途屹控股

TU YI HOLDING COMPANY LIMITED
途 屹 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1701)

ANNUAL REPORT 2019

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Dingxin *(Chairman)*
Mr. Pan Wei
Mr. Xu Jiong
Mr. An Jiajin
Mr. Peng Ying
Ms. Qiu Xiang *(Resigned on 21 January 2020)*

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Zhao Jianbo
Ms. Zhou Li

AUDIT COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Zhao Jianbo
Ms. Zhou Li

REMUNERATION COMMITTEE

Ms. Zhou Li *(Chairman)*
Mr. Zhao Jianbo
Mr. Yu Dingxin

NOMINATION COMMITTEE

Mr. Yu Dingxin *(Chairman)*
Mr. Zhao Jianbo
Ms. Zhou Li

COMPANY SECRETARY

Ms. Yeung Josephine Yan

AUTHORIZED REPRESENTATIVES

Ms. Qiu Xiang
Ms. Yeung Josephine Yan

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hai Chuang Technology Centre
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Yuhang District
Hangzhou City
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F
Wah Yuen Building
149 Queen's Road Central
Hong Kong

AUDITOR

Ernst & Young

LEGAL ADVISER

As to Hong Kong Laws:
Jingtian & Gongcheng LLP

COMPLIANCE ADVISER

Innovax Capital Limited

PRINCIPAL BANKERS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.tuyigroup.com

STOCK CODE

1701

GROUP FINANCIAL HIGHLIGHTS

	2019 *RMB'000*	2018 *RMB'000*	Change in %
Revenue	**233,803**	205,051	14.0
Gross profit	**64,935**	48,986	32.6
Profit for the Year attributable to owners of the parent *Note*	**25,614**	6,994	266.2
Adjusted profit for the Year attributable to owners of the parent after excluding listing expenses *Note*	**33,461**	22,533	48.5

Note: For the year ended 31 December 2019 (the "Year"), the Group's profit attributable to owners of the parent (the "Profit") and the adjusted profit for the Year attributable to owners of the parent after excluding listing expenses (the "Adjusted Profit") amounted to approximately RMB25.6 million and approximately 33.5 million, respectively. As compared to the corresponding period in 2018, both the Profit and the Adjusted Profit had significantly increased by approximately RMB18.6 million or 266.2% and approximately RMB10.9 million or 48.5%, respectively.

On behalf of Tu Yi Holding Company Limited ("Tu Yi" or the "Company") and its subsidiaries (collectively the "Group"), I hereby present to Shareholders the first annual results report since our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2019 (the "Listing"). The successful Listing is a very important milestone for the Group, and it as well demonstrates the recognition of the Group's past performance by our business partners and investors. We believe that, after the Listing, our market share and brand recognition in the tourism market would be significantly improved, which are crucial to the development of the Group's business.

RESULTS SUMMARY

For the year ended 31 December 2019, the consolidated revenue of the Group amounted to approximately RMB233.8 million, representing an increase of approximately 14.0% over the previous year. The Group's profit attributable to owners of the parent was approximately RMB25.6 million, representing an increase of approximately 266.2% as compared to the previous year. As at 31 December 2019, the net asset value of the Group amounted to approximately RMB252.7 million, representing an increase of approximately 104.5% over the previous year.

BUSINESS REVIEW

During 2019, the Group continued to firmly implement its development strategy, strived to establish a "one-stop Japanese travel service provider" by deeply exploring Japan's tourist destination resources and optimized the development strategy. The Group offered products covering almost all aspects of Japanese tourism, and achieved certain results in our four major business segments, namely vacation travel, customized itineraries, overseas hotels and overseas online shopping. The number of customers for Japan local day-tours increased by more than five times as compared with the previous year. In-depth cooperation with two local travel agencies in Hong Kong was reached to provide them with a comprehensive range of Japanese destination resource products.

In January 2019, the offline physical store and online platform of Hotel Comfact (the "Tokyo Hotel") duty-free shop under the Group were officially opened. After years of building-up of customer resources, based on our product procurement advantages in Japan and mature e-commerce operation experience, it has become the most popular and trustworthy overseas shopping platform for customers' repeated consumption after returning from travel.

OUTLOOK

Going forward 2020, the internal and external situations faced by China will become more complicated and unstable. There will be new features in the development of the tourism industry. Reform and development will remain the main theme of the Group's work in the forthcoming year. We will focus more on the originality of tourism products, service design and destination resources development to ensure customers are provided with more diversified products and quality services and create value for the shareholders (the "Shareholders") with our best efforts.

APPRECIATION

On behalf of the Group, I would like to take this opportunity to express my heartfelt gratitude to the Shareholders and business partners for their support. I would also like to thank our Directors, management and employees for their dedication and hard work. We will continue to improve ourselves to deliver solid results and better return for our Shareholders and give back to the community.

Yu Dingxin
Chairman and executive Director

30 March 2020

BUSINESS REVIEW

The Group is a well-established and active outbound travel products and service provider in the People's Republic of China (the "PRC"), with a particular focus in Japan-bound package tours and day tours, and related free and independent traveller products (the "FIT Products"). During the year ended 31 December 2019, the Group is principally engaged in the followings:

– the design, development and sales of outbound travel package tours and day tours;

– the design, development and sales of FIT Products. The Group's FIT Products include flight-only booking, hotel-only booking and flight-plus-travel packages;

– the provision of visa application processing services, including but not limited to, issuance of letters of invitation;

– the provision of other ancillary travel-related products and services such as car-rental services, airport transportation, railway tickets and pocket Wi-Fi rental, etc.; and

– the operation of self-owned Shuzenji Onsen Hotel Takitei (the "Shizuoka Hotel") and Tokyo Hotel in Japan (collectively, the "Hotel Operation").

For the Year, the Profit and the Adjusted Profit amounted to approximately RMB25.6 million and approximately RMB33.5 million, respectively. As compared to the corresponding period in 2018, both the Profit and the Adjusted Profit had significantly increased by approximately RMB18.6 million or 266.2% and approximately RMB10.9 million or 48.5%, respectively. Such increase was mainly driven by an increase in gross profit of the package tours and day tours.

The Group's revenue and gross profit from various operating segments for the year are set out as follows:

	For the year ended 31 December							
	2019				2018			
	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of package tours and day tours	**174,581**	**74.7**	**33,284**	**19.1**	162,767	79.4	15,298	9.4
Hotel Operation	**31,707**	**13.6**	**4,295**	**13.5**	12,801	6.2	4,669	36.5
Margin income from the provision of visa application processing service	**12,492**	**5.3**	**12,492**	**N/A*(Note)***	13,345	6.5	13,345	N/A*(Note)*
Margin income from sales of FIT Products	**12,422**	**5.3**	**12,422**	**N/A*(Note)***	13,825	6.7	13,825	N/A*(Note)*
Other income from sales of ancillary travel related products and provision of services	**2,601**	**1.1**	**2,442**	**93.9**	2,313	1.2	1,849	79.9
	233,803	**100.0**	**64,935**	**27.8**	205,051	100.0	48,986	23.9

Note: The calculation of the Group's gross profit margin is not applicable for our margin income from the provision of visa application processing service and margin income from sales of FIT Products because the respective revenue is recognised on a net basis.

Sales of package tours and day tours

The Group's revenue from sales of package tours and day tours mainly represents the fee received from customers for the package tours and day tours. During the year ended 31 December 2019, we primarily provided package tours and day tours bound to Japan. The main source of the Group's revenue was derived from the sales of package tours and day tours, which contributed 74.7% (2018: 79.4%) to the total revenue of the Group during the year ended 31 December 2019.

The following table sets forth a breakdown of sales of package tours and day tours by destinations:

	For the year ended 31 December							
	2019				2018			
	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of package tours								
Japan								
– Package	110,599	63.4	15,454	14.0	114,317	70.2	5,883	5.1
– Commissions	6,061	3.4	5,508	90.9	6,756	4.2	5,945	88.0
	116,660	66.8	20,962		121,073	74.4	11,828	
Australia & New Zealand	3,108	1.8	233	7.5	8,262	5.1	702	8.5
South Korea & Southeast Asia	6,845	3.9	758	11.1	21,516	13.2	432	2.0
Others	4,889	2.8	145	3.0	5,342	3.3	704	13.2
	131,502	75.3	22,098		156,193	96.0	13,666	
Sales of day tours								
Japan	43,079	24.7	11,186	26.0	6,574	4.0	1,632	24.8
	174,581	100.0	33,284		162,767	100.0	15,298	

The Group's package tours mainly comprise flights, hotel accomodations, meals, transportation, sight-seeing as a bundled package and are accompanied by tour escorts from departure till return to the PRC. The Group's Japan-bound package tours and day tours remain the major sources of the total sales of the Group's package tours and day tours, excluding commssions, it contributed 63.4% and 24.7% (2018: 70.2% and 4.0%) to the total sales of the Group's package tours and day tours, respectively. The increase in sales of the Group's package tours was mainly driven by an increase in sales of the Group's Japan-bound package tours offset by the decrease in sales of package tours bound for Australia & New Zealand and South Korea & Southeast Asia. During the Year, the Group continued to streamline its travel routes bound for Australia & New Zealand and South Korea & Southeast Asia with lower profit margin and placed more focus on Japan-bound package tours. Despite the number of travellers for Japan-bound package tours decreased from approximately 22,000 in 2018 to approximately 19,000 in 2019, the average revenue per traveller increased as the Group focused on those travel routes in Japan with higher tour prices. As a result, gross profit margin of Japan-bound package tours increased from approximately 5.1% for the year ended 31 December 2018 to approximately 14.0% for the year ended 31 December 2019.

The Group commenced to develop and manage its day tour products in Japan since March 2017, which mainly target at travellers who are not package tours or FIT Products customers and have purchased air tickets/hotel accommodations separately but wish to participate in local day tours in Japan. The sales of day tours increased significantly from RMB6.6 million in 2018 to RMB43.1 million in 2019. The increase was driven by the increase in number of tours routes covering major tourist destinations in Japan and the day tour products are getting more and more popular. As a result, the number of travellers increased from approximately 23,000 for the year ended 31 December 2018 to approximately 161,000 for the year ended 31 December 2019. The gross profit margin also increased from approximately 24.8% for the year ended 31 December 2018 to approximately 26.0% for the year ended 31 December 2019.

Hotel operation

The Group's revenue from its Hotel Operation was derived from the Shizuoka Hotel and the Tokyo Hotel, which contributed approximately 13.6% (2018: 6.2%) to the total revenue of the Group for the year ended 31 December 2019. During 2019, the revenue from its Hotel Operation increased by approximately RMB18.9 million or 147.7% from approximately RMB12.8 million in 2018 to approximately RMB31.7 million in 2019. The significant increase was mainly driven by the commencement of operations of the Tokyo Hotel in October 2018. The gross profit margin of Hotel Operation decreased from approximately 36.5% in 2018 to approximately 13.5% in 2019 was mainly attributable to the Toyko Hotel operating with a lower gross margin.

Margin income from the provision of visa application processing service

The Group provided visa processing services to customers and a majority of the margin income was derived from processing visa applications to Japan. Despite there was an increase in number of applicants from approximately 122,000 in 2018 to approximately 123,000 in 2019, the decrease in margin income was mainly attributable to the lower in gross margin.

Margin income from sales of FIT Products

The Group's FIT Products mainly comprise air tickets, hotel accommodation and flight-plus-hotel bundled packages. The Group's Japan-bound FIT Products remain the major source of the margin income from sales of FIT Products which contributed approximately 63.5% (2018: approximately 60.0%) to the total margin income from sales of FIT Products for the year ended 31 December 2019. Despite there was an increase in number of travellers for Japan-bound FIT Products from approximately 27,000 in 2018 to approximately 29,000 for the Year, the decrease in margin income was mainly attribution to the lower in gross margin.

Other income from the provision of ancillary travel-related products and services

The Group's ancillary travel-related products and services mainly include the sales of admission tickets of tourists attractions, local transportation and railway tickets, etc., which aim to provide convenience to travellers. The increase in other income from the provision of ancillary travel-related products and services was mainly driven by the increase in Japan-bound travellers during the year ended 31 December 2019.

Prospects

In 2019, along with the continuous development of China-Japan political and diplomatic relations, the Group continued to firmly develop its strategy with a commitment to creating a "one-stop Japanese tourism supplier" to deeply explore Japan's tourism destination resources and optimize its development strategy. The Group developed and provided products covering almost all aspects of tourism in Japan.

As a result of the outbreak of the novel coronavirus (the "COVID-19") in January 2020, the Company received notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020, pursuant to which the Group suspended its sales of outbound packaged tours and FIT Products on 25 January 2020, in order to facilitate better prevention and control of the COVID-19 epidemic in the PRC. Further on 6 March 2020, the Consulate General of Japan in Shanghai, the PRC has stopped accepting visa applications from applicants holding Chinese passports issued by Hubei Province or Zhejiang Province, the PRC, except in special circumstances. As such, the Group has suspended its visa application processing service. Notwithstanding the above, the Japan Hotel Operation, Japan duty free shops and Japan day tours of the Group are still operating as usual as at the date of this announcement.

