and more larger scale projects undertaken by the Group, resulted in improving the overall profitability of the Group. In line with the increase in revenue, the Group's profit attributable to shareholders increased to approximately RMB8.9 million for FY2019 from approximately RMB6.3 million for the financial year ended 31 December 2018 ("**FY2018**"). Basic earnings per share raised by 35.2% to RMB1.42 cents, compared to RMB1.05 cents in the previous financial year.

As from the above financial highlights, we demonstrated the strong capabilities in execution of business strategies and consolidation of the innovative ideas so as to stimulate organic growth. Our business based in the Jiangsu Province and Yangtze River Delta Region, determined as the most vibrant economy in China, which attracts, develop and retain the best talents with diverse background in art culture, business, designing, event marketing, digital media from all over the nation. In light of the place with great diversity, the Group has benefited from understanding the needs of customers and offer them solutions by delivering event management as well as design and production services which integrated the elements of "Business, Tourism and Cultural" (商旅文).

Looking forward, we will further optimise and integrate our resources followed by a series of marketing efforts, which enable us to continue enhancing our brand awareness as well as our customers' satisfaction. Meanwhile, we will actively promote various brand collaborations by forming strategic marketing alliance with other businesses to build up a business ecosystem. In addition, we believe introducing our Company to the new market can be an effective way to expand our customer base. Leveraging our deep market knowledge and well-established brand reputation, we are confident that focusing on the aforesaid business strategies with a view to capture fast-growing business opportunities in the market is able to create more value for our employees, customers and Shareholders in the future.



## CHAIRMAN'S STATEMENT

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders, customers and business partners for their unrelenting trust and support, and also to our management team and staff for their valuable contributions to the Group's development.

Zhou Yang  
*Chairman and Executive Director*

Hong Kong, 26 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is a marketing services company headquartered in Yixing of the People's Republic of China ("PRC") with a principal focus on the provision of (i) event management services; and (ii) design and production services. Commenced its business under its predecessor, the Group has accumulated over 13 years of experience in the provision of marketing services. Over the years, the Group has developed well-established relationships with customers from governmental and commercial sectors of the PRC.

The successful listing of the Company's shares on GEM of the Stock Exchange (the "Listing") on 14 November 2019 has further improved the Company's financial position and overall competitiveness. The net proceeds from the Listing amounted to approximately HK\$27.2 million. With the support of the shareholders of the Company, as well as the competitive advantages and the well-established business strategy, the Group is confident in maintaining its performance and enhancing the Group's corporate profile which will induce the customers' confidence and strives to provide fruitful returns to investors in the future.

Looking forward, the Group will continue to strengthen the Group's position in the PRC marketing services industry and further expand the business operations with a view to capture the fast-growing business opportunity in the market. The Group will focus on the following business strategies: (i) establishment of new branch offices in Wuxi and Beijing; (ii) setting up a sales and marketing team and the enhancement of marketing efforts; and (iii) setting up an in-house multimedia production and design team. Details of the business strategies have been disclosed in the prospectus of the Company dated 30 October 2019 (the "Prospectus"). The financial support from the proceeds will enable the Group to better implement the business expansion plans and to demonstrate its strong competitiveness in order to fulfil the needs of the existing and potential customers across different regions.

## FINANCIAL REVIEW

### Revenue

The Group generates revenue from the provision of (i) event management services; and (ii) design and production services in the PRC. The following table sets forth the breakdown of revenue from business operations for FY2018 and FY2019.

	Year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Event management services	39,227	64.3%	36,280	68.0%
Design and production services	21,771	35.7%	17,078	32.0%
	60,998	100%	53,358	100%

Revenue increased from approximately RMB53.4 million for FY2018 to approximately RMB61.0 million for the FY2019, representing an increase of approximately RMB7.6 million or 14.3%. Such increase was primarily due to the increase in revenue generated from event management services as well as design and production services.





## MANAGEMENT DISCUSSION AND ANALYSIS

The provision of event management services continued to be the main source of revenue stream of the Group, which increased from approximately RMB36.3 million for the FY2018 to approximately RMB39.2 million for the FY2019, representing an increase of approximately 8.1% and accounting for 64.3% of the total revenue. Such increase was primarily driven by more larger scale projects undertaken which improved the overall profitability of the Group.

For design and production services, it increased from approximately RMB17.1 million for the FY2018 to approximately RMB21.8 million for the FY2019, representing an increase of approximately 27.5% and accounting for 35.7% of the total revenue. The increase was primarily due to the increase in the number of projects taken by the Group increased from 248 for FY 2018 to 326 for FY2019.

### Project costs

Project costs increased by approximately RMB2.2 million, or 10.8%, from approximately RMB20.0 million for FY2018 to approximately RMB22.1 million for FY2019. Such increase was generally in line with the increase in revenue and was primarily due to the overall increase in the cost of event management related services, resulting from the increase in the number of sizable event projects undertaken by the Group strategically.

### Employee benefits expense

Employee benefits expense increased from approximately RMB11.1 million for the FY2018 to approximately RMB12.0 million for FY2019, representing an increase of approximately RMB0.8 million or 7.5%. Such increase was primarily due to the overall increase in the number of staff.

### Other operating expenses

Other operating expenses increased from approximately RMB2.5 million for the FY2018 to approximately RMB4.1 million for FY2019, representing an increase of approximately RMB1.6 million or 67.4%. Such increase was primarily due to (i) the increase in the scale of projects undertaken which resulted in the increase in general operating costs; and (ii) the increase in auditor's remuneration as well as the legal and professional fees for the compliance costs upon Listing.

### Finance costs

Finance costs represents the interest expense recognised in respect of the lease liabilities in relation to the lease of the office premises. As HKFRS 16 was effective on 1 January 2019, no finance costs was recognised for the FY2018 while finance costs of approximately RMB11,000 was recorded for FY2019 upon application of HKFRS 16.

### Listing expenses

A total of approximately RMB24.2 million of listing expenses for FY2019 was incurred, of which the Group charged approximately RMB14.9 million to profit or loss, while approximately RMB9.3 million was directly attributable to the issue of new shares and was accounted for as a deduction from equity in accordance with the relevant accounting standards.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Total profit for the year and earnings per share

As a result of the foregoing, the Group's profit for the year increased from RMB6.3 million for FY2018 to RMB8.9 million for FY2019, increased by approximately RMB2.6 million or 40.8%. By excluding the listing expenses for FY2018 and FY2019, the Group's profit for the year increased by approximately RMB1.4 million or 9.7%.

Basic and diluted earnings per share for FY2019 were RMB1.42 cents as compared to RMB1.05 cents for FY2018.

## SEGMENT INFORMATION

Segment information is presented for the Group as disclosed on Note 6 to the consolidated financial statements.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2019 (2018: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its liquidity and capital requirements primarily through cash generated from operations and equity contribution from shareholders.

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB37.5 million (2018: RMB26.9 million).

As at 31 December 2019, the Group's total equity attributable to owners of the Company amounted to approximately RMB92.5 million (2018: RMB44.1 million). As of the same date, the Group did not have any interest bearing debt (2018: Nil).

On 14 November 2019, the Company was listed on GEM of the Stock Exchange by way of public offer and completed the public offer of 200,000,000 shares by offer price of HK\$0.275 per share. The net proceeds from the Listing amounted to approximately HK\$27.2 million. The Directors believe that with the new capital from the public offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

## PLEDGE OF ASSETS

As at 31 December 2019, none of the Group's assets was pledged (2018: Nil).

## GEARING RATIO

Gearing ratio is calculated as total interest-bearing debt divided by total equity and multiplied by 100%. The Group's gearing ratio was 0.1% for FY 2019 (2018: Nil).

## TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group that is likely to have a material and adverse effect on the Group's business, financial condition or results of operations (2018: Nil).

## FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were mainly transacted in RMB which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

## CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 14 November 2019. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 31 December 2019, the Company's issued share capital was RMB5.6 million and the number of its issued ordinary shares was 800,000,000 of US\$0.001 each.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

With reference to the announcement dated 29 November 2019, the Directors is in the progress of looking for a suitable property for new headquarter in Yixing in order to cope with the business expansion of the Group. Save for the establishment of the new headquarters, the Group did not have other plans for material investments or capital assets as of 31 December 2019.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures for the FY2019.

## CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no capital commitment (2018: RMB11,654,000). Further details of the capital commitment are set out in the Note 23(a) to the consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

As analysis comparing the business objectives as set in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2019 is set out below:

Business and strategy as stated in the Prospectus	Business objectives up to 31 December 2019 as stated in the Prospectus	Actual business progress up to 31 December 2019
Establishment of new branch offices in Wuxi and Beijing	<ul style="list-style-type: none"> <li>- Recruitment of one general manager for setting up our branch office in Wuxi</li> <li>- Payment of renovation costs for our new branch office in Wuxi</li> <li>- Payment of rental expenses for our new branch office in Wuxi</li> </ul>	One general manager has been recruited for setting up the new branch office in Wuxi. A suitable premise has been rented and the renovation works has also commenced for the opening of the new branch office.
Setting up a sales and marketing team and the enhancement of marketing efforts	<ul style="list-style-type: none"> <li>- Recruitment of eight additional staff for setting up our sales and marketing team</li> <li>- Carrying out marketing and promotional activities in different cities and regions in the PRC</li> </ul>	Eight additional staff has been recruited for the sales and marketing team and has been preparing to organise the marketing campaigns in Jiangsu Province and Yangtze River Delta Region
Setting up an in-house multimedia production and design team	<ul style="list-style-type: none"> <li>- Recruitment of one general manager for setting up our multimedia production and design team</li> </ul>	The Group has immediate recruitment plans and is still in the process of searching for suitable candidate for the general manager.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF NET PROCEEDS FROM THE LISTING

The Company successfully listed its shares on GEM of the Stock Exchange on 14 November 2019 (the “**Listing Date**”) by way of public offer and placing and the net proceeds from the Listing of the Company were approximately HK\$27.2 million. The Company intends to apply the net proceeds in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilisation of the net proceeds is set out as below:

	Planned use of net proceeds up to 31 December 2019 HK\$ million	Use of net proceeds 31 December 2019 HK\$ million
<b>Business objective and strategy</b>		
Establishment of new branch offices in Wuxi and Beijing	0.2	0.2
Setting up a sales and marketing team and the enhancement of marketing efforts	0.7	0.3
Setting up an in-house multimedia production and design team	0.1	–
General working capital	2.6	0.3

In light of the outbreak of the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”), the marketing service sector has been adversely affected in the PRC. Should the outbreak of the Epidemic prevail, the Group expansion plan may possibly delay in order to migrate the risks of utilising of the net proceeds from the Listing given the macroeconomic stability is still being uncertain throughout the PRC. The Directors will continually evaluate the Group’s business objective and strategies, change or modify the plans in line with market conditions, to stimulate business growth of the Group.

All unutilised balances has been deposited in the licensed banks in Hong Kong and the PRC.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Bank balances and time deposit of the Group are held with financial institution of good standing.

The carrying amount of trade and other receivables and amounts due from shareholders represent the Group’s maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

As at 31 December 2018 and 2019, the Group has a certain concentration of credit risk as 8.5% and 21% respectively of trade receivables was due from the Group’s largest customer, while 32.7% and 49% respectively of trade receivables was due from the Group’s five largest customers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and amounts due to shareholders and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Directors uphold high standards and meet relevant requirements under applicable laws or ordinances when conducting our business. The Directors did not identify non-compliance or breach of relevant standards, rules and regulations for FY2019.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Directors have overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Directors are responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

Details of ESG performance of the Group are set out in the section headed "Environmental, Social and Governance Report" section of this annual report.

## RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's production and operation would be at risk.

## INFORMATION ON EMPLOYEES

As at 31 December 2019, the Group had 60 employees (2018: 48 employees). The total staff costs (including remuneration of Directors) amounted to approximately RMB11.1 million and RMB12.0 million for FY2018 and FY2019 respectively. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances, defined contribution retirement plans and discretionary bonus. Various kinds of trainings were provided to the employees.

## MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

After the year ended 31 December 2019, the outbreak of the Epidemic has deeply affected China's economy and substantially reduced domestic consumption and manufacturing capability. Given of these dynamic circumstances, the Directors expect that the weak performance in the marketing activities will pose an adverse impact to the operation of the Group that might not be reasonably estimated at this stage. Should the outbreak of the Epidemic prevail, the adverse impact on the Group will continue and it may affect the financial results for the whole year in 2020.



## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out as follows:

### EXECUTIVE DIRECTORS

**Mr. Zhou Yang (周楊先生) (“Mr. Zhou”)**, aged 39, is the chairman of the Board, an executive Director and a controlling shareholder of the Group (the “**Controlling Shareholder**”). He was appointed as Director on 13 April 2018 and re-designated as the chairman of the Board and the executive Director on 24 July 2018. He is responsible for overseeing the management and business operations of the Group and formulating the marketing strategies for the Group.

Prior to establishing our Group with Ms. Song in May 2014, Mr. Zhou worked for China Life Insurance Company Limited (stock code: 02628), a company listed on Main Board of The Stock Exchange of Hong Kong Limited (“**Main Board**”), from December 2002 to April 2012 where he was involved in a number of managerial positions in various departments and once served as an assistant general manager of the Yixing branch. From May 2012 to March 2013, he worked for Yixing Guohao Biological Environmental Protection Co., Ltd. (宜興國豪生物環保有限公司) and Zhongjieneng Guohao Biological Environmental Protection Co., Ltd. (中節能國豪生物環保有限公司) as a general manager assistant of the sales department and subsequently joined Yixing City Xiashu Advertising Workshop (“**Xiashu Workshop**”) (宜興市夏樹廣告工作室) in April 2013.

Mr. Zhou completed his undergraduate studies in Electronic and Information Technology (電子與信息技術) from the China University of Mining and Technology in July 2002.

**Ms. Song Ruiqing (宋瑞清女士) (“Ms. Song”)**, aged 40, is the chief executive officer, an executive Director and a Controlling Shareholder. She was appointed as Director on 13 April 2018 and re-designated as chief executive officer and executive Director on 24 July 2018. She is responsible for managing the design and creative aspects of the Group’s business, overseeing the Group’s market position and supervising the administrative department.

Ms. Song has over 18 years of experience in marketing industry. She has extensive knowledge in marketing, brand promotion, advertising strategies, design and creative production through her past working experience, which has played a significant role in enhancing the scale of operations of our Group. Prior to setting up Xiashu Workshop and establishing our Group, she worked for Wuxi Dawei Property Consultancy Limited (無錫大衛不動產顧問有限公司) as a project director from July 2001 to February 2003. She then served as a senior management of Guangzhou City Baiyang Advertising Company Limited (廣州市白陽廣告有限公司) from March 2003 to June 2005. Subsequently, she worked as an editor for Yixing Daily (宜興日報) since July 2005. In August 2006, she set up Xiashu Workshop and decided to devote all her time on it since then.

Ms. Song obtained her college degree in radio and television journalism (廣播電視新聞) from the China University of Mining and Technology in July 2001. She has been a member of Yixing Author Association (宜興市作家協會) since June 2008.



## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ho Yau Kwok (何有國先生) (“Mr. Ho”)**, aged 46, was appointed as independent non-executive Director of the Company on 21 October 2019. Mr. Ho is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Ho has over 20 years of experience in banking and financial service sector. Currently, he is the director of ABN AMRO Bank N.V. Hong Kong Branch since August 2010. Prior to that, he served for various financial institutions including Standard Chartered Bank (Hong Kong) Limited, Fortis Bank, Ernst & Young Transactions Limited, China CITIC Bank International Limited and Nanyang Commercial Bank Limited.

Mr. Ho obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in November 1996 and further obtained a Master of Laws in Chinese Business Law from The Chinese University of Hong Kong in December 2010. He was admitted as a member of The Association of Chartered Certified Accountants in May 2003 and has become a fellow of The Association of Chartered Certified Accountants since March 2008. He was also admitted as a member and a fellow of the Hong Kong Institute of Certified Public Accountant in July 2003 and June 2010 respectively. He was accredited as a chartered financial analyst by the CFA Institute in September 2004 and admitted as an associate member of The Hong Kong Institute of Bankers in May 2005.

**Mr. Yip Koon Shing (葉冠成先生) (“Mr. Yip”)**, aged 54, was appointed as independent non-executive Director of the Company on 21 October 2019. Mr. Yip is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Yip has almost 30 years of experience in transportation and logistics services industry. Currently, he is the chief executive of Good One Container Lines Limited. Prior to joining Good One Container Lines Limited in March 1997. He worked in Jardine Matheson & Co. from 1991 to 1997 with his last position held as an assistant general manager.

Mr. Yip obtained a Bachelor of Science in Business Administration from California State Polytechnic University, Pomona in June 1988. He received a Master of Business Administration from Loyola Marymount University in Los Angeles in May 1992.





## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Kin Yip (黃建業先生) (“Mr. Wong”)**, aged 46, was appointed as independent non-executive Director of the Company on 21 October 2019. Mr. Wong is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Currently, Mr. Wong is the deputy director of Yue Yuen Industrial (Holdings) Limited (stock code: 0551), a company listed on the Main Board, since October 2019. Prior to that, he served for various multinational corporations including Jones Lang LaSalle Limited, FPD Savills Property Management Limited, Chinese Estates, Limited, East Pacific Holdings Limited, Galaxy Casino, S.A., New World China Land Limited and VXL Capital Limited.

Mr. Wong received a Bachelor of Science in Real Estate from The Hong Kong Polytechnic University in November 1997 and a Certificate in Shopping Centre Management from the University of Hong Kong – School of Professional and Continuing Education in October 2002. He obtained a Master of Business Administration (Financial Services) from The Hong Kong Polytechnic University in October 2009. He further obtained a Master of Arts in Buddhist Studies since November 2019 from The Chinese University of Hong Kong. He enrol a programme of Doctor of International Real Estate and Construction from The Hong Kong Polytechnic University in 2020. He was admitted as a member of The Hong Kong Institute of Surveyors in February 2004, and subsequently as a professional member of The Royal Institution of Chartered Surveyors in December 2006. He was admitted as member of the China Institute of Real Estate Appraisers and Agents in October 2011 and an associate member of the Hong Kong Institute of Arbitrators in May 2013. He is now registered with the Surveyors Registration Board as a registered professional surveyor in general practice Division.



## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Suen Wai Hin (孫偉騫先生) (“Mr. Suen”)**, aged 32, was appointed as the chief financial officer of the Group on 8 June 2018. He is responsible for managing our financial team and supervising our Group’s treasury, financial reporting, tax and other related financial matters.

Mr. Suen received a Bachelor of Commerce from The University of Sydney in October 2010. Prior to joining our Group, He worked for Deloitte Touche Tohmatsu, Hong Kong carrying out auditing and assurance works with his last position held as a manager in April 2018. He was admitted as a member of CPA Australia in July 2013.

**Ms. Ma Li (麻俐女士) (“Ms. Ma”)**, aged 36, was appointed as the operation manager of the Group on 30 May 2014. She is responsible for supporting the design and creative aspects of the Group’s business.

Ms. Ma graduated from Jiangsu Radio and Television University (江蘇廣播電視大學) (now known as Jiangsu Open University (江蘇開放大學)) in July 2004, where she majored in computer information management (計算機信息管理). Prior to joining our Group, she worked for Yixing Daily (宜興日報) from July 2005 to June 2008, where she acquainted with Ms. Song through their positions and shared interest in design, and she subsequently joined Xiashu Workshop in July 2008. She has accumulated more than 10 years of experience in design and creative aspects. She has been a member of Yixing Author Association (宜興市作家協會) since June 2014.

**Ms. Zhou Qi (周琦女士) (“Ms. Zhou”)**, aged 37, was appointed as the operation manager of the Group on 30 May 2014. She is responsible for assisting in management of the Group’s business operations and organising promotional activities and exhibitions for customers.

Ms. Zhou completed her undergraduate education in Journalism (新聞專業) via self-study examination from Fudan University (復旦大學) in June 2005. Prior to joining the Group, she worked as a project manager of Yixing City Qiangsheng Motor Services Company Limited (宜興市強盛汽車服務有限公司) from August 2005 to August 2007. She has worked with Ms. Song since September 2007 when she joined Xiashu Workshop, and has accumulated more than 10 years of experience in event management and promotion.

### COMPANY SECRETARY

**Mr. Pang Wai Ching (彭偉正先生) (“Mr. Pang”)**, aged 31, and was appointed as company secretary of the Group on 27 June 2018. He is responsible for overseeing the compliance and company secretarial matters of the Group.

Mr. Pang worked for KPMG carrying out auditing and assurance works with his last position held as a manager in July 2017. He held as management position for provision of internal audit and financial management services to Melco Services Limited and Golden Bright Hong Kong Group Limited respectively prior to April 2018.

Since June 2018, he is the director of Techson Management Limited, a company primarily engaged in accounting and training services. He has been serving as the company secretary for Fusen Pharmaceutical Company Limited (stock code: 1652), a company listed on the Main Board, since April 2019. He has been serving as an independent non-executive director of China Shenghai Food Holdings Company Limited (stock code: 1676), a company listed on the Main Board, since October 2019.

Mr. Pang received a Bachelor of Business Administration in Accountancy from City University of Hong Kong in July 2010. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in March 2015.



# Environmental, Social and Governance Report

## Introduction

We are pleased to present our first “Environmental, Social and Governance Report” (the “**Report**”). This Report discusses the Group’s concern to environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable development to stakeholders.

## Reporting Scope and Period

The report covers the environmental, social and governance performance (the “**ESG performance**”) of the headquarters located in Yixing city of the PRC including Hong Kong operation. All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”).

## Reporting Standards

The “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) which is set out in Appendix 20 to the GEM Listing Rules serves as the reporting guidelines of this Report.

## Reporting Principles

The reporting principles of this Report are governed by “materiality” and “quantitative”. With respect to “materiality”, the Group ensures that ESG issues discussed in this Report are sufficiently important and material to investors and stakeholders including but not limited to clients, communities, employees, institutions, governments, non-governmental organisations, shareholders, subcontractors, suppliers and industry associations. With respect to “quantitative”, Key Performance Indicators (“**KPI**”) required by the ESG Reporting Guide are measurable such that the effectiveness of our ESG policies and management systems can be evaluated and validated continuously.

In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most. Therefore, we define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while the group are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. The Group is dedicated to create a sustainable growth for the benefits of all our stakeholders.

## Reporting Framework

With reference to the ESG Reporting Guide and the Group’s business operation, the presentation of our Report is consisted of the relevant aspects and KPI, which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments which will discuss more details in the following sections.

# Environmental, Social and Governance Report

## Our Recent ESG Achievements

The Group contemplates that ESG is an integral part of our principal business and also our ability to succeed in a relentlessly competitive market. As such, the Group continuously spends remarkable efforts to address various aspects of ESG, including environmental conservation, development and training opportunities for employees, health and safe work environment for employees, customer satisfaction and community contributions.





# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION

### Environmental conservation

Realising that our planet Earth is the most valuable asset for us, the Group is dedicated to protecting this planet and building a sustainable future for our generations and their generations. As such, the Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation and continues to devote human and financial resources for environmental conservation and environmental compliance as required under applicable laws and regulations.