Looking forward in 2020, the internal and external situation facing the PRC is bearing more complex and changeable. The development of the tourism industry will present new landscape. Reform and development will remain the main theme of the Group's work in 2020. The Group will focus more on tourist product development, service design, and new destination development to ensure that we provide customers with more diversified products and quality services, and create value for the Shareholders as much as possible.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB233.8 million and approximately RMB205.1 million for the year ended 31 December 2019 and 2018, respectively. The increase was mainly due to the increase in sales of package tours and day tours and income from Hotel Operation. Please refer to the discussion on the Group's revenue and gross profit in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

Cost of sales

The Group's cost of sales amounted to approximately RMB168.9 million and approximately RMB156.1 million for the year ended 31 December 2019 and 2018, respectively. Cost of sales mainly represented land operator, airfare, hotel accomodation, local transportation and Hotel Operation costs. The increase was align with the increase in Hotel Operation income and sales of package tours and day tours for the year ended 31 December 2019 as compared to that of 2018.

Gross Profit

The Group's gross profit and gross profit margin amounted to approximately RMB64.9 million and 27.8% (2018: approximately RMB49.0 million and 23.9%) for the year ended 31 December 2019. The increase in gross profit and gross profit margin was mainly due to the increase in gross profit and gross profit margin from the sales of package tours and day tours in 2019 as compared to 2018. Please refer to the discussion on the Group's revenue and gross profit in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

Selling and distribution expenses

The Group's selling and distribution expenses remained stable at approximately RMB7.3 million for the year ended 31 December 2019 as compared to approximately RMB7.2 million for the year ended 31 December 2018.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB3.5 million from approximately RMB28.8 million in 2018 to approximately RMB25.3 million in 2019. The decrease was mainly attributable to the decrease in listing expenses of approximately RMB7.7 million, partially offset by the increase in staff costs, audit fee, other professional costs and transportation expenses by approximately RMB4.5 million as compared to 2018.

Income tax expenses

The Group's income tax expenses increased by approximately RMB7.1 million was mainly attributable to the significant increase in profit before tax for the year. For the year ended 31 December 2019, the effective tax rate was 29.6% (2018: 34.4%).

Profit for the Year attributable to the owners of the Company

As a result of the foregoing, profit for the Period attributable to the owners of the Company was approximately RMB25.6 million as compared to the Group's net profit of approximately RMB7.0 million for the year ended 31 December 2018, representing an increase of approximately RMB18.6 million which was mainly driven by an increase in sales and gross profit of the package tours and day tours and decrease in administrative expenses for the year ended 31 December 2019 as compared to that of 2018.

Other comprehensive income for the Year

Other comprehensive income for the Year represented exchange differences on translation of foreign operations of approximately RMB2.2 million (2018: approximately RMB2.8 million) and exchange differences on translation of the Company's financial statements into presentation currency of approximately RMB1.8 million (2018: nil).

Capital Structure, liquidity and financial resources

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

As at 31 December 2019, the Group maintained cash and bank balances of approximately RMB56.1 million (2018: approximately RMB11.3 million), time deposits with original maturity of over three months of RMB21.9 million (2018: nil) and pledged short-term deposits of approximately RMB1.7 million (2018: approximately RMB1.8 million). As at 31 December 2019, the Group's interest-bearing bank borrowings (matures within one year or on demand) were approximately RMB5.0 million (2018: approximately RMB54.4 million) and interest-bearing bank borrowings (matures in the second year to fifth year) were approximately RMB54.2 million (2018: approximately RMB56.8 million). As at 31 December 2019, the Group's current assets and current liabilities were approximately RMB135.7 million and approximately RMB39.5 million (2018: approximately RMB68.4 million and approximately RMB93.3 million), respectively. The Group's current ratio was 3.4 (2018: 0.7).

The Group adopts conservative treasury policies in cash and financial management. The Group's cash is generally placed as current deposits which are mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly. In the future, the Group intends to finance its operations through cash generated from operating activities and bank borrowings. Other than normal bank borrowings that the Group obtains from commercial banks, the Group does not expect to have any material external debt financing plan in the near future.

Pledge of assets

As at 31 December 2019, short-term deposits of approximately RMB1.7 million (2018: approximately RMB1.8 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

Gearing ratio

The Group's gearing ratio as of 31 December 2019, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was approximately 23.6% (2018: approximately 92.0%).

Charge on assets

As at 31 December 2019 and 2018, the Group's bank loan facilities are secured by:

(i) mortgages over the Group's buildings situated in Japan, which had aggregate net carrying amount of approximately RMB15.6 million (2018: approximately RMB16.5 million) as at 31 December 2019; and mortgages over the Group's leasehold land and buildings situated in the PRC, which had aggregate net carrying amount of approximately RMB20.6 million as at 31 December 2018;

(ii) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying amount of RMB20.3 million as at 31 December 2018; and

(iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate net carrying amount of approximately RMB50.1 million (2018: approximately RMB48.4 million) as at 31 December 2019.

Material acquisition and disposal

The Group had no material business acquisitions or disposal during the year ended 31 December 2019 and 2018.

Contingent liabilities

As at 31 December 2018 and 2019, the Group did not have any significant contingent liabilities.

Foreign currency exchange risk

The Group mainly operates in the PRC and Japan and its functional currency is RMB. However, the Group is exposed to foreign currency exchange risks as costs for some of the travel products, such as hotel accommodations and fees paid to land operators, are settled in foreign currencies including Japanese Yen, Australian dollars and New Zealand dollars. At present, the Group does not intend to hedge its exposure to foreign currency exchange fluctuations. However, the board (the "Board") of directors (the "Directors") constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. The Group's policy is to manage interest cost using mainly fixed rate debts.

DIVIDEND

The Board did not declare payment of any dividend for the year ended 31 December 2019 (2018: nil).

USE OF PROCEEDS

The net proceeds from the Listing on the Stock Exchange were approximately RMB76.5 million (equivalent to approximately HK$88.0 million) ("Net Proceeds"), which was based on the gross proceeds from the share offer ("Share Offer") less the actual expenses related to the Listing. Subsequent to the Listing and with reference made to the announcement of the Company dated 21 February 2020 (the "Announcement"), these proceeds will be used for the purposes in accordance with the future plans as set out below:

	Description	Original allocation of Net Proceeds as stated in the prospectus of the Company dated 18 June 2019 ("Prospectus") (approximately) *HK$'000*	Utilised Net Proceeds during the Year (approximately) *HK$'000*	Unutilised Net Proceeds as at 31 December 2019 (approximately) *HK$'000*	Revised allocation of Net Proceeds after the Announcement (approximately) *HK$'000*
(i)	Enhancing the Group's product portfolio by developing new products and services	1,760	1,760	–	–
(ii)	Purchasing tour buses and engaging third party tour bus operators	11,440	11,440	–	–
(iii)	Establishing sales network, opening and operating new office(s) in Hong Kong	17,600	–	17,600	–
(iv)	Acquiring hospitality asset in Kyoto, Japan	17,600	–	17,600	17,600
(v)	Investing in a travel agency company in Tokyo, Japan	17,600	–	17,600	17,600
(vi)	Engaging more personnel in Japan	13,200	13,200	–	–
(vii)	General working capital	8,800	8,800	–	17,600
		88,000	35,200	52,800	52,800

Implementation plan as disclosed in the Prospectus and subsequently adjusted in the Announcement	Actual progress achieved as at 31 December 2019
(i) Enhancing the Group's product portfolio by developing new products and services	• Over 40 new day tours routes in Osaka, Tokyo and other areas in Japan were designed, developed and launched.
(ii) Purchasing tour buses and engaging third party tour bus operators	• Over 4 third-party tour bus operators situated in Osaka, Tokyo and other areas in Japan were engaged for tour bus services.
(ii) Establishing sales network, opening and operating new office(s) in Hong Kong	• Change of intended usage and amount was reallocated to general working capital.
(iv) Acquiring hospitality asset in Kyoto, Japan	• The identification for the acquisition target is still on-going as at the date of this announcement.
(v) Investing in a travel agency company in Tokyo, Japan	• The identification of the travel agency company is still on-going as at the date of this announcement.
(vi) Engaging more personnel in Japan	• Over 200 part-time tour guides were hired for the day tours in Osaka, Tokyo and other ares in Japan.

The Directors will constantly evaluate the Group's business objectives and will change or modify plan against the changing market condition to ascertain the business growth of the Group.

As at the date of this report, the Directors do not anticipate any material change in the plan as to the use of proceeds.

Unutilised proceeds were deposited in licensed bank in Hong Kong.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group has a total of 135 employees (2018: 150 employees) based in the PRC and 44 employees (31 December 2018: 52 employees) based in Japan. The Group's employees costs (excluding Directors' emoluments) amounted to approximately RMB20.3 million (2018: approximately RMB18.0 million) for the year ended 31 December 2019. Compensation for the Group's employees typically consists of base salary, performance-based salary and bonus. The Group's employees may also be granted other allowances based on their positions. For different level of employees, different and specific performance evaluation is used. Employees' incentives and bonuses are calculated based on the evaluation results of their individual performance.

Pursuant to the applicable PRC laws and regulations, the Group are required to participate in various employee benefit plans, such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident funds for our employees.

A remuneration committee (the "Remuneration Committee") was established by the Company with written terms of reference in compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group.

There is no outstanding share option as at 31 December 2019. In addition, no share option was granted, cancelled or lapsed during the year ended 31 December 2019.

EXECUTIVE DIRECTORS

Mr. Yu Dingxin (虞丁心) ("Mr. Yu"), aged 50, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Yu is also the chairman of the Board responsible for the overall strategic planning and overseeing general management and daily operation of the Group. Mr. Yu holds directorship in each of the subsidiary of the Company. He is also the chairman of the nomination committee the ("Nomination Committee") and a member of remuneration committee of the Group.

Mr. Yu has around 28 years of experience in the travel and tourism industry. From December 1991 to April 2003, he worked in Zhejiang Overseas Travel Company Limited (浙江海外旅游公司), a company principally engaged in the provision of travel related services. From June 2003 to December 2004, Mr. Yu had worked for Zhejiang Everbright International Travel Company Limited (浙江光大國際旅遊有限公司). He subsequently joined Zhejiang Female International Travel Company Limited (浙江婦女國際旅行社有限公司) from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Pan and Mr. Xu.

Mr. Yu enrolled as part-time student at Zhejiang University (浙江大學) while he worked at Zhejiang Overseas Travel Company Limited and obtained a bachelor's degree of tourism management in June 2003.

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

Mr. Pan Wei (潘渭) ("Mr. Pan"), aged 46, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Pan is principally responsible for the overseeing procurement and sales and marketing of our Group.

Mr. Pan has over 26 years of experience in the travel and tourism industry. From July 1993 to April 2003, Mr. Pan worked in Zhejiang Overseas Travel Company Limited (浙江海外旅游公司), a company principally engaged in the provision of travel related services. From June 2003 to December 2004, Mr. Pan had worked for Zhejiang Everbright International Travel Company Limited (浙江光大國際旅遊有限公司). He subsequently joined Zhejiang Female International Travel Company Limited (浙江婦女國際旅行社有限公司) from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Yu and Mr. Xu.

Mr. Pan enrolled as part-time student at Zhejiang University (浙江大學) while he worked at Zhejiang Overseas Travel Company Limited and graduated with a diploma in economics and management in January 1999.

Mr. Xu Jiong (徐炯) ("Mr. Xu"), aged 45, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Xu is principally responsible for the overseeing business development of the Group.

Mr. Xu has around 26 years of experience in the travel and tourism, and hospitality industry. From August 1993 to August 2002, he worked in Hangzhou Shangri-La Hotel Limited (杭州香格里拉飯店有限公司) as a director of sales department, with responsibilities of overseeing the business development with travel agents. From June 2003 to December 2004, Mr. Xu had worked for Zhejiang Everbright International Travel Company Limited (浙江光大國際旅遊有限公司). He subsequently joined Zhejiang Female International Travel Company Limited (浙江婦女國際旅行社有限公司) from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Yu and Mr. Pan.

Mr. Xu graduated from the High School Affiliated to Hangzhou Normal University (杭州師範學院附中) in July 1993.

Mr. An Jiajin（安家晉）（"Mr. An"), aged 28, was appointed as an executive Director on 9 April 2018. Mr. An is principally responsible for the sales and marketing of the Group. In October 2014, Mr. An joined Tuyi Group as a vice manager of sales department.

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

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

Mr. Peng Ying（彭鷹）（"Mr. Peng"), aged 49, was appointed as an executive Director on 9 April 2018. Mr. Peng is principally responsible for the sales and marketing of the Group.

Mr. Peng has around 14 years of experience in travel and tourism industry. From December 1989 to March 2001, Mr. Peng worked in Hangzhou Minsheng Pharmaceutical Co., Ltd（杭州民生藥業有限公司）, a company principally engaged in the production and sales of medicine. From April 2001 to December 2005, Mr. Peng worked in Hangzhou Minsheng Industrial Co., Ltd（杭州民生實業有限公司）, a company principally engaged in the sales of environmental construction materials. From January 2006 to January 2008, Mr. Peng had worked for Zhejiang Female International Travel Company Limited（浙江婦女國際旅行社有限公司）. He then joined the Group as a sales manager in May 2008 and served as a supervisor as well since 23 September 2016.

Mr. Peng completed his study at Shao Shan Middle School(韶山中學)in July 1987.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong（顧炯）（"Mr. Gu"), aged 47, was appointed as an independent non-executive Director on 1 March 2019. Mr. Gu is responsible for supervising and providing independent judgment to the Board. He is also the chairman of the Audit Committee the ("Audit Committee") of the Group.

From July 1995 to April 2004, Mr. Gu had worked for Ernst & Young's Shanghai office and was the senior manager of the audit department when he left the firm. He subsequently joined UTStarcom Telecom Co., Ltd. and its holding company UT Starcom Inc. (stock code: UTSI), whose shares are listed on Nasdaq and is a global telecom infrastructure provider specialised in the provision of packet optical transport and broadband access products to network operators, where he was responsible for accounting and financial matters of this company, from April 2004 to December 2009. Mr. Gu then served as the chief financial officer in BesTV New Media Co., Ltd. (stock code: 600637) (currently known as Oriental Pearly Media Co., Ltd（東方明珠新媒體股份有限公司）), whose shares are listed on Shanghai Stock Exchange and principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through a media source platforms where he was responsible for the financial matters of this company, from January 2010 to August 2013. Since September 2013 and October 2015, Mr. Gu has been the chief financial officer of CMC Capital Partners（華人文化產業投資基金）, an investment fund specialising in media and entertainment investments in the PRC and globally, and CMC Holdings Limited（華人文化有限公司）, an investment platform focused on the media and entertainment investments, respectively, where he has been responsible for corporate strategy and overall financial management in the operation of these companies. Since March 2017, he has also been an independent non-executive director of Amlogic (Shanghai) Co., Ltd.（晶晨半導體(上海)有限公司）, a company principally engaged in the wholesale distribution of electronic parts and electronic communications equipment.

As at the date of this report, Mr. Gu is currently an independent non-executive director of the following companies whose shares are listed on the Stock Exchange:

Appointment date	Company	Stock code
June 2015	Xinming China Holdings Limited	2699
June 2015	Chen Xing Development Holdings Ltd	2286
April 2018	Ascletis Pharma Inc.	1672
September 2018	DaFa Properties Group Limited	6111
April 2019	Mulsanne Group Holding Limited	1817

Mr. Gu obtained a bachelor degree in finance management from Fudan University (復旦大學), the PRC in July 1995. He is currently a non-practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Zhao Jianbo (趙劍波) ("Mr. Zhao"), aged 45, was appointed as an independent non-executive Director on 1 March 2019. Mr. Zhao is responsible for supervising and providing independent judgment to the Board. He is also a member of the Audit Committee, the remuneration committee and the nomination committee of the Group.

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

Mr. Zhao graduated with a Bachelor of Business Administration from International Business University of Beijing (北京國際商務學院) in July 1999.

Ms. Zhou Li (周禮) ("Ms. Zhou"), aged 41, was appointed as an independent non-executive Director on 1 March 2019. Ms. Zhou is responsible for supervising and providing independent judgment to the Board. She is also the chairperson of the remuneration committee and a member of the Audit Committee and the nomination committee of the Group.

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

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

SENIOR MANAGEMENT

Ms. Chen Jing (陳靜), aged 54, is the executive general manager of the Group, and is responsible for the overseeing the administrative function of the Group. She has over 36 years of experience in the travel and tourism, and hospitality industry. She joined the Group in March 2014. Prior to joining the Group, in November 1983, she worked in Hangzhou Shangri-La Hotel Limited (杭州香格里拉飯店有限公司) as a general staff responsible for room management, and was a marketing director when she left in February 2014. She enrolled as part-time student at Zhejiang Radio & Television University (浙江廣播電視大學) while she worked at Hangzhou Shangri-la Hotel Limited and graduated with a diploma of tourism English in July 1991.

Ms. Chen Ting (陳婷), aged 46, is a director for Japan business operations of the Group responsible for the overseeing the daily management of Japan business operations of the Group. She has around ten years of experience in the travel and tourism industry. She joined our Group in January 2015. Prior to joining the Group, from January 1998 to May 1998, she had worked for Guangzhou Guangxing Food Company Limited Hangzhou Branch (廣州廣興食品有限公司杭州辦事處). From April 2007 to March 2010, she worked in Zhejiang Female International Travel Agent Company Limited (浙江婦女國際旅行社有限公司). From April 2010 to July 2010, she had worked for Zhejiang Overseas Travel Company Limited (浙江海外旅遊有限公司). From October 2010 to December 2014, she worked for the Group to provide Japan travel guide service. She graduated from Binjiang Higher Vocational School (濱江職業專科學校) in June 1992.

Ms. Qiu Xiang (邱香), aged 38, is a business manager responsible for overseeing business of the Group. She has around nine years of experience in the travel and tourism industry. From January 2006 to March 2009, she worked in Hangzhou Advance Hardware MFG Co., Ltd (杭州德美五金有限公司), a company principally engaged in the manufacture and export of hardware products, as a merchandiser. She then joined the Group in June 2010 and was promoted to a chairman secretary in June 2016. She obtained a bachelor's degree of international trade from Zhejiang University of Technology (浙江工業大學) in June 2005.

Mr. Wu Longbin (吳龍斌), aged 41, is a sales manager of the Group responsible for the overseeing the online sales and marketing plan of the Group. He has around seven years of experience in the travel and tourism industry. He joined our Group in January 2012. He graduated from Anji Shangshu Private High School (安吉上墅私立高級中學) in July 1999.

Ms. Hu Huiling (胡慧玲), aged 32, is a corporate account sales manager of the Group responsible for the overseeing the maintenance and development of our corporate clients of the Group. She joined our Group in August 2010. She graduated from Zhejiang Travel Higher Vocational Institution (浙江旅游職業學院) in June 2010, and she then obtained a bachelor degree in Japanese enrolled as part-time student at Zhejiang International Studies College (浙江外國語學院) while she worked at our Group and in July 2013.

Ms. Wang Jing (汪靜), aged 34, is the chairman assistant of the Group responsible for the overseeing the business operation of Japanese department of the Group. She has over seven years of experience in travel and tourism industry. She joined the Group in July 2011. Prior to joining the Group, from July 2008 to April 2011, she worked in Toshiba International Logistics Co., Ltd (東芝外服貨運有限公司). She graduated from Zhejiang Yuexiu College of Foreign Languages (浙江越秀外國語學院) in June 2008 and then she enrolled as part-time student at Zhejiang Normal University (浙江師範大學) while she worked at Toshiba International Logistics Co., Ltd, and obtained a bachelor degree in Japanese in June 2011.

COMPANY SECRETARY

Ms. Yeung Josephine Yan (楊昕), aged 38, our company secretary, was appointed on 9 April 2018. She has approximately 17 years of experience in auditing, financial management, internal control and corporate governance. From September 2003 to July 2009, Ms. Yeung held various positions in Ernst & Young Hong Kong, where she last served as manager in the assurance and advisory business services department, specialising in auditing listed companies in Hong Kong. From August 2009 to May 2017, she worked in a China focused private investment firm based in Hong Kong with last position served as group finance director. Since May 2017, she has been practising in Noble Partners CPA Company, a certified public accountants firm in Hong Kong. She graduated from The Hong Kong University of Science and Technology in November 2003 with a Bachelor of Business Administration in Accounting degree. She was admitted as a member and fellow of the Association of Chartered Certified Accountants in February 2007 and February 2012, respectively. She has been admitted as a member and fellow of the Hong Kong Institute of Certified Public Accountants since February 2008 and October 2017, respectively, and is a practicing certified public accountant in Hong Kong.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adhere to a good standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the basis of the Company's corporate governance practices.

As the Company was not listed on the Hong Kong Stock Exchange until 28 June 2019 (the "Listing Date"), the CG Code set out in Appendix 14 to the Listing Rules was not applicable to the Company for the full year from 1 January 2019 to 31 December 2019, but only from the Listing Date to 31 December 2019 (the "Relevant Period"). During the Relevant Period, the Company has complied with all the applicable code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 31 December 2019.

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

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three independent non-executive Directors.

The composition of the Board during the Relevant Period is as follows:

Executive Directors

Mr. Yu Dingxin *(Chairman)*
Mr. Pan Wei
Mr. Xu Jiong
Mr. An Jiajin
Mr. Peng Ying
Ms. Qiu Xiang (Resigned on 21 January 2020)

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Zhao Jianbo
Ms. Zhou Li

The biographical information of the Directors are set out in the section headed Biographical Details of Directors and Senior Management on pages 16 to 20 of this Annual Report.

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the Relevant Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

The independent non-executive Directors of the Company are appointed for a specific term of three years commencing from the Listing Date, subject to retirement by rotation and re-election at the Annual General Meeting.

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

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

The Directors are committed to complying with the code provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company.

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Gu Jiong, Mr. Zhao Jianbo and Ms. Zhou Li. Mr. Gu Jiong is the chairman of the Audit Committee.

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

During the Relevant Period, the Audit Committee held two meetings to review the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls.

Remuneration Committee

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

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

A meeting of the Remuneration Committee was held in August 2019. Details of the remuneration of the senior management by band are set out in Note 33 to the Financial Statements.

Nomination Committee

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

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

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

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

During the Relevant Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Board Diversity Policy

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

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

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

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

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

Director Nomination Policy

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

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

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

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

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

Dividend policy

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Relevant Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings held during the Relevant Period is set out in the table below:

	Number of Meetings Attended/ Number of Meetings held for the Relevant Period			
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Executive Directors				
Mr. Yu Dingxin	1/1	–	1/1	1/1
Mr. Pan Wei	1/1	–	–	–
Mr. Xu Jiong	1/1	–	–	–
Mr. An Jiajin	1/1	–	–	–
Mr. Peng Ying	1/1	–	–	–
Ms. Qiu Xiang (Resigned on 21 January 2020)	1/1	–	–	–
Independent Non-executive Directors				
Mr. Gu Jiong	1/1	1/1	1/1	1/1
Mr. Zhao Jianbo	1/1	1/1	–	1/1
Ms. Zhou Li	1/1	1/1	1/1	–

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

As the Company was only listed on the Stock Exchange on 28 June 2019, the CG Code was not applicable to the Company for the full year from 1 January 2019 to 31 December 2019, but only for the Relevant Period. During the Relevant Period, only one regular board meeting was held to review and discuss the interim results. The Company is obliged to comply with the CG Code and will take appropriate arrangements for holding at least four Board meetings, two Audit Committee meetings as well as a meeting between the Chairman and the independent non-executive Directors without the presence of other Directors in the forthcoming year. No annual general meeting was held during the Relevant Period.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

Risk Monitoring and Reporting: Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly.

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

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

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

The Board has engaged an external professional firm as its risk management and internal control review adviser ("the Adviser") to conduct an annual review of the risk management and internal control systems for the year ended 31 December 2019. Such review is conducted annually and cycles reviewed are under rotation basis. The Adviser has reported findings and areas for improvement to the Audit Committee and the Board. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group's risk management and internal control systems are effective and adequate. The Board also satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 65 to 69.

AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services of the Group for the year ended 31 December 2019 amounted to RMB1.6 million.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and has appointed Ms. Yeung Josephine Yan as its Company Secretary. The biographical details of Ms. Yeung are set out under the section headed "Biographical Details of Directors and Senior Management" in the annual report. Ms. Yeung is not an employee of our Group and she is responsible for advisory to the Group on corporate governance matters. Mr. Yu Dingxin, executive Director of the Company and the Chairman of the Board, is the person who Ms. Yeung can contact for the purpose of code provision F.1.1 of the Code.

Ms. Yeung confirmed that she has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Company by mail to the Company's principal place of business in Hong Kong at 13/F, Wah Yuen Building, 149 Queen's Road Central, Hong Kong.

INVESTOR RELATIONS

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

The Company has not made any changes to its memorandum and Articles of Association since the Listing Date. An up to date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

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

The Company has adopted a Dividend Policy on payment of dividends pursuant to code provision E1.5 of the CG Code.

I. INTRODUCTION

1. Purpose of This Report

Financial development and increase in return on investment are not the sole purposes of sustainable business, instead, it also aims at the development of community and stakeholders, which is the belief followed by Tu Yi Holding Company Limited (the "Group" or "we"). The Group has been involved actively in addressing these issues which impact the citizens at large such as society, environment, and livelihood related, to fulfill our responsibilities as a corporate citizen.

This report aims to provide an overview of the efforts made by the Group in the aspects of the environment, employees, products, supply chain, community, health, and safety in relation to the Group's major business activities.

2. ESG Working Group

Responsibility for the creation of environmental, social and governance ("ESG") strategies is in the hands of the boards of directors of the company, who are also accountable for the reporting of the strategies incorporated by the Group by evaluation of the same on a timely basis.

To demonstrate our commitment to transparency and accountability to ESG reporting, an ESG working group has been set up to implement and monitor the Group's ESG strategies. The powers within the ESG working group are delegated by the Company's Boards of Directors (the "Board") along with clear terms of references to ensure alignment with the Group's ESG strategies.