As a company principally engaged in event management as well as design and production services, we generally bear a low impact on emission except electricity consumption which is our major contribution to the greenhouse gas emission and energy footprint. Despite that, the Group is still in a position to achieve environmental sustainability and the Group formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas (“GHG”) emission, and use of resources as well as discharge of domestic waste and sewage and other pollutants, highlighted as below:

- comply with applicable environmental protection laws and regulations;
- define appropriate goals, objectives and targets on a regular basis for our ESG management approach;
- improve continuously the ESG management system and maintain rigorous standards;
- promote environmental awareness among the workforce with regular communication; and
- communicate our environmental performance to stakeholders and seek their involvement wherever applicable.

During the Reporting Period, the Group complied with applicable environmental protection laws and regulations in relation to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

### Environmental Performance

Despite the nature of our business has no direct adverse impact on the environment and natural resources, the Group, considering it as our principal value, will continue our commitment in environmental protection and strive to promote environmental protection activities in harmony with economic development.



## Environmental, Social and Governance Report

The Group incorporated sustainable measures in its daily operations to properly manage our GHG emissions and address various environmental issues, including:

- migration to product materials with a long durability and a low carbon footprint whenever possible;
- selecting decoration materials which is certified to be environmentally friendly for event management;
- maintaining indoor temperature at an optimal level for comfort;
- placing “Green Message” reminders on office equipment and workplace to further enhance employees’ environmental awareness;
- encouraging employees to switch off machines and devices, such as computers and monitors when not in use; and
- encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement.

For our general daily operation, our environmental performance of “Emissions” and “Energy and Resource Use” during the reporting period are shown as below.

**Table 1 – Emissions**

	Unit	FY2019
<b>GHG Emissions</b>	CO <sub>2</sub> e (kg)	47
<b>Nitrogen Oxides</b>	g	3,436
<b>Sulphur Oxides</b>	g	120
<b>Particulate Matter</b>	g	253

**Table 2 – Energy and Resources Use**

	Unit	FY2019
<b>Electricity</b>	kWh	28,769
<b>Unleaded Petrol</b>	L	8,167
<b>Paper</b>	kg	126
<b>Water</b>	m <sup>3</sup>	197

The Group continues to manage our environmental footprint via active reduction of our resource consumption and emissions at all business levels.

# Environmental, Social and Governance Report

## Waste Management

The Group's principal waste management policy is dedicated to achieving a green and paperless operation and to reducing waste generated by our operation wherever possible and practical. Through the 4-R Principles – Reduce, Reuse, Replace and Recycle, the Group strives to achieve the target of reducing the amount of waste generated and aims at waste management from the source. Our waste management practice is compliant with laws and regulations relating to environmental protection in the region where we operate.

Given our business nature, the Group does not directly produce hazardous waste throughout the operation. The non-hazardous wastes generated by the Group are mainly domestic waste including stationery, packaging materials, paper from our operations, among which, recyclable wastes will be recycled for reuse.

**Table 3 – Waste Discharge**

	Unit	FY2019
<b>Domestic Waste</b>	kg	13,520

In the future, and will continue to raise employees' and our business partners' awareness in environmental protection on an ongoing basis and perform our business with an environmentally conscious approach.

## EMPLOYMENT AND LABOUR PRACTICES

### Employment

The Group fully understands that our corporate development and long-term growth are largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is of paramount importance for us to proactively manage our talent pipeline and career development for employees. The Group is determined to uphold an open, fair, just and reasonable recruitment and human resource policies, with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment.

In order to attract and retain our employees, which are our most valuable assets, the Group offers competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. The Group determines the remunerations payable to its staff based on their duties, work experience and the prevailing market practices.

As at 31 December 2019, the Group had 60 full-time employees, of which 6.7% was based in Hong Kong and 93.3% was based in the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices. We strictly prohibit discrimination, harassment and bullying at all workplaces.



# Environmental, Social and Governance Report

## Occupational Health and Safety

The Group is highly aware that employees' health and safety is of paramount importance to our operation and therefore, the Group is determined attaching great importance to a healthy, comfortable and safe working environment for our employees. Our primary goals of the Occupational Safety and Health ("OSH") are to commit to provision of a safe and healthy working environment for the employees and adherence to applicable laws and regulations in relation to occupational safety and health. In order to meet with such requirement, the Group has offered various measures to address the health and safety needs of our employees, including but not limited to:

- formulation of emergency response plans, risk assessment and accident investigation mechanism so as to ensure legal compliance with OSH;
- provision of first aid kits and fire extinguishers in workplace;
- prohibition of smoking and abuse of alcohol and drugs in the workplace; and
- provision of clean and tidy rest area such as corridors and pantry.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and did not identify any material non-compliance with laws and regulations in relation to occupational health and safety.

## Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives a proper orientation training and monitoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways so as to ensure that they possess the appropriate qualities and skill-sets.

During the Reporting Period, employees at all levels satisfied their needs of trainings through multiple training programs, including induction training, technical skills training and pre-post training.

## Harmonious Corporate Culture

Believing that sense of belonging is the key for the healthy growth of every commercial organisation, the Group promotes open and direct communication between employees and management. Regular and festival gatherings for instance, Chinese New Year dinners, Christmas gathering, excursion, are organised to enhance the harmonious spirit of different levels of staff members throughout the Group. The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.





# Environmental, Social and Governance Report

## Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour in any form. New employees are required to provide true and accurate personal data when they are onboard. During the Reporting Period, the Group strictly complied with the relevant laws and regulations, in relation to the prevention of child labour or forced labour. No material non-compliance with the laws and regulations has been found by the Group.

## SUPPLY CHAIN MANAGEMENT

The Group understands that the supply chain management is always one of the key aspects of the Group's operation. We developed a supplier selection mechanism according to the potential suppliers' track record of compliance with applicable laws and regulations. A higher technical score is generally credited to those suppliers which can provide products and services featured with environmentally friendly and socially responsible functions during our assessment process. We may perform on-site inspection and assessments if deemed necessary. Cooperation and contract will be terminated with those suppliers which fail to reach the applicable compliance standard. In addition, the Group encourages our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business, through develop energy-saving and consumption-reducing policies.

We believe that, through the above review process, we can minimise the potential environmental and social risks associated with the supply chain management. During the Reporting Period, the Group had over 200 suppliers in total which were normally located in the region we operated.

## Product Responsibility

To be a successful business, we are committed to the highest standards of services we deliver, maintaining continuous communication with our customers to ensure that we understand and fulfil their needs and expectations. The Group undertakes the defined quality assurance protocol for our event management as well as design and production services. We keep track of emerging trends and continue to develop and optimise our services that offer the best solution to the customers. All our services will be planned, developed and performed to meet all relevant laws and regulations.

During the Reporting Period, our operation complied with relevant laws and regulations in the PRC such as the Consumer Protection Law, Advertising Law and Product Quality Law, by ensuring that there are no false and misleading messages in our advertisements and promotion activities. During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

## Customer Data Protection

The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control. The Group sets out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is not free of unauthorised or accidental access, processing, erasure or other use.



# Environmental, Social and Governance Report

## Anti-Corruption

The Group makes every effort to uphold a high standard of business ethics and prohibition of any forms of bribery and corrupt practices. To prevent misconduct and corruption as part of the exercise of Corporate Governance, the Group has a Code of Conduct in place. The Code of Conduct elaborates in detail on the prevention of bribery, fraud, corruption, conflicts of interest and gambling. We require our employees to declare any conflict of interest, to avoid any possible such conflict with sub-contractors or suppliers. We also encourage all of our business-related parties, including customers and suppliers to observe those principles of the policies and to proactively report any suspected misconduct issues to the Group.

During the Reporting Period, the Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. No cases of anti-corruption was concluded and the Audit Committee identified no complaint from employees during the Reporting Period.

## Whistle-Blowing

In order to encourage our employees to report illegality, irregularity, malpractice, unethical acts or behaviors, inappropriate conducts or actions, which may damage the Group's interests, we established whistle-blowing policy and implement procedures for our employees to report improprieties via a confidential reporting channel to the extent that is made possible to all employees. All "whistle-blowers" who report in good faith are reasonably protected from retaliation or adverse consequence of their employment regardless of whether the allegation is substantiated.

## COMMUNITY INVESTMENTS

The Group is dedicated to making a better society through our active involvement and partnership with local non-profit organisations to organise and take part in a variety of charitable activities and actions. We put the best effort and resources in helping the local communities and people in needs through community engagements and sponsorship program.

# Environmental, Social and Governance Report

## Community Engagements

### Involvement in “Yi Xing International Marathon 2019” (2019年宜興國際馬拉松)

During the Reporting Period, the Group collaborated with the Chinese Athletics Association (中國田徑會) and government of the Yixing city seamlessly to organise the charitable event of “Yixing International Marathon 2019” starting from February to April 2019, as part of our community-care effort. We participated in planning the event together with the local government authorities to organise races with varying distance, including full marathon (42 km), half marathon (21 km), and mini marathon (5 km). The acclaimed circular circuit was established around the Yixing Cultural Center, which is located at the eastern part of the Yixing city, featuring “One Mountain Two Rivers” (一山、二洑) and other main attractions of the city. A total of 15,000 people participated in the races, which was equivalent to the scale of a medium-sized international marathon. The event was expected to highlight the successful integration of the community’s modernisation and civilisation. The Group considers that this event is in line with our corporate policy and significantly contributes to the sustainable development of the community.



### Involvement in “Liangxi Special Book Fair” (第三屆讀享樂趣梁溪特色書展)

During the Reporting Period, the Group additionally collaborated with the local government authorities to organise the event of “The 3rd Liangxi Special Book Fair” in the city of Wuxi in April 2019. The book fair was designed with a total of 5 thematic areas, displaying more than 5,000 books and 24 cultural experience activities. The event was planned to further arouse the reading consciousness of the community while inheriting the long-time cultural tradition of local culture.





# Environmental, Social and Governance Report

## Sponsorship Program

During the Reporting Period, we participated in the event of “Women’s Federation Volunteer Activities” organised by Yixing Women’s Federation (宜興市婦女聯合會) in June 2019 with a sponsorship of outfits for over 200 volunteers worth RMB 14,828. The event was organised to further promote the inherited spirit of Lei Feng in the community.

Going forward, the Group will continue to foster the culture of active participation in community engagement as well as encouraging our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

The Directors present their report together with the audited financial statements of the Company and the audited consolidated financial statements of the Group for FY2019.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are providing the event management services and design and production services in the PRC. Details of the principal activities of its subsidiaries are set out in Note 22 to the consolidated financial statements.

## BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

## CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 13 April 2018. The companies now comprising the Group underwent a reorganisation (the "**Reorganisation**") to rationalise the structure of the Group in preparation for the public offer and placing of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" to the Prospectus. The shares of the Company were listed on GEM of the Stock Exchange since 14 November 2019.

## RESULTS AND DIVIDEND

The results of the Group for FY2019 are set out in the consolidated statement of comprehensive income. The state of affairs of the Group and the Company as at 31 December 2019 are set out in the consolidated statement of financial position and Note 32 to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for FY2019.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 29 May 2020 (the "**2020 AGM**"). For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2020.



# DIRECTORS' REPORT

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past three financial years is set out in the section headed "Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 20 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 21 and Note 32 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to equity shareholders in accordance with its memorandum and articles of association amounted to approximately RMB16.6 million.

## SHARE OPTION SCHEMES

The Company conditionally adopted a share option scheme on 21 October 2019 (the "**Scheme**"). The terms of the Scheme are in accordance with the GEM Listing Rules and other relevant rules and regulations. Further details of the Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

As at 31 December 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

## PRE-EMPTIVE RIGHTS

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

## DONATION

During FY2019, the Group did not make any charitable donations.

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group for FY2019 are set out in Note 24 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

## MAJOR CUSTOMERS AND SUPPLIERS

During FY2019, the percentage of the Group's revenue amount attributable to the Group's largest customer was approximately 13% of the Group's total revenue, while the percentage of the Group's total revenue attributable to the five largest customers in aggregate was approximately 37%. During FY2019, the percentage of the Group's project costs attributable to the Group's largest supplier was approximately 20% of the Group's total project costs, while the percentage of the Group's total project costs attributable to the five largest suppliers in aggregate was approximately 73%.