3. Reporting Period and Scope

This ESG report has covered all the material aspects of the business operations of the Group, which includes the Group's operations in the People's Republic of China (the "PRC") and Japan, namely, the Group's head office in Hangzhou, branch or offices in Wenzhou, Ruian and Shanghai as well as our operations of self-owned Shuzenji Onsen Hotel Takitei and Hotel Comfact in Japan.

This report covers the period from 1 January 2019 to 31 December 2019 (the "Year") and the scope of which has been determined with reference to our assessment of materiality and due consideration to major stakeholders such as shareholders, customers, staff, guests and suppliers.

4. Reporting Standards

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

The Group's CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

6. Feedback

The Group is welcoming the feedback and the opinions of its stakeholders. The feedback is valued and incorporated in the strategy wherever it feels appropriate and considered as the cornerstone for development. The Group has its website where the comments and suggestions can be placed in terms of sustainable development performance.

7. Sustainable Operations Policy

A responsible organization is presented through its commitment towards the sustainable growth goal in the long term. To achieve this, sustainable operations are implemented within the Group and the betterment of the social life is focused upon by continuous enhancement of environmental aspects. Maintaining the quality of service, creation of the team, maintenance of integrity and ethics and sustainability of supply chain management are undertaken to fulfill the sustainable objectives.

II. ENVIRONMENTAL PROTECTION

The Group is actively involved in the promotion of policies like energy saving, pollution prevention, emission reduction, and environmental protection. The environment protection work is carried out through our green management efforts, including utilization of green equipment and the promotion of environmental awareness programs.

Environment-friendly equipment that is planned to be adopted by the Group which includes the following:

- installation of light sensors to reduce electricity consumption; and

- gradual replacement of halogen lamps with energy-saving Light Emitting Diode lightbulbs

Our environment awareness program is conducted through education and motivation of energy-saving behaviour of our employees, including posting green messages in the workplace to remind employees to use electricity and water effectively.

1. Emissions

The principal operations of the Group are (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of FIT Products; and (iii) the provision of visa application processing service; (iv) the provision of other ancillary travel-related products and services and (v) hotel operation, therefore our operations do not result in a significant amount of direct emissions of air pollutants. Furthermore, the Group is not aware of any production of harmful chemicals and hazardous waste products in our operations.

Given the Group's principal operations, its air emissions are primarily greenhouse gas ("GHG") emissions arising from its energy use and air transportation arising from tours escorts and package tours organised by the Groups. Apart from carbon dioxide, other air emissions or pollutants produced by the Group were immaterial or negligible during the reporting period, thus are not reported in this report.

No non-compliance with the laws and regulations relating to gas emissions, water discharges and generation of waste that have or may result in significant impact on the Group was identified during the reporting period.

An overview of carbon footprints of the Group's major operations is summarised as follows:

	2018	**2019**	Variance Increase/ (decrease) %
GHG emissions			
Scope 1: Direct emissions (tCO_2e)	16	**19**	19%
*Scope 2: Indirect emissions (tCO_2e)	564	**804**	43%
**Scope 3: Other indirect emissions (tCO_2e)	4,479	**4,524**	1%
Total GHG emissions (Scope 1 + 2 + 3) (tCO_2e)	5,059	**5,347**	6%
*****GHG emissions intensity (Scope 1 + 2 + 3)** (tCO_2e/number of employee)	25	**30**	20%

Notes:

* CO_2 emissions derived from electricity consumption and natural gas consumption were calculated using the adjusted emissions factors as announced in the TEPCO CO_2 Emissions Factor.

** The Group's Scope 3 (Other Indirect Emissions) includes paper waste and tour operation by air travel.

*** GHG emissions intensity is calculated by dividing the total GHG emissions by the number of employees. The number of employees for 2018 and 2019 is 202 and 179 respectively.

During the year, the Group's mobile fuel consumption increased by 20% from 207 MWh in 2018 to 248 MWh in 2019. Meanwhile, the corresponding direct GHG emissions also increased by 19% from 16 tonnes of CO_2 equivalent in 2018 to 19 tonnes of CO_2 equivalent in the Year. The increase in the mobile fuel was mainly due to the fact that the Group's Comfact Hotel in Tokyo was opened in late 2018 with only 3 months operation in 2018, whereas there was a full year's operation in 2019.

To reduce mobile fuel consumption and avoid unnecessary consumption of mobile fuel by vehicles, the Group has taken initiative to ensure that vehicles are used for commercial purposes only. The usage of public transports is encouraged among the employees. Telephone conversation is encouraged instead of meetings, as it requires high consumption of fuel while moving from one place to another.

The Group's total travel distance by air transportation arising from tours escorts and package tours organised by the Groups increased by 1% from 45,193,235 km in 2018 to 45,624,655 km in 2019, and the corresponding GHG emissions also increased by 1% from 4,474 tonnes of CO_2 equivalent in 2018 to 4,517 tonnes of CO_2 equivalent in 2019. The slight increase in travel distance by air was due to the increased business volume of the Group in 2019.

The core of sustainable development is associated with the issue concerning the environment. The Group is not only limited to the environment protection policies stated by the environment protection law of the People's Republic of China. The Group creates a green community along with the energy conservation initiatives and brings down the greenhouse gas emissions to reduce the carbon footprints created due to the daily operations where possible. The past records indicate no complaints in the context of disregard to the environmental protection regulations.

The carbon footprints of the Group are mainly created due to following reasons: transportation, paper usage, electricity consumed on a daily basis and travel buses in Japan. To reduce GHG emissions, the Group is taking initiatives to efficiently use non-renewable resources such as electricity and water and further reduce the daily consumption by implementing several strategies, including the use of high-quality mobile fuel and to opt for eco-friendly vehicles in future with an aim to reduce the GHG emissions.

2. Use of Resources

The major resources which are used by the Group include electricity, fuel used in the vehicles and natural gases used for cooking of food. The relevant consumption data are summarised as follows:

Energy Consumption	Unit	**2018	**2019**	Variance Increase/ (decrease) %	*Intensity (2018)	**Intensity (2019)**
Total Energy Consumption	MWh	1,109	**1,814**	64%	5.5	**10**
**Electricity consumption	MWh	796	**1,100**	38%	4	**6**
**Petrol consumption	MWh	207	**248**	20%	1	**1.4**
**Natural Gas consumption	MWh	106	**466**	340%	0.5	**2.6**

Notes:

* Energy consumption intensity is calculated by dividing total energy consumption by the number of employees.

** Data for Tokyo Comfact Hotel in FY 2018 only covers the period from 1 October (date of commencement of operation) to 31 December.

During the year, the Group's natural gas consumption increased by 340% from 106 MWh in 2018 to 466 MWh in 2019. Meanwhile, the corresponding indirect GHG emission also increased by 386% from 7 tonnes of CO_2 equivalent in 2018 to 34 tonnes of CO_2 equivalent in 2019. The significant increase in the natural gas consumption was due to the Comfact Hotel in Tokyo has only been opened for 3 months in 2018. The Group opts for the use of energy efficient equipment, where it is economically viable, to reduce both energy and water consumption. In addition, regular cleaning and equipment maintenance are carried out to ensure our equipment are working in an energy efficient manner.

The Group's energy savings objective is promoted within the hotels and the office premises through green messages posted on our bulletin boards.

During the Year, the Group's electricity consumption increased by 38% from 796 MWh in 2018 to 1,100 MWh in 2019 and the related indirect GHG emission increased by 38% from 557 tonnes of CO_2 equivalent in 2018 to 770 tonnes of CO_2 equivalent in 2019.

3. Water Resources Management

	2018	**2019**	Variance Increase/ (decrease) %
Water consumption (m^3)	23,426	**28,135**	20%
Water intensity (m^3/number of employee)	116	**157**	35%

Note:

Water intensity is calculated by dividing the water consumption by the number of employee.

Municipal water is supplied in the office and hotels by the local water supply department, hence, the Group does not have any concern in sourcing water that is fit for such purpose. The Group's overall water consumption increased by 20% from 23,426 m^3 in 2018 to 28,135 m^3 in 2019.

Several practices have been adopted by the Group to effectively manage the water resource such as:

- Fixing dripping taps on an immediate basis
- Email and notices are the medium utilized to remind staff regarding switching off taps.
- Water conservation is encouraged by placing posters.

4. Non-hazardous waste

The operations of the business do not result in the creation of hazardous waste and non-hazardous waste is created due to the daily operations of the hotels and the administrative offices and branches. Classification of the waste is carried out in the Group for recycling purpose in the categories of plastic, paper, glasses, cans, and non-recyclable wastes. Recycling of the printer or toner cartridges is done on a regular basis by collaborating with our suppliers. The Group currently does not report on the volume of non-hazardous waste generated, however, consistent reduction of potential impacts of its activities on the environment are encouraged. For instance, the Group promotes green information and electronic communication by the use of e-mail and electronic statements, where possible, with an aim to minimize wastes produced from its activities. The Group has also taken initiative to reduce the usage of plastic bags and encourage the use of eco-friendly bags.

III. EMPLOYEES

Employees are the crucial aspect of the Group as they are assets that help in achieving sustainable goals. To maintain the valuable asset of the Group, management has taken initiatives to maintain a growing and developing healthy work environment which is helpful in maintaining diversity. The organization provides a ladder for career development, proper compensation, and promotional benefits, care for both mental and physical health and respect to the employees. The Group strictly complies with the labor laws and regulations so that employees are protected and benefited at the same time. The laws which are adhered are stated in the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention, Control of Occupational Diseases and the Social Insurance Law of the People's Republic of China, Labor Standards Act of Japan, the Industrial Safety and Health Act of Japan, and the Labor Contract Act of Japan. The Group abides by all the regulations and laws on terms of employment, and strictly prohibits the use of forced labour or child labour in all the business activities. During the reporting period, no violation of related laws, rules and regulations on child labour and forced labour was identified.

The Group's employees as at the respective year and date are analysed below:

	2018	**2019**	Variance Increase/ (decrease) %
Number of employees	202	**179**	(11%)
BY GENDER			
Male	90	**78**	(13%)
Female	112	**101**	(10%)
BY EMPLOYEE CATEGORY			
Senior management	22	**21**	(5%)
Middle-level management	21	**20**	(5%)
Technical employees	2	**2**	–
General employees	157	**136**	(13%)
BY AGE GROUP			
Below 30	73	**59**	(19%)
Between 31-50	90	**82**	(9%)
Above 50	39	**38**	(3%)

1. Occupational Health and Safety

The Group follows all the safety standards mentioned in the safety laws such as Labour Law of the People's Republic of China, Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong), Industrial Safety and Health Law of Japan, and the Inns and Hotels Act of Japan to maintain a safe and healthy working environment. The procedures adopted are in line with the safety techniques adopted by the inns and hotels of Japan. In all the subsidiaries, a comprehensive mechanism is adopted to ensure the safety of the employees and cover major occupational health standards. Awareness regarding the same is spread among the employees on a regular basis along with the establishment of stringent labor and safety practices in order to avoid cases of accidents and boost the implementation of health standards. Training sessions are conducted to ensure safety and occupational health. The training sessions include emergency handling procedures and the importance of maintaining safety standards. Fire drills, maintenance of the air conditioner and treatment to the carpets and inspections of the safety standards adopted on a regular basis. First aid box is placed in the organization to handle unforeseen circumstances. The workplace environment promotes a non-toxic and smoke-free zone to secure health of employees working conditions. To ensure effective implementation of the safety standards and procedures, regular inspection is conducted in the workplace along with audit and review. The aim is to create an accident-free work environment.

During the reporting period, no non-compliance with the laws and regulations relating to occupational safety that have resulted or may result in significant impact on the Company was identified.

2. Recruitment of Talents

Professional training is focused upon in training sessions by the Group as it provides a complete basic understanding of the business philosophy and the requirements of the customers which were fulfilled by the operations and services. Standardized and comprehensive training is provided by the Group to the sales representatives, office staff, tour escorts, and other employees to enhance their professional skills and work-related knowledge.

The recruitment in the team is based on the merit-based principle. The whole process focuses on the identification of some factors in the employees such as team spirit, conduct, academic qualifications, skills, professional, and other factors. These factors ensure that the right talent is hired and made part of the Group. The company also aims at becoming a discrimination-free and diversified workplace, so equal opportunities are open to all. The Group follows the policy of zero discrimination in the workplace on the basis of gender, religion, marital status, and race.

3. Cultivation of Talents

To maintain the sustainable aim of the Group, it is essential to equip the employees with the changing knowledge and skills required to add value to the organization. The Group provides a complete focus on the career development and modification of the training plan, in order to continuously improve the performance of employees and moves ahead to fulfill their ambitions and increase the productivity of the Group. Hotels and travel industries have identified the importance of employee development and its impact on the work performance, therefore the Group conducts employee assessment on an annual basis. The result derived influence the determination of the performance paid and adjustments to salaries and positions.

Employee training hours and participation are summarized in the below tables:

Employee Training and Development (hr)	2018	**2019**	Variance Increase/ (decrease) %
Number of training hours	1,802	**1,772**	(2%)
BY GENDER			
Male	1,051	**1,016**	(3%)
Female	751	**756**	0.7%
BY EMPLOYEE CATEGORY			
Senior management	246	**278**	13%
Middle-level management	644	**649**	0.8%
Technical employees	–	**–**	–
General employees	912	**845**	(7%)
BY AGE GROUP			
Below 30	415	**402**	(3%)
Between 31-50	1,381	**1,363**	(1.3%)
Above 50	6	**7**	17%
Employee Training and Development (pax)			
Number of employees participated	137	**128**	(7%)
BY GENDER			
Male	61	**58**	(5%)
Female	76	**70**	(8%)
BY EMPLOYEE CATEGORY			
Senior management	15	**16**	7%
Middle-level management	13	**15**	15%
Technical employees	–	**–**	–
General employees	109	**97**	(11%)
BY AGE GROUP			
Below 30	53	**49**	(8%)
Between 31-50	81	**75**	(7%)
Above 50	3	**4**	33%

To optimize the training and development process among the employees, internal lecturers are appointed. Knowledge, culture, skills, and quality expected information is imparted in reference to the business and expected behavior with the colleagues. Schedule for annual training is formulated at the beginning of every financial year which covers several areas such as training areas, safety precautions, positioning of employees, quality and professionalism to list a few.

4. Remuneration and Benefits

The compensation benefits are constructed by the Group after giving due consideration to the needs of the employees and market practice as benchmark. The remuneration is equal to the market level salary. Remuneration and benefits are the compositions of basic pay, salary with the position, pay for performance, bonus, commission and other benefits where applicable. The paid leaves consist of annual leaves, public holidays, furthermore employees are entitled to marriage leaves, sick leaves and maternity leaves. Bonus, vacation, promotion, and increase in overall salary are used as motivational tools among the employees and channelize their energy in the right direction.

5. Overview of Employees' Activities

To leverage the sense of belongingness within the Group, a wide range of activities are conducted such as annual outings or dinner. These activities increase communication within the employees and relax them. The method is also effective in maintaining work-life balance.

6. Internship Opportunity

Internship opportunities are provided to nurture younger generations and extend support to the education system by creating talents in the hotel and travel industry. The Group coordinates with the school of tourism, hotel management, and English for tourism. These types of opportunities result in the enhancement of skills and knowledge pertaining to the industry along with improvements of professional knowledge and skills so that the younger generation is ready to face the challenges which might come forth in the future.

As a measure to ensure that the Group complies with the relevant local laws and regulations on prevention of child and forced labour, including the Provisions on the Prohibition of Using Child Labour and Labour Law of the People's Republic of China in the PRC, our Human Resources Department inspects original identity cards of the applicants and make detailed enquires to ensure that we do not employ any child and forced labour.

IV. SUPPLY CHAIN MANAGEMENT

Management of the suppliers is not taken lightly by the Group. The supplier's selection procedure is carried out by evaluation of their license, service quality, qualifications, experience, support, management, transportation utilized, and reputation in the market. To ensure efficiency and effectiveness in the service quality provided, quality assessment is conducted on an annual basis. Environmental and social risks of suppliers are examined to manage the supply quality and considerable importance is attached to the procedure adopted. Another consideration undertaken before selecting a supplier is behavior towards employees and charity initiatives taken by them for the community at large. Commitments are made before making a purchase in terms of integrity commitment, no corruption in the procedure, bribery or any other illegal activities. The contract states the expectation from the suppliers that they effectively comply with the legal rules and regulations while exchanging services and products.

Healthy relations are maintained with hotel operators, airline operators, ticketing agents and land operators in Japan and destination countries in order to provide a range of hospitality products to their prospective customers such as tableware, consumables, food, beverages, and furniture. Spot investigation of the products delivered is done along with the supplier's approved process to ensure delivery of quality services and products.

To fulfill the aim of environmental sustainability in supply chain management, procurement of eco-friendly products is given priority where possible and economically viable.

1. Purchase of Food Materials

All legislation is taken care of by the Group in catering which includes nutritional content and labelling of food allergies. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group such as The Food Sanitation Act of Japan. During the reporting year, no material breach has been done and the food product's quality is maintained by adherence to laws and regulations.

V. OPERATING PRACTICES

1. Ethics and Integrity

The base foundation of an organization is dependent upon the level of ethics and integrity maintained within the organization. The Group ensures that employees comprehend with laws and regulations stated in the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Interim Provisions on Prohibition of Commercial Bribery. The Group has not experienced any unethical claims against us during the reporting period. The Group maintains an employee handbook which highlights the expected ethical behavior and integrity from the employees. The Employee Handbook《員工手冊》establishes moral regulations along with the conflict resolution mechanism and the areas in which employees are forbidden to ask for or accept any interests from any business-related units, and where appropriate, our employees are required to report their interest conflict to the Group. Employee's integrity and moral ethics are maintained through continuous training initiatives.

Open and two-way communication between employees and the management is highly encouraged as it increases mutual trust and creation of new ideas. The recent developments in the organization are communicated through regular meetings, monitoring of current performance, work-shops, course, annual meetings, bulletin boards, software systems to name a few. The complaints and issues regarding the work are solved through emails or written complaints which are kept confidential. A mechanism is also established through which the complaints regarding the bribery, misconduct, corruption or fraud can be directly communicated to the auditing committees. Once the conduct is confirmed, strict actions are taken within time and regulators are involved to solve the reported issues.

2. Anti-Corruption

The sincere efforts made by the Group not only ensure continuous and balanced growth but also up holds the rectitude and faithfulness of the business in the marketplace. Incorporation of anti-corruption and anti-money laundering actions and laws within the business arena of the Group along with its internal working mechanisms, acts to guarantee the probity and trustworthiness. To cite an instance is the Anti-fraud and Whistle blowing policy, an outcome of anti-corruption, anti-fraud, and anti-malpractice policy that the Group pursue. Such a policy includes well defined methods that facilitate to keep a track record of any ill-suited behavior.

During the Year, the Group was unware of any matters concerning material instances of non-compliance with relevant laws and regulations regrading bribery, extortion, fraud, or money laundering in the countries where its employees are engaged. There are no current or pending regulatory actions or other litigation that is anticipated to have a material impact on the Group.

3. Privacy Protection

The right to privacy is strictly incorporated by the Group by preserving personal data of employees and customers. The laws and regulations are followed in line with the standards determined by Personal Data (Privacy) Ordinance and General Data Protection Regulations, and The Act on the Protection of Personal Information of Japan. The information gathered during business development and customer relationship management is kept in records for the respective purpose only. Customers are confirmed before extending the facility of direct messaging. Only designated staff has access to the personal data of the clients, which is not shared with the outsiders. During the reporting period, no complaint has been filled in the Group regarding the personal information leaked to outsiders or misuse of personal information.

4. Advertising and Labelling

The brand 途益Tuyi, is based in Zhejiang Province, the PRC, and has become a well-established brand in the field of outbound travel products and service providers which has created its image in the mind of customers through its operations for ten years. The brand has been presented as a one-stop destination for personalization of all types of travel services. To maintain the sustainability objective, sustainability is integrated in the promotion of the business as well. The Group adheres to the guidelines which are stated in the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Act against Unjustifiable Premiums and Misleading Representations of Japan, and the Outdoor Advertisement Act of Japan. The focus on consumer rights is done through the incorporation of content authenticity with the right and interest of consumers.

VI. COMMUNITY

1. Community Investment

The Group takes initiative to make a continuous contribution to build a caring and cohesive society to achieve corporate social responsibility goals. The awareness is cultivated among the employees and further encouraged at all levels of the Group. The people in need are visited, equal opportunities are present to all, health and safety standards are maintained, zero tolerance to discrimination and child labor, extending helping hand to the communities, to name a few activities which are undertaken by the Group to fulfill its commitment towards the society. The young talent in society is nurtured through internships as a part of CSR activity.

The Group pays due importance to both the mental and physical health of employees. Events are organized on a regular basis to provide a relaxing environment where the family members are also invited to maintain an accurate balance of work and life, and strengthening family ties.

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

The Directors present their report and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise (i) the design, development and sales of outbound travel package tours; (ii) the design, development and sales of free independent traveller products ("FIT Products"); and (iii) the provision of other ancillary travel-related products and services. There were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 5 to 15 of this annual report. This discussion forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is primarily engaged in the provision of outbound travel products and services ("Outbound Travel Business") through the following entities (collectively "Operating Entities"):

- Tu Yi Group Company Limited (途益集團有限公司) ("Tuyi Group");
- Hangzhou Guge Travel Company Limited (杭州谷歌旅行社有限公司) ("Guge Travel"); and
- Hangzhou Haizhilv Holidays Travel Company Limited (杭州海之旅假日旅行社有限公司) ("Haizhilv").

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

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

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimizing the adverse effects caused by its operations on the environment. The Group continues to make endeavors in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using of energy-efficient light tubes, encouraging use of recycle papers and both sides of papers for printing and copying and keeping office temperature at reasonable level. The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business. A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules is set out on pages 33 to 45 of this annual report.

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

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

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

RESULTS AND DIVIDENDS

The Group's profit for the Year and the Group's financial position at that date are set out in the consolidated financial statements on pages 70 to 153.

The Directors do not recommend the payment of any dividend for the Year (2018: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 154 of this annual report. This summary does not form part of the audited financial statements.

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

As the shares of the Company have been listed on the Stock Exchange on 28 June 2019, from the Listing Date to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the Year are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 73 to 74 of this annual report. As at 31 December 2019, the reserves of the Company available for distribution, as calculated in accordance with statutory provisions applicable in the Cayman Islands was approximately RMB91.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 10.3% of the total sales for the year and sales to the largest customer included therein amounted to 2.9%. Purchases from the Group's five largest suppliers accounted for 17.9% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 4.8%.

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

DIRECTORS

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

Executive Directors

Mr. Yu Dingxin *(Chairman)*
Mr. Pan Wei
Mr. Xu Jiong
Mr. An Jiajin
Mr. Peng Ying
Ms. Qiu Xiang (Resigned on 21 January 2020)

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Zhao Jianbo
Ms. Zhou Li

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

In accordance with articles of association of the Company, Mr. Xu Jiong, Mr. An Jiajin, and Ms. Zhou Li will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions that may brought against them. The Company has maintained appropriate insurance cover for the Directors and officers throughout the period from the Listing Date to 31 December 2019 and are currently in force.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

TAX RELIEF AND EXEMPTION

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

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

As at 31 December 2019, the interests and short positions of the Directors of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the shares of the Company

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yu Dingxin (1)	Interest in controlled corporation	750,000,000	75%
Mr. Pan Wei (2)	Interest in controlled corporation	750,000,000	75%
Mr. Xu Jiong (3)	Interest in controlled corporation	750,000,000	75%

Notes:

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

(2) King Pan Co., Ltd holds 168,750,000 Shares. King Pan Co., Ltd is directly and wholly owned by Mr. Pan Wei, who is therefore deemed to be interested in all the Shares held by King Pan Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.

(3) Jeffery Xu Co., Ltd holds 112,500,000 Shares. Jeffery Xu Co., Ltd is directly and wholly owned by Mr. Xu Jiong, who is therefore deemed to be interested in all the Shares held by Jeffery Xu Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and therefore deemed to be interested in the interests of each other.

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executive of the Company had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

So far as the Directors are aware, as at 31 December 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
York Yu Co., Ltd (1)	Beneficial owner	418,725,000	41.8725%
David Xu Co., Ltd (1)	Beneficial owner	50,025,000	5.0025%
King Pan Co., Ltd (2)	Beneficial owner	168,750,000	16.875%
Jeffery Xu Co., Ltd (3)	Beneficial owner	112,500,000	11.25%
Mr. Yu Dingxin (1)	Interest in controlled corporation	750,000,000	75%
Mr. Pan Wei (2)	Interest in controlled corporation	750,000,000	75%
Mr. Xu Jiong (3)	Interest in controlled corporation	750,000,000	75%

Notes:

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

(2) King Pan Co., Ltd holds 168,750,000 Shares. King Pan Co., Ltd is directly and wholly owned by Mr. Pan Wei, who is therefore deemed to be interested in all the Shares held by King Pan Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.

(3) Jeffery Xu Co., Ltd holds 112,500,000 Shares. Jeffery Xu Co., Ltd is directly and wholly owned by Mr. Xu Jiong, who is therefore deemed to be interested in all the Shares held by Jeffery Xu Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and therefore deemed to be interested in the interests of each other.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 300,000,000 shares, representing 30% of the enlarged issued share capital of the Company. The maximum number of shares that may be granted by the Company to any one Eligible Participant shall not exceed 1% of the issued share capital of the Company from time to time.

Upon acceptance of an option to subscribe for shares granted pursuant to the Share Option Scheme (the "Option"), the Eligible Participant shall pay HK$1.00 to the Company in consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day");

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and

(iii) the nominal value of a Share on the date of grant, provided that in the event that any Option is proposed to be granted within a period of less than five Trading Dates, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange.

The Company shall be entitled to issue Options, provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme does not exceed 10% of the Shares in issue from the date of listing of the Shares on the Stock Exchange. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Since the adoption of the Share Option Scheme and during the Year, no Option has been granted, exercised, lapsed or cancelled, and as at 31 December 2019, no Options under the Share Option Scheme were outstanding.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Island.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code from the Listing Date to 31 December 2019.

DEED OF NON-COMPETITION

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

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

The independent non-executive Directors of the Company have reviewed the declaration made by the Controlling Shareholders regarding the compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced since the Listing Date to 31 December 2019.