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

## BOARD OF DIRECTORS

The Directors of the Company during the year and up to date of this report were as follows:

### Executive Directors

Mr. Zhou <sup>Note 1</sup> ( <i>Chairman</i> )	(Appointed on 13 April 2018 and re-designated on 24 July 2018)
Ms. Song <sup>Note 2</sup> ( <i>Chief Executive Officer</i> )	(Appointed on 13 April 2018 and re-designated on 24 July 2018)

### Independent Non-executive Directors

Mr. Ho Yau Kwok	(Appointed 21 October 2019)
Mr. Yip Koon Shing	(Appointed 21 October 2019)
Mr. Wong Kin Yip	(Appointed 21 October 2019)

Notes:

- 1) Mr. Zhou was appointed as the Director on 13 April 2018 and re-designated as the executive Director and chairman on 24 July 2018.
- 2) Ms. Song was appointed as the Director on 13 April 2018 and re-designated as the executive Director and chief executive officer on 24 July 2018.

In accordance with the memorandum and articles of association of the Company, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting.



# DIRECTORS' REPORT

## PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices.

Such provision was in force during FY2019 and remained in force as of the date of this annual report. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 16 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions disclosed in Note 24 to the consolidated financial statements, no Director or 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 Company, its holding company, or any of its subsidiaries was a party for FY2019.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section "Directors' Report – Related Party Transaction and Connected Transactions" above and in the section headed "Relationship with our Controlling Shareholders" to the Prospectus, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's Controlling Shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's Controlling Shareholders or their subsidiaries, during the year.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Schemes" disclosures, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



## NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between the Group and the Controlling Shareholders (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition (the “**Deed of Non-competition**”) with the Company (for itself and for the benefit of each other member of the Group) on 21 October 2019. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in the core business that is in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/she/it or his/its associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete directly or indirectly with the core Business of the Group, he/she/it shall (and he/she/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal of take up such business opportunity. The Group shall, within six months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not. The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity) and approval by the Board/or shareholders as required under relevant laws and regulations and in accordance with the articles of association of the Company in effect at the relevant time. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal. During the year, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/her/it or his/her/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the Controlling Shareholders of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group for FY2019.



# DIRECTORS' REPORT

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors and five highest paid individuals and senior management are set out in Note 10 to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors of the Company for FY2019 are set out in Note 10 (c) to the consolidated financial statements.

The emoluments of the senior management of the Group for FY2019 falls within the following band:

Emolument Band	Number of Senior Management
Nil to HK\$1,000,000	3

## EMOLUMENT POLICY

A remuneration committee of the company (the “**Remuneration Committee**”) is set up for reviewing the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance and comparable market practices.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the emolument policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual Directors and senior management.

## RETIREMENT BENEFITS PLANS

Details of retirement benefits plans are set out in Note 4.9 to the consolidated financial statements.

## MANAGEMENT CONTRACTS

Save for the service agreements, no other contracts concerning the management and/or administration of the whole and any substantial part of the business of the Company were entered into or existed for FY2019.

## INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), save as the compliance adviser agreement entered into between the Company and Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests or short positions of each of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

### Long positions in shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Mr. Zhou <sup>(Note)</sup>	Interest in a controlled corporation	420,000,000	52.5%
Ms. Song <sup>(Note)</sup>	Interest in a controlled corporation/ Interest of spouse	420,000,000	52.5%

Note: Mr. Zhou and Ms. Song own 51% and 49% of the issued share capital of QY Investment Holding Limited ("QY"). Therefore, each of Mr. Zhou and Ms. Song is deemed, or taken to be, interested in all shares of the Company held by QY for the purpose of the SFO. Mr. Zhou and Ms. Song are the directors of QY.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required 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 of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

# DIRECTORS' REPORT

## Long positions in the shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
QY	Beneficial owner	420,000,000	52.5%
SRU Investment Limited ("SRU") <sup>(Note 1)</sup>	Beneficial owner	120,000,000	15.0%
Mr. Fan Yajun ("Mr. Fan") <sup>(Note 1)</sup>	Interest in controlled corporation	120,000,000	15.0%
Ms. Zhou Jianyuan ("Ms. Zhou") <sup>(Note 2)</sup>	Spouse interest	120,000,000	15.0%
DHSH (BVI) Limited ("DHSH") <sup>(Note 3)</sup>	Beneficial owner	60,000,000	7.5%
Mr. Ho Shing Hei Dodge ("Mr. Ho") <sup>(Note 3)</sup>	Interest in controlled corporation	60,000,000	7.5%
Ms. Li Sze Man ("Ms. Li") <sup>(Note 4)</sup>	Spouse interest	60,000,000	7.5%

### Notes:

- Mr. Fan beneficially owns the entire issued share capital of SRU. Therefore, Mr. Fan is deemed, or taken to be, interested in all the shares of the Company held by SRU for the purpose of the SFO. Mr. Fan is the sole director of SRU.
- Ms. Zhou is the spouse of Mr. Fan. Ms. Zhou is deemed to be or taken to be interested in all the shares of the Company in which Mr. Fan is interested under the SFO.
- Mr. Ho beneficially owns the entire issued share capital of DHSH. Therefore, Mr. Ho is deemed, or taken to be, interested in all the shares of the Company held by DHSH for the purpose of the SFO. Mr. Ho is the sole director of DHSH.
- Ms. Li is the spouse of Mr. Ho. Ms. Li is deemed to be or taken to be interested in all the shares of the Company in which Mr. Ho is interested under the SFO.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interest or short positions in the shares or underlying shares or debentures 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 required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares for FY2019.

## **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

## **EQUITY-LINKED AGREEMENTS**

There was no equity-linked agreement entered into by the Company for FY2019.

## **SUFFICIENCY OF PUBLIC FLOAT**

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued capital were held by public as at the date of this annual report.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

## **INDEPENDENT AUDITOR**

The consolidated financial statements of the Group for FY2019 were audited by Moore Stephens CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore Stephens CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD  
**Orange Tour Cultural Holding Limited**  
**Zhou Yang**  
*Chairman and Executive Director*

Hong Kong, 26 March 2020



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

## CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules since Listing Date up to the date of this annual report. To the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and there was no event of non-compliance during FY2019.

## DIRECTORS' RESPONSIBILITIES AND DELEGATION

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation.

## BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders of the Company. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

## EXECUTIVE DIRECTORS

Mr. Zhou (*Chairman*)

(Appointed on 13 April 2018 and re-designated on 24 July 2018)

Ms. Song (*Chief Executive Officer*)

(Appointed on 13 April 2018 and re-designated on 24 July 2018)



# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Yau Kwok	(Appointed on 21 October 2019)
Mr. Yip Koon Shing	(Appointed on 21 October 2019)
Mr. Wong Kin Yip	(Appointed on 21 October 2019)

Biographical details of the Directors are set out in section headed “Biographical Details of the Directors and Senior Management” of this annual report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company’s strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy ( the “**Board Diversity Policy**”) for the year ended 31 December 2019 and up to the date of this corporate governance report, which sets out the basis to achieve diversity on the Board. Details of this Board Diversity Policy is disclosed as below.

### Purpose

This Board Diversity Policy aims to set out the approach to achieve diversity on the Board.

### Policy Statement

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

### Selection Criteria

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board’s composition will be disclosed in the annual report of the Company.



# CORPORATE GOVERNANCE REPORT

## MONITORING AND REVIEW OF THE BOARD DIVERSITY POLICY

- The Nomination Committee will monitor the implementation of the Board Diversity Policy.
- The Nomination Committee will from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy.

## NOMINATION POLICY

The Board has adopted a nomination policy (the “**Nomination Policy**”) for the year ended 31 December 2019 and up to the date of this corporate governance report, which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. Details of the Nomination Policy is disclosed as below.

### PURPOSE

- This Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.
- This Nomination Policy aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company’s business.

### CRITERIA

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the “**Criteria**”):

- Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;
- Qualifications, including accomplishment and experience in the relevant industries the Company’s business is involved in;
- Independence;
- Reputation for integrity;
- Potential contributions that the individual(s) can bring to the Board; and
- Commitment to enhance and maximise shareholders’ value.



## RE-ELECTION OF DIRECTOR AT GENERAL MEETING

- The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the criteria including but not limited to:
  - (a) the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and
  - (b) whether the retiring Director(s) continue(s) to satisfy the Criteria in section 2.
- The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

## NOMINATION PROCESS

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- (c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

## DIVIDEND POLICY

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the Articles. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.



# CORPORATE GOVERNANCE REPORT

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Director and independent non-executive Director has entered into a service contract with the Company on 21 October 2019. The service contracts with the executive Directors and independent non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The service contracts are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable GEM Listing Rules.

According to the Article 108 of the memorandum and articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Two Directors will retire from office at the forthcoming annual general meeting of the Company to be held on 29 May 2020. Two Directors, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of all Directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The role of Chairman remains separate from that of the chief executive officer to enhance their respective independence, accountability and responsibility. Mr. Zhou is the Chairman of the Board. Ms. Song is the chief executive officer.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY2019, the Company has provided and all Directors have attended training courses on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee of the Company (the “**Audit Committee**”), the Remuneration Committee and the nomination committee of the Company (the “**Nomination Committee**”), for overseeing particular aspects of the Company’s affairs. All Board committees have been established with defined written terms of reference, which are posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.otch.com.cn](http://www.otch.com.cn). All the Board committees responsibly report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company’s expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company’s policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company’s compliance with the code provision in the CG Code and disclosures in this annual report.

## AUDIT COMMITTEE

The Audit Committee was established on 21 October 2019. The chairman of the Audit Committee is Mr. Ho Yau Kwok, the independent non-executive Director, and other members included Mr. Yip Koon Shing and Mr. Wong Kin Yip, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company’s website.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group’s consolidated financial statements for FY2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for FY2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.



# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 October 2019. The chairman of the Remuneration Committee is Mr. Yip Koon Shing, the independent non-executive Director, and other members includes Mr. Wong Kin Yip, the independent non-executive Director, and Ms. Song, the executive Director. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during FY2019. No Director or any of his or her associates is involved in deciding his or her own remuneration.

## NOMINATION COMMITTEE

The Nomination Committee was established on 21 October 2019. The chairman of the Nomination Committee is Mr. Zhou, the Chairman and executive Director, and other members included Mr. Ho Yau Kwok and Mr. Yip Koon Shing, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

## BOARD AND GENERAL MEETING

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

As the Company was newly listed on 14 November 2019, the Audit Committee, Remuneration Committee and Nomination Committee did not hold any meeting and no general meeting was held for FY 2019.



# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

The company secretary of the Company (the “**Company Secretary**”) assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, Mr. Pang Wai Ching (“**Mr. Pang**”) as its Company Secretary. Mr. Pang possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Zhou, the executive Director, is the primary contact person who Mr. Pang contacts.

For FY2019, Mr. Pang undertook no less than 15 hours of relevant professional training to update his skill and knowledge. The biography of Mr. Pang is set out in the section headed “Biographical Details of the Directors and Senior Management” of this annual report.

## INDEPENDENT AUDITORS’ REMUNERATION

During FY2019, the remuneration paid or payable to the external auditor of the Company, Moore Stephens CPA Limited, in respect of the audit services were as follows:

Services rendered	Remuneration paid/payable HK\$’000
Audit services	
– Statutory audit service	450
– Acting as reporting accountants for the Listing	1,580
	<hr/>
	2,030
	<hr/> <hr/>

## SHAREHOLDERS’ RIGHT

As one of the measures to safeguard shareholders’ interest and rights, separate resolutions are proposed at shareholders’ meetings on each substantial issue, including the election of individual Directors, for shareholders’ consideration and voting. All resolutions put forward at shareholders’ meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company’s website after the relevant shareholders’ meeting.