COMPETING INTERESTS

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

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

There were no significant investments held by the Company during the Year, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year. There is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

CONNECTED TRANSACTIONS

As disclosed in the section headed "Contractual Arrangement" of this annual report, the Group is primarily engaged in the provision of Outbound Travel Business through the Operating Entities. Pursuant to the Relevant Provisions of the PRC, the Group's Outbound Travel Business is prohibited from foreign ownership. Accordingly, the Group cannot acquire equity interest in the Operating Entities, which hold, or in the course of application for, Travel License with the scope to conduct outbound travel business for the operation of the Group's Outbound Travel Business. As a result, the Group conducts all its operations in the PRC and exerts management control over the operations of and enjoy the economic benefits derived from the Operating Entities through entering into the Contractual Arrangements with the Operating Entities.

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

Moreover, our independent non-executive Directors have reviewed the Contractual Arrangement and confirmed that: (i) the transactions carried out during the year ended 31 December 2019 have been entered into in accordance with the relevant provisions of the Contractual Arrangement so that the revenue generated by the Operating Entities have been mainly retained by our Group; and (ii) no dividends or other distributions have been made by the Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

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

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

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

b. nothing has come to our attention that causes us to believe that the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the structured contracts comprising the Contractual Arrangements (both defined in the Company's Prospectus dated 18 June 2019) governing such transactions; and

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

Ernst & Young have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

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

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

Haizhilv was deemed to be an indirect wholly-owned subsidiary of the Company pursuant to the Contractual Arrangement and was principally engaged in the provision of travel business. It was established as a limited liability company in the PRC on 14 January 2003 and was deregistered during the Year.

Summary of the major terms of the Contractual Arrangements

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

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

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

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

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

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

(i) Exclusive Business Cooperation and Service Agreement

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

The consultation and services provided by WFOE include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Exclusive Option Agreement

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

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

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

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

- distribute dividends and bonuses in any forms;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Equity Interest Pledge Agreement

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

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

(iv) Shareholders' Rights Entrustment Agreement

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

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

– convening and attending shareholders' meetings of Tuyi Group;

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

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

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

Revenue and Assets in relation to the Contractual Arrangements

During the year ended 31 December 2019, revenue attributable to the Operating Entities (before any inter-company eliminations) was approximately RMB202.0 million (2018: approximately RMB192.1 million). During the year ended 31 December 2019, the total asset and net asset attributable to the Operating Entities (before any inter-company eliminations) was approximately RMB232.8 million and RMB114.6 million (2018: approximately RMB236.2 million and RMB80.5 million), respectively.

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

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

- The PRC government may determine that the Contractual Arrangements are not in compliance with appliable PRC laws, rules, regulations or policies and may take actions against the Company or the Company's operation;

- There are substantial uncertainties with respect to the enactment timetable interpretation and implementation of the 2015 draft foreign investment law;

- There are substantial uncertainties with respect to the interpretation and implementation of the foreign investment law;

- The Contractual Arrangements may not be as effective in providing control over the Operating Entities as equity ownership;

- The owners of the Operating Entities may have conflict of interest with the Company, which may materially and adversely affect our business, financial condition and results of operations;

- The Company may have to incur additional costs and expend substantial resources to enforce the Contractual Arrangements, temporarily or permanently lose control over our primary operations or lose access to the Company's primary source of revenue, if the Operating Entities or their respective ultimate shareholders fail to perform their obligations under the Contractual Arrangements;

- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws;

- The Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustments;

- The Company may lose the ability to use and enjoy certain important assets, which could reduce the size of the Company's operations, impair our ability to generate revenue and materially affect the market price of the Company's shares, if any of the Operating Entities becomes the subject of a bankruptcy or liquidation proceeding; and

- The Company's ability to acquire the entire entity interest and/or assets of the Operating Entities is subject to restrictions.

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

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

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

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

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

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

No Material Change

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

Unwinding of Contractual Arrangements

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

7. The PRC government may determine that the contractual arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against us or our operation.

For details of the risk factors, please refer to the section headed "Risk Factors" in the Prospectus.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year are set out in note 33 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction which is subject to the reporting, annual review, announcement and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2019 comply with applicable reporting standards, the Listing Rules, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

In early January 2020, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in Wuhan, Hubei Province, China. On 25 January 2020, the Hangzhou Government announced the suspension of all Hangzhou Tourism enterprises operations, including the Group's operations, from 25 January 2020. The Group's travel operations from the Chinese Mainland customers were still not resumed on 30 March 2020. Most revenue of the Group is from the Chinese mainland customers. A number of travel restrictions remain in place, which are significantly affecting the number of outbound visitors, such as those related to the China Individual Visit Scheme to Japan, and other restrictions on the outbound travel from Mainland China. The duration and intensity of this global health emergency and related disruptions are uncertain, including potential broader impacts outside China if travel and visitation continue to be restricted. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition will be material, but cannot be reasonably estimated at the date of the report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

On behalf of the Board
Yu Dingxin
Chairman and executive Director
30 March 2020

Independent auditor's report
To the shareholders of Tu Yi Holding Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tu Yi Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 153, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The Group had goodwill with a net carrying amount of RMB12,526,000 as at 31 December 2019, arising from the acquisition of a subsidiary. Goodwill was allocated to the individual cash-generating unit ("CGU"), Shuzenji Takitei unit, which was expected to benefit from the synergies of the combination. Under HKFRSs, the Group is required to at least annually perform the impairment test for goodwill. The recoverable amount of the related CGU was determined based on the value-in-use calculation using discounted cash flow projections. The impairment assessment of goodwill was identified as a key audit matter because the estimation process was complex and significant judgement was required in determining the assumptions to be used to estimate the recoverable amount. The Group's accounting policies and estimation of goodwill impairment are disclosed in notes 2.4 and 3, and details of the Group's impairment testing of goodwill are disclosed in note 17 to the consolidated financial statements.	We involved valuation specialists to assist us in the evaluation of the key assumptions and methodologies used in the impairment analysis, in particular the discount rate and long-term growth rate. We evaluated the forecasts used by the management of the Group with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGU and the business development plan. Furthermore, we assessed the adequacy of the Group's disclosures concerning goodwill in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables	
As at 31 December 2019, the net carrying value of trade receivables amounted to RMB34,065,000, after netting off a loss allowance for impairment of RMB1,818,000, representing 9.5% of the Group's total assets. The impairment of trade receivables is assessed based on the expected credit loss model which requires significant judgements and estimates from management. In assessing the expected credit loss on the trade receivables, management considered various factors such as the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and forward-looking information. The assessment is highly judgmental. The Group's disclosures about impairment of trade receivables are included in notes 2.4, 3 and 21 to the financial statements.	We evaluated the expected credit loss provision methodology used by the Group. We also evaluated management's assessment on the estimates of customers' current financial positions and the forward-looking adjustments by reviewing the detailed analyses of the ageing of the receivables, testing payments received subsequent to the year end and historical payment patterns on a sample basis, reviewing correspondence related to any disputes between the parties involved, reviewing the market information about the credit status of the counterparties, where available, and evaluating the analyses of influence from macroeconomics on the loss rates of the Group's customers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Report of Directors and the Corporate Governance Report, which are expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, the Report of Directors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS 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 of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2020

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	5	**233,803**	205,051
Cost of sales		**(168,868)**	(156,065)
Gross profit		**64,935**	48,986
Other income and gains	5	**10,393**	2,166
Selling and distribution expenses		**(7,348)**	(7,237)
Administrative expenses		**(25,305)**	(28,754)
Other expenses		**(2,930)**	(1,929)
Finance costs	7	**(3,093)**	(2,461)
PROFIT BEFORE TAX	6	**36,652**	10,771
Income tax expense	10	**(10,842)**	(3,702)
PROFIT FOR THE YEAR		**25,810**	7,069
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,217**	2,752
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements into the presentation currency		**1,769**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**3,986**	2,752
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,796**	9,821
Profit attributable to:			
Owners of the parent		**25,614**	6,994
Non-controlling interests		**196**	75
		25,810	7,069
Total comprehensive income attributable to:			
Owners of the parent		**29,600**	9,746
Non-controlling interests		**196**	75
		29,796	9,821
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted	12	**RMB2.92 cents**	RMB0.93 cents

	Notes	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**126,229**	125,462
Investment properties	14	**20,538**	20,334
Freehold land	15	**50,086**	48,426
Right-of-use assets	16(a)	**7,471**	–
Goodwill	17	**12,526**	13,686
Other intangible assets	18	**564**	592
Investment in an associate	19	**4,000**	–
Deferred tax assets	27	**11**	1,102
Total non-current assets		**221,425**	209,602
CURRENT ASSETS			
Inventories	20	**1,707**	750
Trade receivables	21	**34,065**	25,387
Prepayments, other receivables and other assets	22	**20,010**	28,927
Due from a director	33(c)	**201**	185
Pledged short-term deposits	23	**1,653**	1,761
Time deposits with original maturity of over three months	23	**21,947**	–
Cash and cash equivalents	23	**56,113**	11,296
Financial assets at fair value through profit or loss		**–**	100
Total current assets		**135,696**	68,406
CURRENT LIABILITIES			
Trade payables	24	**10,509**	11,813
Advance from customers, other payables and accruals	25	**12,621**	22,755
Interest-bearing bank borrowings	26	**5,037**	54,417
Lease liabilities	16(b)	**1,534**	–
Due to a related party	33(b)	**224**	–
Tax payable		**9,525**	4,305
Total current liabilities		**39,450**	93,290
NET CURRENT ASSETS/(LIABILITIES)		**96,246**	(24,884)
TOTAL ASSETS LESS CURRENT LIABILITIES		**317,671**	184,718
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**4,959**	4,358
Lease liabilities	16(b)	**5,897**	–
Interest-bearing bank borrowings	26	**54,163**	56,804
Total non-current liabilities		**65,019**	61,162
Net assets		**252,652**	123,556

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**8,797**	–
Reserves	29	**241,654**	120,953
		250,451	120,953
Non-controlling interests		**2,201**	2,603
Total equity		**252,652**	123,556

Yu Dingxin
Director

Pan Wei
Director

	Attributable to owners of the parent								
	Issued capital *RMB'000* (note 28)	Capital reserves* *RMB'000* (note 29)	Statutory surplus reserves* *RMB'000* (note 29)	Retained earnings* *RMB'000*	Revaluation reserves* *RMB'000*	Foreign currency translation reserves* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	–	88,946	2,832	25,043	1,579	(7,214)	111,186	3,171	114,357
Profit for the year	–	–	–	6,994	–	–	6,994	75	7,069
Other comprehensive income for the year:									
Exchange differences	–	–	–	–	–	2,752	2,752	–	2,752
Total comprehensive income for the year	–	–	–	6,994	–	2,752	9,746	75	9,821
Transfer to statutory reserves	–	–	860	(860)	–	–	–	–	–
De-registration of a subsidiary	–	–	–	–	–	–	–	(663)	(663)
Capital injection from non-controlling shareholders	–	21	–	–	–	–	21	20	41
At 31 December 2018	–	88,967	3,692	31,177	1,579	(4,462)	120,953	2,603	123,556

	Attributable to owners of the parent										
	Issued capital *RMB'000* (note 28)	Share premium* *RMB'000* (note 29)	Capital reserve* *RMB'000* (note 29)	Difference arising from acquisition of non-controlling interests* *RMB'000*	Statutory surplus reserve* *RMB'000* (note 29)	Retained earnings* *RMB'000*	Revaluation reserve* *RMB'000*	Foreign currency translation reserves* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	–	–	88,967	–	3,692	31,177	1,579	(4,462)	120,953	2,603	123,556
Profit for the year	–	–	–	–	–	25,614	–	–	25,614	196	25,810
Other comprehensive income for the year:											
Exchange differences	–	–	–	–	–	–	–	3,986	3,986	–	3,986
Total comprehensive income for the year	–	–	–	–	–	25,614	–	3,986	29,600	196	29,796
Transfer to statutory reserves	–	–	–	–	2,790	(2,790)	–	–	–	–	–
Issue of new shares for initial public offering	2,199	112,157	–	–	–	–	–	–	114,356	–	114,356
Capitalisation issue of share premium	6,598	(6,598)	–	–	–	–	–	–	–	–	–
Share issue expenses	–	(14,439)	–	–	–	–	–	–	(14,439)	–	(14,439)
Acquisition of non-controlling interests**	–	–	–	(19)	–	–	–	–	(19)	(598)	(617)
At 31 December 2019	8,797	91,120	88,967	(19)	6,482	54,001	1,579	(476)	250,451	2,201	252,652

* These reserve accounts comprise the consolidated reserves of RMB241,654,000 (2018: RMB120,953,000) in the consolidated statements of financial position.

** On 19 September 2019, Mr. Wu Luping, transferred a 10% equity interest in Zhejiang Kaida Ticketing Company Limited to Hangzhou Tuyi Investment Management Company Limited at the consideration of RMB617,000. Upon completion of the said transfer, Hangzhou Tuyi Investment Management Company Limited owns 100% of the equity interests in Zhejiang Kaida Ticketing Company Limited.

	Notes	**2019** **RMB'000**	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**36,652**	10,771
Adjustments for:			
Depreciation of items of property, plant and equipment	13	**4,697**	2,622
Depreciation of right-of-use assets	16	**1,613**	–
Amortisation of intangible assets	18	**49**	49
Bank interest income	5	**(124)**	(164)
Finance costs	7	**3,093**	2,461
Gain on disposal of items of property, plant and equipment	5	**(71)**	–
Foreign exchange gains, net	5	**(282)**	(361)
Changes in fair value of investment properties	5	**(204)**	(225)
Other interest income from financial assets at fair value through profit or loss	5	**(385)**	(113)
Impairment of goodwill	17	**1,160**	–
		46,198	15,040
(Increase)/decrease in inventories		**(957)**	88
Increase in trade receivables		**(8,678)**	(17,169)
Decrease/(increase) in prepayments, deposits and other receivables		**5,195**	(6,903)
(Increase)/decrease in amounts due from directors		**(16)**	125
(Decrease)/increase in trade payables		**(1,304)**	8,338
(Decrease)/increase in advance from customers, other payables and accruals		**(10,134)**	10,434
Decrease in amounts due to directors		**–**	(1,585)
Cash generated from operations		**30,304**	8,368
Income tax paid		**(3,930)**	(5,215)
Net cash flows generated from operating activities		**26,374**	3,153

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,177)**	(57,250)
Investment in an associate	19	**(4,000)**	–
Purchases of financial assets at fair value through profit or loss		**(120,005)**	(39,100)
Proceeds from disposal of financial assets at fair value through profit or loss		**120,105**	39,113
Proceeds from disposal of items of property, plant and equipment		**130**	–
Other interest income from financial assets at fair value through profit or loss		**385**	–
Increase in time deposits with original maturity of over three months	23	**(21,947)**	–
Decrease in pledged short-term deposits		**108**	343
Interest received		**124**	164
Net cash flows used in investing activities		**(27,277)**	(56,730)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**114,356**	–
Share issue expenses		**(10,717)**	–
Acquisition of non-controlling interests		**(617)**	–
Repayment of bank borrowings		**(129,853)**	(23,442)
Proceeds from bank borrowings		**75,703**	60,450
Increase in amounts due to a related party		**224**	–
Principal portion of lease payments		**(1,653)**	–
Interest paid		**(3,093)**	(2,461)
Contribution from non-controlling shareholders		**–**	41
Net cash flows generated from financing activities		**44,350**	34,588
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43,447**	(18,989)
Effect of foreign exchange rate changes, net		**1,370**	1,488
Cash and cash equivalents at beginning of year		**11,296**	28,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**56,113**	11,296
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**56,113**	11,296

1. CORPORATE INFORMATION

Tu Yi Holding Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 27 February 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is located at Room 813, 8/F, Block 4, Hai Chuang Technology Centre, No. 1288 Wenyi West Road, Cangqian Sub-district, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in (i) the design, development and sale of outbound travel package tours and day tours; (ii) the design, development and sale of free independent traveller ("FIT") products; (iii) the provision of visa application processing services; (iv) the provision of other ancillary travel-related products and services; and (v) hotel operation. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company and its subsidiaries (together, the "Group") are Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively the "Controlling Shareholders").

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2019.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Citizen Holiday Co., Ltd.	British Virgin Islands/ Hong Kong 6 March 2018	United States dollar ("USD") 1	100	–	Investment holding
Tuyi HK Group Co., Limited 途易香港有限公司	Hong Kong 19 March 2018	USD1	–	100	Investment holding
Hangzhou Tuyi Information Technology Company Limited ("WFOE") (b)* 杭州途屹信息技術有限公司	The PRC/ Mainland China 3 April 2018	USD5 million	–	100	Investment holding
Tu Yi Group Company Limited ("Tuyi Group") (a) (c)* 途益集團有限公司	The PRC/ Mainland China 29 April 2008	RMB0.3 million	–	100	Travel business
Zhejiang Kaida Ticketing Company Limited ("Kaida Ticketing") (a)* 浙江凱達票務有限公司	The PRC/ Mainland China 18 August 2010	RMB5 million	–	100	Air ticket booking services

1. CORPORATE INFORMATION (CONTINUED)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tu Yi Group Japan Co., Ltd. ("Tuyi Group Japan")* 途易集團日本株式會社	Japan 31 March 2015	Japanese Yen ("JPY") 5 million	–	100	Travel and hotel accommodation agency services
Hangzhou Guge Travel Company Limited ("Guge Travel") (a) (c)* 杭州谷歌旅行社有限公司	The PRC/ Mainland China 23 April 2010	RMB0.3 million	–	100	Travel business
Hangzhou Tuyi Investment Management Company Limited ("Tuyi Investment") (a)* 杭州途易投資管理有限公司	The PRC/ Mainland China 2 June 2015	RMB1 million	–	98	Investment holding
Tu Yi Tourism Development Company Limited ("Tuyi Tourism Development")* 途易觀光開發株式會社	Japan 7 May 2015	JPY1 million	–	100	Investment holding
Shuzenji Takitei Company Limited ("Shuzenji Takitei")* 修善寺滝亭株式會社	Japan 15 March 2010	JPY0.1 million	–	100	Hotel operation

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

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

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

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Except for the amendments to HKFRS 9, HKAS 19 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements for the year ended 31 December 2019. The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases,* HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

    The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office units, motor vehicle and hotel facilities. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the retail shops and office units (that were held to earn rental income) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	RMB'000
Assets	
Increase in right-of-use assets and total assets	7,843
Liabilities	
Increase in lease liabilities and total liabilities	7,843

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	**8,232**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(29)
	8,203
Weighted average incremental borrowing rate as at 1 January 2019	
– Mainland China	5.64%
– Japan	1.88%
Discounted operating lease commitments as at 1 January 2019	7,843
Lease liabilities as at 1 January 2019	**7,843**

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combination and goodwill

Business combination not under common control is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use 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 only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Freehold land

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Leasehold land and buildings	over the shorter of the term of the land use rights or 40 years
Computer and office equipment	3~10 years
Motor vehicles	4 years
Leasehold improvements	5 years

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

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 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. On disposal of the property, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property shall be made when, and only when, there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Intangible assets (other than goodwill)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office units	2 to 3 years
Motor vehicle	5 years
Hotel facilities	2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its non-operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to a related party, lease liabilities and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices in the ordinary course of business less the estimated applicable selling expenses.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises 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 country in which the Group 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

(a) where 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

(b) in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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.

Deferred tax assets are recognised for all deductible temporary differences, and 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 profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) 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

(b) in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

The disclosure of significant accounting judgements relating to revenue from contracts with customers is provided in note 3 to the financial statements.

Sales of travel-related products and services

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

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

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

(iv) Other income from sales of ancillary travel-related products and services (such as insurance, transportation passes and admission tickets) is recognised when the services are provided to customers.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other 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.

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities (included under Advance from customers, other payables and accruals)

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related products or services to the customer).

Employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as a part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements is presented in RMB because the Group's principal operations are carried out in Mainland China. The functional currency of the Company and certain subsidiaries incorporated outside Mainland China is HKD and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. 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. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial information statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements (continued)

Contractual Arrangements

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

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was RMB12,526,000 (2018: RMB13,686,000). Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment at the end of each reporting period are disclosed in note 13 to the financial statements.

Estimation of fair value of investment properties

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

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amount of investment properties was RMB20,538,000 (2018: RMB20,334,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses in Mainland China at 31 December 2019 was RMB4,399,000 (2018: RMB4,223,000). The amount of unrecognised tax losses in Japan at 31 December 2019 was RMB3,498,000 (2018: RMB3,124,000). Further details are contained in note 27 to the financial statements.

Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income tax. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences are realised. Further details are disclosed in note 10 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group's businesses include selling of package tours and day tours and FIT products, provision of visa application processing services, selling of certain ancillary travel related products and services and hotel operation. Revenue recognised during the year is as follows:

	2019 RMB'000	2018 RMB'000
Revenue		
Sales of package tours and day tours	**174,581**	162,767
Margin income from sales of FIT products	**12,422**	13,825
Margin income from the provision of visa application processing services	**12,492**	13,345
Other income from sales of ancillary travel related products and services	**2,601**	2,313
Hotel operation income	**31,707**	12,801
Total	**233,803**	205,051

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

Geographic information

(a) Revenue from external customers

	2019 RMB'000	2018 RMB'000
Domestic – Mainland China*	**196,035**	185,494
Japan#	**37,768**	19,557
Total	**233,803**	205,051

* Country of domicile of the Group's principal subsidiaries.

\# Mainly from hotel operation and commission from Japan customers.

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2019 and 2018.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information (continued)

(b) Non-current assets

	2019 *RMB'000*	2018 *RMB'000*
Domestic – Mainland China	**46,729**	42,335
Japan	**174,685**	166,165
Total	**221,414**	208,500

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

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers	**233,803**	205,051
Other income		
Bank interest income	**124**	164
Government grants	**7,611**	513
Gross rental income from investment property operating leases:		727
Lease payments, including fixed payments:	**727**	N/A
Other interest income from financial assets at fair value through profit or loss	**385**	113
Others	**989**	63
	9,836	1,580
Gains		
Gain on disposal of items of property, plant and equipment	**71**	–
Changes in fair value of investment properties	**204**	225
Foreign exchange gains, net	**282**	361
	557	586
	10,393	2,166

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Notes:

(a) Disaggregation of revenue from contracts with customers

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

	2019 ***RMB'000***	2018 *RMB'000*
Timing of revenue-recognition		
Over time		
– Sales of package tours and day tours	**174,581**	162,767
At a point in time		
– Margin income from the sales of FIT Products	**12,422**	13,825
– Margin income from the provision of visa application processing services	**12,492**	13,345
– Other income from the sales of ancillary travel related products and the provision of services	**2,601**	2,313
– Hotel operation	**31,707**	12,801
	59,222	42,284
Total	**233,803**	205,051

(b) Contract liabilities

Details of contract liabilities are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Current*	**3,206**	10,961

* Included in "Advance from customers, other payables and accruals" in the consolidated statements of financial position.

(i) Significant changes in contract liabilities

Contract liabilities representing the obligations to transfer goods or services to a counterparty for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to the receipt of advances from customers and the recognition of revenue when fulfilling the performance obligations.

(ii) Revenue recognised in relation to contract liabilities

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

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**10,961**	6,787

(iii) Performance obligations

At 31 December 2019, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are disclosed.

6. PROFIT BEFORE TAX

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

	Notes	**2019** **RMB'000**	2018 RMB'000
Cost of services provided		**161,659**	152,793
Cost of inventories sold		**7,209**	3,272
Depreciation of property, plant and equipment	13	**4,697**	2,622
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	16	**1,613**	–
Amortisation of other intangible assets	18	**49**	49
Gain on disposal of items of property, plant and equipment		**(71)**	–
Minimum lease payments under operating lease		**–**	768
Lease payments not included in the measurement of lease liabilities	16(c)	**40**	–
Auditor's remuneration		**1,584**	–
Government grants*		**(7,611)**	(513)
Bank interest income		**(124)**	(164)
Rental income on properties		**(727)**	(727)
Foreign exchange gains, net		**(282)**	(361)
Impairment of goodwill**	17	**1,160**	–
Impairment of receivables arising from contracts with customers	21	**1,714**	–
Changes in fair value of investment properties	14	**(204)**	(225)
Listing expenses		**7,847**	15,539
Provision for litigation		**–**	1,841
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**16,046**	14,791
Pension scheme contributions		**3,427**	2,736
Staff welfare expenses		**781**	455
		20,254	17,982

* The government grants mainly represent the incentive awards received by subsidiaries from the local governments to support the Group's successful initial public offering and to support the Group's operation in Zhejiang, the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

** The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank borrowings	**2,950**	3,317
Interest on lease liabilities	**143**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**3,093**	3,317
Less: Interest capitalised	**–**	(856)
	3,093	2,461

The rate used to determine the amount of the borrowing costs eligible for capitalisation was 1.88% for the year ended 31 December 2018.

8. DIRECTORS' REMUNERATION

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

	2019 *RMB'000*	2018 *RMB'000*
Fees	**100**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**996**	958
Pension scheme contributions	**289**	191
	1,285	1,149
	1,385	1,149

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

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

	2019 *RMB'000*	2018 *RMB'000*
Ms. Zhou Li	**36**	–
Mr. Zhao Jianbo	**36**	–
Mr. Gu Jiong	**28**	–
	100	–

There were no other emoluments payable to the independent non-executive directors during the year (2018: nil).