## CORPORATE GOVERNANCE REPORT

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the “**Requisitionists**”) (as the case may be) pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company’s principal place of business in the PRC. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in the PRC.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company’s principal place of business in the PRC.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company’s internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedure which comprised the following steps:

- identify risks: identify major and significant risks that could affect the achievement of goals of the Group;
- risk assessment: assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- risk mitigation: develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the risk registry to communicate to the Board and management for reviews.

The Group’s risk management and internal control systems are, however, 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.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company’s risk management and internal control systems in respect of FY2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.



# CORPORATE GOVERNANCE REPORT

Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. In addition, the Audit Committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

## INSIDE INFORMATION POLICY

The Group has in place a policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information. The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.



# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the respective website of the Stock Exchange and the Company;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since the Listing Date, there is no significant change in the memorandum and articles of association of the Company.



# INDEPENDENT AUDITOR'S REPORT



## Moore Stephens CPA Limited

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## Independent Auditor's Report to the Shareholders of Orange Tour Cultural Holding Limited (Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of Orange Tour Cultural Holding Limited (the "**Company**") and its subsidiaries (together with the Company, referred to as the "**Group**") set out on pages 52 to 100, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2019, 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 ("**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.



# INDEPENDENT AUDITOR'S REPORT

## Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

### *Impairment assessment of trade receivables*

**Refer to the notes 4.3, 5 and 15 to the consolidated financial statements**

#### Key audit matter

As at 31 December 2019, the Group had trade receivables net of expected credit loss (“ECL”) amounting to approximately RMB39,825,000. The Group had recognised ECL on trade receivables amounting to approximately RMB1,142,000 as at 31 December 2019.

The ECL assessment on trade receivables is considered to be a matter of most significance as it requires the application of significant judgement and use of subjective assumptions by the Group’s management. The management of the Group believed that the methodologies and inputs used in estimating ECL are in accordance with the applicable accounting standards. These models and assumptions relate to the future macroeconomic conditions and debtors’ creditworthiness. The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as parameters for measuring ECL and forward-looking information.

#### How our audit addressed the key audit matter

Our key procedures to address the matter included:

- evaluated the methodologies, inputs and assumptions used by the Group in calculating the ECL, by reference to externally available economic data;
- obtained an ageing analysis of the trade receivables from the management of the Group and testing the accuracy of ageing of trade receivables at the reporting date to the underlying invoices on a sample basis;
- challenged the management’s assessment of the recoverability of long outstanding and overdue trade receivables;
- selected samples considering the management assessment of the latest financial conditions of the debtors, based on the historical experience and observable external data; and
- assessed the adequacy of the ECL recognised by reviewing subsequent settlements after the year end.



# INDEPENDENT AUDITOR'S REPORT

## **INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2019 of the Group, 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 the other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the audit committee of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.



# INDEPENDENT AUDITOR'S REPORT

## 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 solely to you, as a body, in accordance with the terms of our engagement, 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 HKSA's 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 HKSA's, we exercise professional judgement 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 of the Company.
- 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.



# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the audit committee of the Company 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, related safeguards.

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.

**Moore Stephens CPA Limited**  
*Certified Public Accountants*

**Leung Yu Ngong**  
Practising Certificate Number: P06734

Hong Kong, 26 March 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> RMB'000	2018 RMB'000
Revenue	7	<b>60,998</b>	53,358
Other income	7	<b>153</b>	309
Project costs	8	<b>(22,117)</b>	(19,959)
Depreciation of property, plant and equipment	14	<b>(264)</b>	(329)
Employee benefits expense	8	<b>(11,984)</b>	(11,143)
Provision for expected credit loss on trade receivables, net		<b>(666)</b>	(360)
Other operating expenses		<b>(4,130)</b>	(2,467)
Listing expenses		<b>(6,870)</b>	(8,048)
Finance costs	9	<b>(11)</b>	–
<b>Profit before income tax</b>	8	<b>15,109</b>	11,361
Income tax expense	11	<b>(6,230)</b>	(5,054)
<b>Profit for the year attributable to the owners of the Company</b>		<b>8,879</b>	6,307
<b>Other comprehensive loss</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<b>(433)</b>	(384)
<b>Other comprehensive loss for the year</b>		<b>(433)</b>	(384)
<b>Total comprehensive income attributable to the owners of the Company</b>		<b>8,446</b>	5,923
<b>Earnings per share attributable to the owners of the Company</b>			
Basic and diluted	13	<b>1.42 cents</b>	1.05 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	556	328
Deposit paid for acquisition of property, plant and equipment	23	–	4,995
		<b>556</b>	5,323
<b>Current assets</b>			
Trade and other receivables	15	43,787	25,322
Amounts due from shareholders	16	–	1,470
Time deposit	17	30,000	–
Bank balances and cash	17	37,466	26,886
		<b>111,253</b>	53,678
<b>Current liabilities</b>			
Trade and other payables	18	15,556	14,000
Tax payable		3,596	934
Lease liabilities	19	114	–
		<b>19,266</b>	14,934
<b>Net current assets</b>		<b>91,987</b>	38,744
<b>Net assets</b>		<b>92,543</b>	44,067
<b>CAPITAL AND RESERVES</b>			
Share capital	20	5,616	6
Reserves	21	86,927	44,061
<b>Total equity</b>		<b>92,543</b>	44,067

The consolidated financial statements on the pages from 52 to 100 were approved and authorised for issue by the board of directors on 26 March 2020 and are signed on its behalf by:

\_\_\_\_\_  
**Zhou Yang**  
*Executive Director*

\_\_\_\_\_  
**Song Ruiqing**  
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital RMB'000 (Note 20)	Share premium RMB'000 (Note 21)	Statutory reserve RMB'000 (Note 21)	Translation reserve RMB'000 (Note 21)	Other reserve RMB'000 (Note 21)	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018	22,000	–	2,263	–	410	9,463	34,136
Profit for the year	–	–	–	–	–	6,307	6,307
Other comprehensive loss							
Exchange differences arising on translation	–	–	–	(384)	–	–	(384)
Total comprehensive income for the year	–	–	–	(384)	–	6,307	5,923
Capital contribution from the shareholders (Notes 20 (b), 20 (c) and 21)	2,661	–	–	–	1,347	–	4,008
Arising from reorganisation	(24,655)	–	–	–	24,655	–	–
Transfer to statutory reserves	–	–	1,517	–	–	(1,517)	–
Balance at 31 December 2018 and 1 January 2019	<b>6</b>	–	<b>3,780</b>	<b>(384)</b>	<b>26,412</b>	<b>14,253</b>	<b>44,067</b>
Profit for the year	–	–	–	–	–	8,879	8,879
Other comprehensive loss							
Exchange differences arising on translation	–	–	–	(433)	–	–	(433)
Total comprehensive income for the year	–	–	–	(433)	–	8,879	8,446
Issue of shares upon share offering, net of listing expenses (Note 20 (g))	<b>1,404</b>	<b>38,626</b>	–	–	–	–	<b>40,030</b>
Capitalisation issue of shares (Note 20 (f))	<b>4,206</b>	<b>(4,206)</b>	–	–	–	–	–
Transfer to statutory reserves	–	–	1,849	–	–	(1,849)	–
Balance at 31 December 2019	<b>5,616</b>	<b>34,420</b>	<b>5,629</b>	<b>(817)</b>	<b>26,412</b>	<b>21,283</b>	<b>92,543</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>15,109</b>	11,361
Adjustments for:			
Depreciation of property, plant and equipment	14	<b>264</b>	329
Provision for expected credit loss on trade receivables, net	8	<b>666</b>	360
Interest income	7	<b>(93)</b>	(140)
Gain on disposal of property, plant and equipment	7	<b>(18)</b>	–
Interest expenses for lease arrangements	9	<b>11</b>	–
<b>Operating profit before working capital changes</b>		<b>15,939</b>	11,910
Increase in trade and other receivables		<b>(21,409)</b>	(16,065)
Increase in trade and other payables		<b>1,556</b>	1,376
<b>Cash used in operations</b>		<b>(3,914)</b>	(2,779)
Income tax paid		<b>(3,568)</b>	(5,271)
<b>Net cash used in operating activities</b>		<b>(7,482)</b>	(8,050)
<b>Cash flows from investing activities</b>			
Interest received		<b>93</b>	140
Repayment from shareholders		<b>1,470</b>	859
Acquisition of property, plant and equipment	14	<b>(273)</b>	(27)
Proceeds from disposal of property, plant and equipment		<b>22</b>	–
Increase in time deposit	17	<b>(30,000)</b>	–
Deposit refunded from/(paid for) acquisition of property, plant and equipment	23	<b>4,995</b>	(4,995)
<b>Net cash used in investing activities</b>		<b>(23,693)</b>	(4,023)

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
<b>Cash flows from financing activities</b>			
Prepayment for listing expenses		–	(2,278)
Payment of dividend		–	(14,246)
Advanced from shareholders		–	2,873
Capital contribution from shareholders		–	4,008
Proceeds from issuance of shares upon share offering, net of listing expenses		<b>42,308</b>	–
Payment of capital element of lease liabilities		<b>(109)</b>	–
Payment of interest element of lease liabilities		<b>(11)</b>	–
<b>Net cash generated from/(used in) financing activities</b>		<b>42,188</b>	(9,643)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,013</b>	(21,716)
<b>Cash and cash equivalents at beginning of the year</b>		<b>26,886</b>	48,986
Effect of foreign exchange rate changes		<b>(433)</b>	(384)
Cash and cash equivalents at end of the year		<b>37,466</b>	26,886
<b>Analysis of cash and cash equivalents</b>			
Bank balances and cash		<b>37,466</b>	26,886

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 1. GENERAL INFORMATION

Orange Tour Cultural Holding Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 13 April 2018 under the Companies Law of the Caymans Islands. The registered office of the Company is located at Sertus Chambers, Governors Square, Suite 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 14 November 2019. The Group’s principal place of business is located at Composite Building, Xiazhang Village, Yicheng Subdistrict, Yixing City, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. The principal activities of the Group are provision of event management services and design and production services.

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

### 2.1 Group reorganisation

The companies comprising the Group underwent a reorganisation (the “**Reorganisation**”) to rationalise the Group’s structure in preparation for the listing of the shares of the Company on GEM of the Stock Exchange (the “**Listing**”). Details about steps taken in the Reorganisation are set out in the prospectus of the Company dated 30 October 2019.

### 2.2 Basis of preparation and presentation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKAS**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The consolidated financial statements also comply with the applicable disclosure requirements of the Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 25 June 2018. The companies comprising the Group are under the common control of the Mr. Zhou Yang (“**Mr. Zhou**”) and Ms. Song Ruiqing (“**Ms. Song**”), spouse of Mr. Zhou, (collectively, the “**Controlling Shareholders**”), before and after the Reorganisation, and the control is not transitory. The Reorganisation has been accounted for as a restructuring under common control in a manner similar to pooling of interests. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION (Continued)

### 2.2 Basis of preparation and presentation (Continued)

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for years ended 31 December 2019 and 2018 include the financial performance, changes in equity and cash flows of companies within the Group as if the current group structure had been in existence throughout the reporting periods, or since their date of establishment, incorporation or acquisition, where applicable. The consolidated statements of financial position of the Group as at 31 December 2019 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective date of establishment, incorporation or acquisition, where applicable.

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

The consolidated financial statements has been prepared on historical cost basis. The consolidated financial statements is presented in Renminbi ("RMB"), which is different from Hong Kong dollars ("HK\$"), the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 5 "Significant accounting judgements and estimates".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued a number of new and amendments to HKFRSs which were relevant to the Group and had become effective during the year. In preparing the consolidated financial statements, the Group has applied all these new and amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2019.

Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except for the HKFRS 16, none of these amendments have had a material effect on how the Group's financial performance and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

For the year ended 31 December 2019, the Group has applied for the first time, HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has recognised the cumulative effect of the initial application of HKFRS 16 at the date of initial application of HKFRS 16, which is 1 January 2019 and the Group has recognised lease liability at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measures that lease liability at the present value of the remaining lease payments, discounted using the applicable lessee's incremental borrowing rate at the date of initial application and recognised the associated right-of-use asset at an amount equal to the initial measurement of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. The right-of-use assets were recognised in the consolidated statement of financial position. The Group elects the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and perform a full review of existing leases and applies HKFRS 16 only to contracts that were previously identified as lease applying HKAS 17. Furthermore, the Group uses the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. The Group did not restate the comparative information based on the specific transitional provisions set out in HKFRS 16.

After the commencement date, a lessee shall measure the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments, if any.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Such finance cost will be charged to the profit or loss in the period in which it is incurred using effective interest method.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the profit or loss over the lease period on a straight-line basis.

Depreciation on the right-of-use assets, was charged on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

In summary, the following adjustments were made to the amounts recognised as at 31 December 2018 at the date of initial application (1 January 2019):

	Carrying amount as at 31 December 2018 under HKAS 17 RMB'000	Adjustment RMB'000	Carrying amount as at 1 January 2019 under HKFRS 16 RMB'000
<b>Non-current assets</b>			
Right-of-use assets, presented as part of property, plant and equipment	–	223	223
<b>Current liabilities</b>			
Lease liabilities	–	109	109
<b>Non-current liabilities</b>			
Lease liabilities	–	114	114

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5%.

	1 January 2019 RMB'000
Operating lease commitment at 31 December 2018 ( <i>note 23</i> )	240
Discounted using the applicable incremental borrowing rate at the date of initial application	223
Lease liabilities recognised at 1 January 2019	223

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 19). These elements are classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (see note 25).

At the date when these consolidated financial statements are authorised for issue, certain new and amended HKFRSs have been issued but are not yet effective, and have not been applied early by the Group.

		Effective for annual reporting periods beginning on or after
HKFRS 10 and HKAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020 <sup>^</sup>
HKFRS 3 Amendments	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 Amendments	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

\* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor or its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

<sup>^</sup> The HKICPA will start using the revised Conceptual Framework immediately when revising or developing Standards or Accounting Guidelines. The revised Conceptual Framework has an effective date of 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no Standards or Accounting Guidelines applies to a particular transaction.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs that have been issued but are not yet effective. So far, it has been preliminarily concluded that the above new and amendments to HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

### 4.1 Basis of consolidation and subsidiaries

The consolidated financial statements incorporates the financial statements of the Company and its subsidiaries comprising the Group for the year. As explained in Note 2.2 above, the Reorganisation is accounted for using the principles of merger accounting.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.2 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The cost of right-of-use assets is determined in accordance with note 4.5.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual asset, as follows:

Right-of-use assets – leased premises	over the lease term
Leasehold improvements	3 years
Motor vehicles	4 years
Computer and office equipment	3 years

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### 4.3 Financial instruments

#### *Financial assets*

The Group's financial assets include trade and other receivables, amounts due from shareholders, time deposit and bank balances and cash, all of which are classified and accounted for as debt instruments. Financial assets are recognised on the trade date.

Debt instruments that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are held to collect the contractual cash flows are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.3 Financial instruments (Continued)

#### *Impairment of financial assets*

The Group recognises loss allowances for expected credit loss (“ECL”) on the financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECL as all its financial assets carried at amortised cost are current assets. For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

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.

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (a) significant financial difficulty of the borrower or issuer;
- (b) a breach of contract such as a default or past due event and
- (c) it is becoming probable that the debtor will enter bankruptcy.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.3 Financial instruments (Continued)

#### *Financial liabilities*

The Group's financial liabilities include trade and other payables. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

### 4.4 Impairment of non-financial assets

Where an indication of impairment exists (other than inventories), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs of disposal, and 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, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the profit or loss in the year in which it arises.

### 4.5 Leases

#### *Policies applicable from 1 January 2019*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

#### *Assets leased to the Group*

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.5 Leases (Continued)

#### *Assets leased to the Group (Continued)*

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

#### *Policies applicable before 1 January 2019*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.5 Leases (Continued)

#### *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

### 4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and have a short maturity of generally within three months when acquired.

### 4.7 Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.7 Revenue recognition (Continued)

The principal activities of the Group are provision of event management services and design and production services. In respect of both of these principal activities, the Group recognise revenue at a point in time.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

#### *Provision of event management services*

##### *Recognition*

The types of events that event management services relate to include a variety of cultural, artistic, recreational and corporate promotional events.

The services provided by the Group cover design, planning, promotion, coordination and management of an event for customers. Based on the customers' objectives, the Group forms the theme of the event for customers and visualise concepts with a detailed implementation plan. The Group will continue to modify the preliminary plans until the customers are satisfied with the plans and have no further comments.

Revenue is recognised at a point in time at the end of contract period or at when the acknowledgement is signed by the customer after it is satisfied with the services, where appropriate. At that stage, the Group has enforceable right to payment for the whole transaction price and the collection of the consideration is considered probable.

#### *Provision of design and production services*

##### *Recognition*

Design and production services include design and the production of various sketches graphics, other marketing materials.

The Group offers design, writing and editorial as well as animated media work services to the customers. The Group uses expertise and knowledge to transform and express customers' ideas in different forms. The Group also designs and edits contents of webpages and various social media platforms to meet customers' marketing objectives. The Group will continue to modify the design until the customers are satisfied with the design and have no further comment.

Revenue is recognised at a point in time at the end of contract period or at when the acknowledgement is signed by the customer after it is satisfied with the services, where appropriate. At that stage, the Group has enforceable right to payment for the whole transaction price and the collection of the consideration is considered probable.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.7 Revenue recognition (Continued)

#### *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

A contract asset represents the Group's right to consideration in exchange for goods or services that the group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

### 4.8 Income taxes

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in a subsidiary, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.8 Income taxes (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in a subsidiary, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.9 Employee benefit

#### (i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

#### (ii) Defined contribution retirement plan obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

### 4.10 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

When 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 of economic benefits is remote. Possible obligations, the existence of which 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 of economic benefits is remote.

### 4.11 Foreign currency

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. In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.11 Foreign currency (Continued)

Exchange differences arising on the settlement of monetary items or on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The results of certain overseas entities are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Balance sheet items are translated into RMB at the exchange rates ruling at the reporting date. The resulting currency translation differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. On disposal of an overseas entity, the cumulative amount of the currency translation differences relating to that particular foreign operation is reclassified from equity to profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas entities within the Group are translated into RMB by using the exchange rates approximating the foreign exchange rate ruling at the dates of the cash flows.

### 4.12 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.12 Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group 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 Group or an entity related to the Group;
  - (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); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 4.13 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

### Judgements

In the process of applying the Group's accounting policies, the directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

### Revenue recognition

The principal activities of the Group are provision of event management and design and production services. The services encompass a wide spectrum of coverage, including design and planning, project management, on-site supervision, writing and editorial works and animated media works.

The end products created by the services or the services provided are unique, specified to each customer and involved high personal preference. Therefore, before the acceptance of the end products/services by the customer, it is uncertain that the Group would have the right to receive consideration from the customers. As such, the management considers that revenue cannot be recognised based on the stage of completion as none of the criteria for recognising revenue over time is met. In the light of the relatively short duration of each project, the directors of the Company have determined that it is appropriate that recognition of revenue takes place at the end of contract or upon the acknowledgement of the customers that they are satisfied with the end products/services, where appropriate, at which point in time the control of the end products are delivered to the customers. At that stage, the Group has enforceable right to payment for the whole transaction price and the collection of the consideration is considered probable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Revenue recognition (Continued)

#### *Estimation uncertainty*

The following items are 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.

#### *Provision for ECL on trade receivables*

The Group determines the provision for ECL on trade receivables resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivable balance, customer/debtor credit-worthiness, and historical write-off experience. If the financial conditions of customers/debtors deteriorate, additional allowance for expected credit loss may be required.

#### *Provision for income taxes*

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. The Group believes that its provision for tax is adequate for the reporting period based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

## 6. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors, who are the chief operating decision makers, in order to allocate resources and assess performance of the segment. During the year, executive directors of the Company regularly review the consolidated financial position, revenue from provision of event management services and design and production services and results of the Group for the purposes of allocating resources and assessing performance of the Group as a whole.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 6. SEGMENT INFORMATION (Continued)

Therefore, the directors of the Company consider the Group has one single operating segment during the year which is provision of event management services and design and production services.

### Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regards the PRC as its country of domicile.

As at 31 December 2019 and 2018, the Group operated within one geographical area because all of its revenue was generated in the PRC and all of its long-term assets were located in the PRC. Accordingly, no geographical information is presented.

### Information about a major customer

For the year ended 31 December 2019, revenue from a major customer who contributed more than 10% of the total revenue of the Group is as follow:

	2019 RMB'000
Customer A	8,035

Note: There were no single customer contributed over 10% of total revenue of the Group for the year ended 31 December 2018.

## 7. REVENUE AND OTHER INCOME

All revenue are recognised at a point in time. An analysis of the Group's revenue by services and other income during the year is as follows:

	2019 RMB'000	2018 RMB'000
<b>Revenue</b>		
<b><i>By type of services</i></b>		
Event management services	39,227	36,280
Design and production services	21,771	17,078
	<b>60,998</b>	53,358
<b>Other income</b>		
Exchange difference	42	169
Interest income	93	140
Gain on disposal of property, plant and equipment	18	–
	<b>153</b>	309

All of the Group's unsatisfied performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2019 RMB'000	2018 RMB'000
Auditor's remuneration ( <i>Note</i> )	1,786	1,056
Provision for ECL on trade receivables, net	666	360
Expense relating to short-term leases	14	–
Minimum lease payments under operating lease charged for properties	–	120
<i>Project costs</i>		
Event and marketing materials expenses	4,173	4,781
Printing charges	400	729
Stage services and venue decoration expenses	5,016	5,824
Advertising and promotional expenses	4,589	4,307
Video and animation production costs	3,367	1,638
Applications and software development expenses	4,442	2,095
Other project costs	130	585
	<b>22,117</b>	19,959
<i>Employee benefits expense (including directors' emoluments) (Note 10(a))</i>		
– Salaries, allowances and benefits in kind	7,269	6,033
– Discretionary bonus	3,036	3,384
– Retirement benefit scheme contributions	1,679	1,726
	<b>11,984</b>	11,143

*Note:* Included fee of RMB1,390,000 (2018: RMB1,056,000) for acting as reporting accountants.

## 9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expense for lease arrangements	11	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

### (a) Directors and chief executive emoluments

Pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the entities comprising the Group to the directors of the Company are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000 <i>(Note (i))</i>	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2019</b>					
Executive directors					
Ms. Song <i>(Note (iii))</i>	–	780	390	93	1,263
Mr. Zhou <i>(Note (iii))</i>	–	636	318	93	1,047
Independent Non-executive directors					
Mr. Ho Yau Kwok	21	–	–	–	21
Mr. Yip Koon Shing	21	–	–	–	21
Mr. Wong Kin Yip	21	–	–	–	21
	<b>63</b>	<b>1,416</b>	<b>708</b>	<b>186</b>	<b>2,373</b>
<b>Year ended 31 December 2018</b>					
Executive directors					
Ms. Song <i>(Note (ii))</i>	–	780	585	98	1,463
Mr. Zhou <i>(Note (iii))</i>	–	636	477	98	1,211
Independent Non-executive directors					
Mr. Ho Yau Kwok	–	–	–	–	–
Mr. Yip Koon Shing	–	–	–	–	–
Mr. Wong Kin Yip	–	–	–	–	–
	–	1,416	1,062	196	2,674



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

### (a) Directors and chief executive emoluments (Continued)

Notes:

- (i) Salaries, allowances and benefits in kind of the executive directors are generally emoluments paid in respect of the directors' other services in connection with the management of the affairs of the subsidiaries of the Company.
- (ii) Ms. Song is the chief executive officer of the Company.
- (iii) Mr. Zhou Yang is the chairman of the board of directors of the Company.

Mr. Zhou and Ms. Song were appointed as executive directors of the Company upon its incorporation on 13 April 2018. Mr. Ho Yau Kwok, Mr. Yip Koon Shing and Mr. Wong Kin Yip were appointed as independent non-executive directors of the Company on 21 October 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

### (b) Five highest paid individuals' emoluments

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors. The emolument of the remaining three (2018: three) non-director individuals, in the salary band of Nil to HK\$1,000,000, was as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	900	900
Discretionary bonus	825	600
Retirement benefit scheme contributions	278	295
	<b>2,003</b>	<b>1,795</b>

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

### (c) Senior management emolument

The number of senior management (excluding the directors of the Company) whose remuneration fell within the following bands is as follows:

	2019 RMB'000	2018 RMB'000
Nil to HK\$1,000,000	3	3

## 11. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Income tax expenses comprise: The PRC Enterprise Income Tax – current tax for the year	6,230	5,054

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

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions during the year (2018: Nil).

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has no assessable profits derived in Hong Kong during the year ended 31 December 2019 (2018: Nil).

The PRC Enterprise Income Tax has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 11. INCOME TAX EXPENSES (Continued)

No deferred tax liability has been recorded on certain temporary differences of approximately RMB38,408,000 (2018: RMB22,691,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	15,109	11,361
Tax calculated at the rates applicable	4,680	3,603
Tax effect of non-taxable income	(22)	(34)
Tax effect of non-deductible expenses	1,337	1,387
Others	235	98
Income tax expense	6,230	5,054

## 12. DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2019 (2018: Nil). The directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 13. EARNINGS PER SHARE

	2019	2018
<b>Earnings:</b>		
Profit for the year attributable to the owners of the Company (RMB'000)	8,879	6,307
<b>Number of shares:</b>		
Weighted average number of ordinary shares (in thousand)	626,301	600,000

The 600,000,000 shares used to calculate the basic earnings per share for the year ended 31 December 2018 represents the number of shares of the Company immediately prior to the Listing of the Company's share on GEM as if the shares had been in issue throughout the year ended 31 December 2018.

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use-assets- leased premises RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
<b>Cost</b>					
As at 1 January 2018	-	-	1,204	481	1,685
Additions	-	-	-	27	27
As at 31 December 2018 and 1 January 2019	-	-	1,204	508	1,712
Adjustment on transition to HKFRS 16 (note 3)	223	-	-	-	223
Additions	-	266	-	7	273
Disposal	-	-	(89)	-	(89)
<b>As at 31 December 2019</b>	223	266	1,115	515	2,119

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of- use-assets- leased premises RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
<b>Accumulated depreciation</b>					
As at 1 January 2018	–	–	617	438	1,055
Charge for the year	–	–	286	43	329
As at 31 December 2018 and 1 January 2019	–	–	903	481	1,384
Charge for the year	112	8	128	16	264
Disposal	–	–	(85)	–	(85)
<b>As at 31 December 2019</b>	<b>112</b>	<b>8</b>	<b>946</b>	<b>497</b>	<b>1,563</b>
<b>Net carrying amount</b>					
As at 31 December 2018	–	–	301	27	328
<b>As at 31 December 2019</b>	<b>111</b>	<b>258</b>	<b>169</b>	<b>18</b>	<b>556</b>

## 15. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables, at cost	<b>40,967</b>	19,981
Less: Provision for ECL	<b>(1,142)</b>	(476)
Trade receivables, net	<b>39,825</b>	19,505
Prepayments	<b>3,666</b>	2,483
Prepaid listing expense	–	2,278
Deposit and other receivables	<b>296</b>	1,056
	<b>43,787</b>	25,322

The credit period for trade receivables is up to 90 days (2018: 90 days) from the invoice date for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 15. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables, based on due date, is as follows:

	Current RMB'000	Past due less than 1 month RMB'000	Past due over 1 month but within 3 months RMB'000	Past due over 3 months but within 6 months RMB'000	Past due over 6 months but within 1 year RMB'000	Past due over 1 year RMB'000	Total RMB'000
<b>As at 31 December 2019</b>							
<i>ECL rate</i>	2%	2%	4%	7%	10%	100%	
Gross carrying amount	24,705	7,021	4,033	4,466	656	86	40,967
Provision for ECL	(421)	(119)	(158)	(293)	(65)	(86)	(1,142)
	<b>24,284</b>	<b>6,902</b>	<b>3,875</b>	<b>4,173</b>	<b>591</b>	<b>–</b>	<b>39,825</b>
<b>As at 31 December 2018</b>							
<i>ECL rate</i>	1%	1%	2%	5%	22%	100%	
Gross carrying amount	14,073	1,276	1,925	1,719	973	15	19,981
Provision for ECL	(110)	(10)	(47)	(81)	(213)	(15)	(476)
	<b>13,963</b>	<b>1,266</b>	<b>1,878</b>	<b>1,638</b>	<b>760</b>	<b>–</b>	<b>19,505</b>

The trade receivables related to a wide range of customers for whom there was no recent history of default.

The Group does not hold any collateral over these balances.

The ageing analysis of the trade receivables based on invoice date, net of provision for ECL, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	12,512	8,061
Over 1 month but within 3 months	11,772	6,399
Over 3 months but within 6 months	10,776	2,647
Over 6 months but within 1 year	4,629	1,996
Over 1 year	136	402
	<b>39,825</b>	<b>19,505</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 15. TRADE AND OTHER RECEIVABLES (Continued)

Movements in the provision for ECL on trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	476	116
ECL on trade receivables	1,142	476
Reversal of ECL	(476)	(116)
At the end of the year	1,142	476

The Group carries out impairment reviews of its trade receivables using a lifetime ECL model. The Group determined there are expected loss of approximately RMB1,142,000 (2018: RMB476,000). Provision for ECL on trade receivables, net amounting to approximately RMB666,000 (2018: RMB360,000) have been recognised in the profit or loss for the year.

## 16. AMOUNTS DUE FROM SHAREHOLDERS

	Maximum amount outstanding during the year RMB'000	Carrying amount RMB'000
<b>As at 31 December 2019</b>		
<b>Amounts due from shareholders</b>		
QY Investment Holdings Limited ("QY")	4	-
SRU Investment Limited	1	-
DHSH (BVI) Limited	1	-
Mr. Zhou	1,464	-
		-
<b>As at 31 December 2018</b>		
<b>Amounts due from shareholders</b>		
QY	4	4
SRU Investment Limited	1	1
DHSH (BVI) Limited	1	1
Mr. Zhou	2,329	1,464
		1,470

All the balances were non-trade in nature, unsecured, interest-free and recoverable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 17. TIME DEPOSIT AND BANK BALANCES AND CASH

- (a) Time deposit represents fixed deposit with original maturity of more than three months.

As at 31 December 2019, time deposit denominated in RMB of approximately RMB30,000,000 (2018: Nil) with original maturity of more than three months, carried average interest rate at 1.21% per annum.

- (b) Bank and cash balance represents bank balances and cash in hand.

The Group's bank balances carry interest at prevailing market rates ranging from 0.3% to 0.35% per annum for the year (2018: 0.3% to 0.35% per annum).

As at 31 December 2018 and 2019, part of cash and bank balances of the Group denominated in Renminbi ("RMB"). 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.

## 18. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	2,819	3,060
Accruals and other payable	9,094	8,716
Other tax payables	2,910	1,947
Contract liabilities	733	277
	<b>15,556</b>	<b>14,000</b>

The credit period granted by suppliers of the Group is ranging from 30 to 120 days (2018: 30 to 120 days) for the year. The ageing analysis of the trade payables based on invoice date is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	1,879	2,029
Over 1 month but less than 3 months	811	440
Over 3 months but less than 1 year	62	364
Over 1 year	67	227
	<b>2,819</b>	<b>3,060</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 18. TRADE AND OTHER PAYABLES (Continued)

The Group requests an upfront payment, ranging from 20% to 50% of the contract sum, upon signing of the service contract, in general. Contract liabilities, representing receipt in advance from customers, are separately presented. Movement of contract liabilities is as follows:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	277	993
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(225)	(993)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	681	277
Balance 31 December	733	277

## 19. LEASE LIABILITIES

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2019 RMB'000
Minimum lease payments due – Within 1 year	120
Less: future finance charges	(6)
	114
Present value of lease liabilities – Current	114

The Group has leases for office premises. These leases are reflected on the consolidated statement of financial position as right-of-use assets and lease liabilities. Right-of-use assets are included in property, plant and equipment (see Note 14).

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. Leases can only be cancelled with mutual agreement between the Group and lessor. The leases do not contain any variable lease payment, extension options and termination option among the lease contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 19. LEASE LIABILITIES (Continued)

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised as property, plant and equipment on consolidated statement of financial position:

Right-of-use assets	No. of lease	Remaining lease term month
Leased premises	1	12

The lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

## 20. SHARE CAPITAL

	Number of ordinary shares during the period/year	Amount RMB'000
<b>The Company</b>		
<b>Authorised</b>		
Upon incorporation on 13 April 2018, ordinary shares of US\$1 each (Note (c))	50,000	315
Share sub-division (Note (d))	49,950,000	–
As at 31 December 2018, ordinary shares of US\$0.001 each	50,000,000	315
Increase in authorised share capital on 21 October 2019 (Note (e))	1,950,000,000	13,843
<b>As at 31 December 2019</b>	<b>2,000,000,000</b>	<b>14,158</b>
<b>Issued and fully paid:</b>		
Upon incorporation on 13 April 2018, ordinary share of US\$1 (Note (c))	1	*
Allotment of 999 shares of US\$1 each (Note (c))	999	6
Share sub-division (Note (d))	999,000	–
As at 31 December 2018, ordinary shares of US\$0.001 each	1,000,000	6
Capitalisation issue of shares (Note (f))	599,000,000	4,206
Issue of shares upon share offering (Note (g))	200,000,000	1,404
<b>As at 31 December 2019</b>	<b>800,000,000</b>	<b>5,616</b>

\* Denote for RMB6

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 20. SHARE CAPITAL (Continued)

*Notes:*

- (a) As at 1 January 2018, the balance of share capital in the consolidated statement of changes in equity represented the aggregate paid-up capital of Wuxi Orange Tour Cultural and Creative Co., Ltd. ("**Wuxi Orange**") and Yixing Orange Tour Cultural and Creative Co., Ltd. ("**Yixing Orange**"). As at 31 December 2018 and 2019, the balances of share capital in the consolidated statement of financial position represent the share capital of the Company.
- (b) During the year ended 31 December 2018, the authorised registered capital and paid-up capital of Wuxi Orange have been increased by RMB2,222,000. Also, during the year ended 31 December 2018, Orange Tour (BVI) Limited ("**OTBVI**"), Orange Tour HK Company Limited ("**OTHK**") and Yixing Tianxi Cultural Media Co., Ltd. ("**Yixing Tianxi**") were incorporated with issued/paid in capital of US\$1,000 (equivalent to approximately RMB6,000), HK\$1,000 (equivalent to approximately RMB1,000) and HK\$500,000 (equivalent to approximately RMB426,000) respectively as detailed in Note 2.1.
- (c) On 13 April 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1 each. On the date of incorporation, 1 share of the Company was allotted and issued at US\$1 to the initial subscriber, who then immediately transferred such share to Mr. Zhou. On the same day, the Company further allotted and issued 356, 343, 200 and 100 fully paid shares with par value of US\$1 per share to Mr. Zhou, Ms. Song, Mr. Fan Yajun and Mr. Ho Shing Hei Dodge ("**Mr. Ho**"), respectively.
- (d) On 13 July 2018, the shareholders of the Company passed a written resolution to subdivide each of the issued and unissued ordinary shares of par value of US\$1 each into 1,000 ordinary shares of US\$0.001 each.
- (e) Pursuant to a written resolution of the shareholders passed on 21 October 2019, the authorised share capital of the Company was increased from US\$50,000 divided into 50,000,000 shares of US\$0.001 each to US\$2,000,000 divided into 2,000,000,000 shares of US\$0.001 each by the creation of an additional of 1,950,000,000 shares of US\$0.001 each.
- (f) Pursuant to a written resolution of the shareholders passed on 21 October 2019, conditional on the share premium account of the Company being credited as a result of the Listing, US\$599,000 (equivalent to approximately RMB4,206,000) of such amount was directed to be capitalised and applied in paying up in full at par 599,000,000 shares for allotment and issue to shareholders of the Company the ("**Capitalisation**"). Upon the Capitalisation, the based share capital of the Company would become US\$600,000 divided into 600,000,000 shares of US\$0.001 each.
- (g) Pursuant to the share offering on 14 November 2019, 200,000,000 ordinary shares of US\$0.001 each were issued at a price of HK\$0.275 per share for a total consideration (before listing expenses) of HK\$55,000,000. Accordingly, the Company's share capital increased by RMB1,404,000 and the balance of the proceeds of approximately RMB38,626,000, after deducting the listing expenses that are eligible to be charged in equity of approximately RMB9,296,000, was credited to the share premium account.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 21. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

### Share premium

The share premium account of the Group includes the premium arising from the issue of new shares pursuant to the share offering net of listing expenses.

### Statutory reserve

As stipulated by the relevant laws in the PRC, the PRC subsidiaries are required to maintain a statutory reserve fund. The minimum transfer to statutory reserve is 10% of profit after tax of the PRC subsidiaries according to the PRC subsidiaries' statutory financial statements. No appropriation is required if the balance of the statutory reserve has reached 50% of the registered capital of the PRC subsidiaries. The statutory reserves can be used to make up losses or for conversion into capital.

### Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries whose functional currencies are different from that of the presentation currency.

### Other reserve

The other reserve comprises:

- (a) the deemed contribution from the Controlling Shareholders upon acquisition of the non-controlling interest;
- (b) the excess contribution consideration paid by Mr. Ho for the subscription of the additional registered capital over the nominal amount of the registered capital; and
- (c) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Reorganisation to rationalise the structure of the Group, over the nominal value of the shares of the Company issued in exchange for the subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 22. INTERESTS IN SUBSIDIARIES

As at the date when these consolidated financial statements are authorised for issue, the Company has direct and indirect interests in the following subsidiaries, all of which are companies with limited liability. The particulars of which are set out as follows:

Name of the subsidiary	Place and date of incorporation/ establishment	Particulars of issued and fully paid-up share capital/registered capital	Attributable equity interest to the Group		Principal activities and place of operation
			As at 31 December 2019	2018	
<b>Directly held:</b>					
OTBVI	The BVI 6 April 2018	US\$1,000	<b>100%</b>	100%	Investment holding in the BVI
<b>Indirectly held:</b>					
OTHK (旅橙香港有限公司)	Hong Kong 5 February 2018	HK\$1,000	<b>100%</b>	100%	Investment holding in the Hong Kong
Yixing Tianxi* (宜興天熙文化傳媒有限公司)	The PRC 20 June 2018	31 December 2019: HK\$20,500,000  (31 December 2018: HK\$500,000)	<b>100%</b>	100%	Investment holding in the PRC
Wuxi Orange* (無錫旅橙文化創意有限公司)	The PRC 30 May 2014	31 December 2019: RMB40,000,000  (31 December 2018: RMB22,222,222)	<b>100%</b>	100%	Provision of event management services and design and production services in the PRC
Yixing Orange* (宜興旅橙文化創意有限公司)	The PRC 13 November 2014	RMB2,000,000	<b>100%</b>	100%	Provision of event management services and design and production services in the PRC

\* The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 23. COMMITMENTS

### (a) Capital commitments

Capital expenditures contracted for but not yet incurred at the end of year are as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	–	11,654

*Note:* As at 31 December 2018, a deposit of RMB4,995,000 has been paid by the Group for purchase of office premises, with a total consideration amounting to approximately RMB16,649,000 in Yixing, the PRC. As at 31 December 2019, such deposit has been fully refunded to the Group.

### (b) Lease commitments

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	127	120
Over 1 year but less than 5 years	–	120
	127	240

Due to adoption of HKFRS 16, the relevant lease commitments were not set out and were recognised as lease liabilities as at 31 December 2019.

The operating lease commitments as at 31 December 2019 are set out above as there was one short-term leases recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 24. RELATED PARTY TRANSACTIONS

Save as disclosed in Note 16 and the key management personnel remuneration, the Group has no other transaction with its related parties in the normal course of its business.

### *Key management personnel remuneration*

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Company. Key management personnel remuneration are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	2,476	2,226
Discretionary bonus	1,308	1,831
Retirement benefit scheme contributions	390	401
	<b>4,174</b>	<b>4,458</b>

## 25. CASH FLOW INFORMATION

### (a) Major non-cash transaction

During the year ended 31 December 2019, certain prepaid listing expenses amounting to approximately RMB2,278,000 were transferred to deduct the share premium as mentioned in Note 20(g).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 25. CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of liabilities from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Amount due to a shareholder RMB'000	Lease liabilities RMB'000
As at 1 January 2018	11,373	–
<b>Changes from financing cash flows during the year ended 31 December 2018:</b>		
Payment of dividend	(14,246)	–
Advance from a shareholder	2,873	–
<b>As at 31 December 2018</b>	–	–
Impact on initial application of HKFRS 16 ( <i>Note 3</i> )	–	223
<b>As at 1 January 2019</b>	–	223
<b>Changes from financing cash flows during the year ended 31 December 2019:</b>		
Payment of capital element of lease liabilities	–	(120)
<b>Total change from financing cash flows</b>	–	(120)
<b>Other changes (non-cash transaction):</b>		
Payment of interest element of lease liabilities ( <i>Note 9</i> )	–	11
<b>Total other changes</b>	–	11
<b>As at 31 December 2019</b>	–	<b>114</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group is exposed to a variety of risks including credit risk and liquidity risk through its use of financial instruments in its ordinary course of operations.

The Group does not have any written risk management policies and guidelines. The directors of the Company monitor the financial risk management and take such measures as considered necessary from time to time to minimise such financial risks.

### (a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, 78% (2018: 97%) of the total bank deposits (including time deposit and bank balances) was placed in the financial institutions with good standing in the PRC.

The carrying amount of trade and other receivables and amounts due from shareholders represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

As at 31 December 2018 and 2019, the Group has a certain concentration of credit risk as 8.5% and 21% respectively of trade receivables was due from the Group's largest customer, while 32.7% and 49% respectively of trade receivables was due from the Group's five largest customers.

### (b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and amounts due to shareholders and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (b) Liquidity risk (Continued)

The maturity profile of the Group's non-derivative financial liabilities at each reporting period, based on the contracted undiscounted payments, is as follows:

	Within 1 year or on demand RMB'000	Within 1 to 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
<b>As at 31 December 2019</b>				
Trade and other payables	11,913	–	11,913	11,913
Lease liabilities	120	–	120	114
	<b>12,033</b>	<b>–</b>	<b>12,033</b>	<b>12,027</b>
<b>As at 31 December 2018</b>				
Trade and other payables	11,776	–	11,776	11,776

### (c) Fair values of financial instruments

All financial assets and liabilities are carried at amount not materially different from their fair values as at 31 December 2019 and 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 RMB'000	2018 RMB'000
<b>Financial assets</b>		
Financial assets measured at amortised cost		
– Trade and other receivables	40,121	20,561
– Amounts due from shareholders	–	1,470
– Time deposit	30,000	–
– Bank balances and cash	37,466	26,886
	<b>107,587</b>	<b>48,917</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost		
– Trade and other payables	11,913	11,776
– Lease liabilities	114	–
	<b>12,027</b>	<b>11,776</b>

## 28. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes for managing capital were made during the year.

The capital structure of the Group consists of equity of the Company, comprising share capital and reserves disclosed in the consolidated statement of changes in equity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

## 29. THE IMMEDIATE HOLDING COMPANY AND ULTIMATE CONTROLLING SHAREHOLDERS

During the years ended 31 December 2019 and 2018 and before the Reorganisation, in the opinion of the directors of the Company, the ultimate controlling shareholders are Mr. Zhou and Ms. Song. Immediately after the Reorganisation, in the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is QY, a company incorporated in the BVI. The Controlling Shareholders, being the only shareholders of QY, are the ultimate controlling shareholders during the year and before and after the Reorganisation.

## 30. COMPARATIVE AMOUNTS

Provision for ECL on trade receivables, net included in other operating expenses for the year ended 31 December 2018 have been presented as a separate line item in profit or loss to conform with the presentation for the current year.

## 31. EVENT AFTER THE END OF REPORTING PERIOD

Since the outbreak of Coronavirus Disease 2019 (“**Epidemic**”) in January 2020, the prevention and control of the Epidemic has been going on throughout the country.

As detailed in the announcement of the Company dated 21 February 2020, the Group’s operation has been suspended since Chinese New Year Holiday as part of the Chinese government’s countermeasures in containing the Epidemic.

The outbreak of the Epidemic has deeply affected China’s economy and substantially reduced domestic consumption and manufacturing capability. Given of these dynamic circumstances, the Directors expect that the weak performance in the marketing activities will pose an adverse impact to the operation of the Group that might not be reasonably estimated at this stage. Should the outbreak of the Epidemic prevail, the adverse impact on the Group will continue and it may affect the financial results for the whole year in 2020.

The board of directors of the Company will continue to assess the impact of the Epidemic on the Group’s operation and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the Epidemic. The Group will take appropriate measures as necessary. Up to the date of the approval of the consolidated financial statements, the assessment is still in progress.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current asset</b>		
Investment in subsidiaries	6	6
<b>Current assets</b>		
Prepayments	236	2,278
Amounts due from shareholders	–	6
Amounts due from subsidiary	22,514	–
Cash and bank balances	70	–
	<b>22,820</b>	2,284
<b>Current liabilities</b>		
Accruals and other payables	629	1,414
Amounts due to subsidiary	–	9,694
	<b>629</b>	11,108
<b>Net current assets/(liabilities)</b>	<b>22,191</b>	(8,824)
<b>Net assets/(liabilities)</b>	<b>22,197</b>	(8,818)
<b>CAPITAL AND RESERVES</b>		
Share capital	5,616	6
Reserves/(deficits)	16,581	(8,824)
<b>Total equity/(deficiency)</b>	<b>22,197</b>	(8,818)

Approved and authorised for issue by the Board of Directors on 26 March 2020 and are signed on its behalf by:

**Zhou Yang**  
Executive Director

**Song Ruiqing**  
Executive Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total (deficits)/ reserves RMB'000
At 13 April 2018 (date of incorporation of the Company)	–	–	–	–
Loss for the period	–	–	(8,435)	(8,435)
Other comprehensive loss				
Exchange differences arising on translation	–	(389)	–	(389)
Total comprehensive loss for the period	–	(389)	(8,435)	(8,824)
As at 31 December 2018	–	(389)	(8,435)	(8,824)
Loss for the year	–	–	(8,706)	(8,706)
Other comprehensive loss				
Exchange differences arising on translation	–	(309)	–	(309)
Total comprehensive loss for the year	–	(309)	(8,706)	(9,015)
Issue of shares upon on share offering, net of listing expenses (Note 20 (g))	38,626	–	–	38,626
Capitalisation issue of shares (Note 20 (f))	(4,206)	–	–	(4,206)
As at 31 December 2019	34,420	(698)	(17,141)	16,581