(b) Executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2019				
Executive directors:				
Mr. Yu Dingxin	**–**	**247**	**65**	**312**
Mr. Pan Wei	**–**	**187**	**57**	**244**
Mr. Xu Jiong	**–**	**187**	**57**	**244**
Mr. An Jiajin	**–**	**97**	**30**	**127**
Mr. Peng Ying	**–**	**97**	**28**	**125**
Ms. Qiu Xiang	**–**	**181**	**52**	**233**
	–	**996**	**289**	**1,285**
2018				
Executive directors:				
Mr. Yu Dingxin	–	241	43	284
Mr. Pan Wei	–	181	41	222
Mr. Xu Jiong	–	181	41	222
Mr. An Jiajin	–	94	23	117
Mr. Peng Ying	–	91	15	106
Ms. Qiu Xiang	–	170	28	198
	–	958	191	1,149

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2018: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,138**	1,023
Pension scheme contributions	**166**	144
	1,304	1,167

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

	Number of employees	
	2019	2018
Nil to HKD1,000,000	**4**	4

10. INCOME TAX

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

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

Pursuant to the rules and regulations of Japan, the subsidiaries incorporated in Japan are subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rates for these taxes were 33.6% (2018: 33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

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

10. INCOME TAX (CONTINUED)

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

	2019 *RMB'000*	2018 *RMB'000*
Current – Mainland China	**8,412**	4,141
Current – Japan	**738**	85
Deferred (note 27)	**1,692**	(524)
Total tax charge for the year	**10,842**	3,702

A reconciliation of the tax expense applicable to profit before tax at the statutory rates in Mainland China and Japan to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2019

	Mainland China *RMB'000*	*%*	**Japan** *RMB'000*	*%*	**Total** *RMB'000*	*%*
Profit before tax	**33,001**		**3,651**		**36,652**	
Tax at the statutory tax rate of 25% in Mainland China	**8,250**	**25.0**	**–**	**–**	**8,250**	**22.5**
Tax at the statutory tax rate of 33.6% in Japan	**–**	**–**	**1,227**	**33.6**	**1,227**	**3.4**
Lower tax rates enacted by the local authority	**(153)**	**(0.5)**	**–**	**–**	**(153)**	**(0.4)**
Non-deductible expenses for tax purposes	**1,054**	**3.2**	**296**	**8.1**	**1,350**	**3.7**
Tax losses not recognised	**42**	**0.1**	**126**	**3.5**	**168**	**0.5**
Tax charge at the Group's effective tax rate	**9,193**	**27.9**	**1,649**	**45.2**	**10,842**	**29.6**

10. INCOME TAX (CONTINUED)

2018

	Mainland China *RMB'000*	*%*	Japan *RMB'000*	*%*	Total *RMB'000*	*%*
Profit before tax	10,469		302		10,771	
Tax at the statutory tax rate of 25% in Mainland China	2,617	25.0	–	–	2,617	24.3
Tax at the statutory tax rate of 33.6% in Japan	–	–	101	33.6	101	0.9
Lower tax rates enacted by the local authority	(68)	(0.6)	–	–	(68)	(0.6)
Non-deductible expenses for tax purposes	908	8.7	16	5.3	924	8.6
Tax losses not recognised	14	0.1	114	37.7	128	1.2
Tax charge at the Group's effective tax rate	3,471	33.2	231	76.6	3,702	34.4

11. DIVIDENDS

At the meetings of the Directors held on 30 March 2020, the directors of the Company did not recommend any payment of final dividend for the year.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 878,082,192 (2018: 750,000,000) in issue during the year, and assuming the capitalisation issue had been completed on 1 January 2018, as further detailed in note 28 to the financial statements.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2018 included 10,000 ordinary shares and 749,990,000 shares in connection with the capitalisation issue, which were deemed to be issued as of the beginning of the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2019 included the weighted average of 250,000,000 ordinary shares issued in connection with the Company's initial public offering and the aforesaid 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Computer and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2019						
At 1 January 2019:						
Cost	131,433	996	1,965	925	–	135,319
Accumulated depreciation	(6,577)	(615)	(1,864)	(801)	–	(9,857)
Net carrying amount	124,856	381	101	124	–	125,462
At 1 January 2019, net of accumulated depreciation	124,856	381	101	124	–	125,462
Additions	1,015	–	1,162	–	–	2,177
Disposals	–	(22)	(37)	–	–	(59)
Depreciation provided during the year	(4,454)	(139)	(53)	(51)	–	(4,697)
Exchange realignments	3,338	8	–	–	–	3,346
At 31 December 2019, net of accumulated depreciation	124,755	228	1,173	73	–	126,229
At 31 December 2019:						
Cost	135,903	968	2,387	925	–	140,183
Accumulated depreciation	(11,148)	(740)	(1,214)	(852)	–	(13,954)
Net carrying amount	124,755	228	1,173	73	–	126,229
31 December 2018						
At 1 January 2018:						
Cost	43,295	851	1,965	925	28,419	75,455
Accumulated depreciation	(4,186)	(428)	(1,864)	(626)	–	(7,104)
Net carrying amount	39,109	423	101	299	28,419	68,351
At 1 January 2018, net of accumulated depreciation	39,109	423	101	299	28,419	68,351
Additions	–	127	–	–	57,123	57,250
Transfers	87,508	–	–	–	(87,508)	–
Depreciation provided during the year	(2,260)	(187)	–	(175)	–	(2,622)
Exchange realignments	499	18	–	–	1,966	2,483
At 31 December 2018, net of accumulated depreciation	124,856	381	101	124	–	125,462
At 31 December 2018:						
Cost	131,433	996	1,965	925	–	135,319
Accumulated depreciation	(6,577)	(615)	(1,864)	(801)	–	(9,857)
Net carrying amount	124,856	381	101	124	–	125,462

Certain of the Group's leasehold land and buildings with an aggregate net carrying amount of RMB15,565,000 (2018: RMB37,117,000) were pledged to secure bank loan facilities granted to the Group (note 26).

14. INVESTMENT PROPERTIES

	2019 **RMB'000**	2018 RMB'000
Carrying amount at 1 January	**20,334**	20,109
Gain from a fair value adjustment recognised in profit or loss	**204**	225
Carrying amount at 31 December	**20,538**	20,334

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties with an aggregate net carrying amount of RMB20,334,000 were pledged to secure bank loan facilities granted to the Group as at 31 December 2018 (note 26).

The Group's investment properties consist of retail shops and offices in Mainland China. As at 31 December 2019, the Group's investment properties were revalued based on valuations performed by Zhejiang Guozhongyingxin Real Estate Land Valuation Advisory Limited (浙江國仲盈信房地產土地資產評估諮詢有限公司), an independent professionally qualified valuer. The investment properties were leased to third parties under operating leases, further details of which are included in note 16.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Signifcant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2018:				
Recurring fair value measurement for:				
Retail shops	–	–	10,424	10,424
Office units	–	–	9,910	9,910
Total	–	–	20,334	20,334
As at 31 December 2019:				
Recurring fair value measurement for:				
Retail shops	**–**	**–**	**10,518**	**10,518**
Office units	**–**	**–**	**10,020**	**10,020**
Total	**–**	**–**	**20,538**	**20,538**

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Retail shops *RMB'000*	**Office units** *RMB'000*
Carrying amount at 1 January 2018	10,254	9,855
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	170	55
Carrying amount at 31 December 2018 and 1 January 2019	**10,424**	**9,910**
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**94**	**110**
Carrying amount at 31 December 2019	**10,518**	**10,020**

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

As at 31 December 2019:

Investment properties	Valuation techniques	Significant unobservable inputs	Rate of unobservable inputs	Sensitivity of fair value to the input
Retail shops	Income method	Estimated rental value	RMB167.00 per square metre per month	15% increase/decrease in rental value would result in increase/decrease in fair value by RMB1,833,000
		Discount rate	5.2%	61%/34% increase/decrease in discount rate would result in decrease/increase in fair value by RMB1,833,000
Office units	Income method	Estimated rental value	RMB127.00 per square metre per month	19% increase/decrease in rental value would result in increase/decrease in fair value by RMB1,833,000
		Discount rate	4.7%	68%/45% increase/decrease in discount rate would result in decrease/increase in fair value by RMB1,833,000

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties: (continued)

As at 31 December 2018:

Investment properties	Valuation techniques	Significant unobservable inputs	Rate of unobservable inputs	Sensitivity of fair value to the input
Retail shops	Income method	Estimated rental value	RMB164.00 per square metre per month	13% increase/ decrease in rental value would result in increase/ decrease in fair value by RMB1,315,000
		Discount rate	5.2%	79%/31% increase/decrease in discount rate would result in decrease/ increase in fair value by RMB1,315,000
Office units	Income method	Estimated rental value	RMB132.00 per square metre per month	13% increase/ decrease in rental value would result in increase/ decrease in fair value by RMB1,315,000
		Discount rate	4.8%	57%/24% increase/decrease in discount rate would result in decrease/ increase in fair value by RMB1,315,000

Estimated market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the term yield.

15. FREEHOLD LAND

	2019 RMB'000	2018 RMB'000
Carrying amount at beginning of year	**48,426**	45,404
Exchange realignments	**1,660**	3,022
Carrying amount at the end of year	**50,086**	48,426

The Group's freehold land with an aggregate carrying amount of RMB50,086,000 (2018: RMB48,426,000) was pledged to secure bank loan facilities granted to the Group (note 26).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of office units, motor vehicle and hotel facilities used in its operations. Leases of office units generally have lease terms between 2 and 3 years, motor vehicle generally have lease terms for 5 years, while hotel facilities generally have lease terms between 2 and 8 years. Other equipment generally has lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office units RMB'000	Motor vehicle RMB'000	Hotel facilities RMB'000	Total RMB'000
As at 1 January 2019	234	–	7,609	7,843
Additions	242	278	704	1,224
Depreciation charge	(189)	(46)	(1,378)	(1,613)
Exchange realignments	–	–	17	17
As at 31 December 2019	287	232	6,952	7,471

16. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities *RMB'000*
As at 1 January 2019	**7,843**
New leases	**1,224**
Accretion of interest recognised during the year	**143**
Payments	**(1,796)**
Exchange realignments	**17**
As at 31 December 2019	**7,431**
Analysed into:	
Current portion	**1,534**
Non-current portion	**5,897**

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 *RMB'000*
Interest on lease liabilities	**143**
Depreciation charge of right-of-use assets	**1,613**
Expense relating to short-term leases (included in administrative expenses)	**40**
Total amount recognised in profit or loss	**1,796**

(d) The total cash flow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 31(c) and 32(c), respectively, to the financial statements

16. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB727,000 (2018: RMB727,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**1,180**	765
In the second to fifth years, inclusive	**–**	120
	1,180	885

17. GOODWILL

At 1 January 2018 and 31 December 2018:	
Cost	13,686
Accumulated impairment	–
Net carrying amount	13,686
Cost at 1 January 2019	13,686
Impairment during the year	(1,160)
Net carrying amount at 31 December 2019	12,526
At 31 December 2019:	
Cost	13,686
Accumulated impairment	(1,160)
Net carrying amount	12,526

17. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the individual cash-generating unit, Shuzenji Takitei unit, which is one of the Group's subsidiaries for impairment testing.

Due to the obsolescence of the hotel facilities in Shuzenji Takitei Hotel, the gross margin decreased during the year ended 31 December 2019. Based on the impairment assessment review, an impairment loss of goodwill of approximately RMB1,160,000 (2018: nil) was recognised in profit or loss for the year ended 31 December 2019.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue (annual growth rate %)	**4.78%**	1.24%
Gross margin (of revenue %)	**81.27%**	83.27%
Long term growth rate	**0.50%**	0.47%
Pre-tax discount rate	**10.01%**	9.83%

Budgeted revenue — The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for the expected efficiency improvements and the expected market development.

Long term growth rate — The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate — The pre-tax discount rate reflects specific risks relating to the Group's cash-generating unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in Japan hotel industry.

The values assigned to the key assumptions on market development of the cash-generating unit and discount rate are consistent with external information sources.

The recoverable amount of the cash-generating unit at the end of the reporting period was RMB37,310,000 (2018: RMB42,499,000).

18. OTHER INTANGIBLE ASSETS

	Onsen use right *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2019			
Cost at 1 January 2019, net of accumulated amortisation	**583**	**9**	**592**
Amortisation provided during the year	**(44)**	**(5)**	**(49)**
Exchange realignments	**21**	**–**	**21**
At 31 December 2019	**560**	**4**	**564**
At 31 December 2019:			
Cost	**753**	**46**	**799**
Accumulated amortisation	**(193)**	**(42)**	**(235)**
Net carrying amount	**560**	**4**	**564**
31 December 2018			
Cost at 1 January 2018, net of accumulated amortisation	586	14	600
Amortisation provided during the year	(44)	(5)	(49)
Exchange realignments	41	–	41
At 31 December 2018	583	9	592
At 31 December 2018:			
Cost	726	46	772
Accumulated amortisation	(143)	(37)	(180)
Net carrying amount	583	9	592

19. INVESTMENT IN AN ASSOCIATE

	2019 *RMB'000*	2018 *RMB'000*
Share of net assets	**4,000**	–

The Group has no transactions with the associate.

19. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Particulars of the associate are as follows:

Company	**Place of registration and business**	**Nominal value of registered share capital**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Hangzhou Yitu Network Technology Co., Ltd. ("Hangzhou Yitu")	PRC/ Mainland China	RMB 10,000,000	40	Technology consulting

In the opinion of the directors, the associate is not material to the Group. The associate is accounted for using the equity method.

The above investment is held by an indirectly wholly-owned subsidiary of the Company.

The associate is established on 27 September 2019 and has not commenced operation as at 31 December 2019.

20. INVENTORIES

	2019 *RMB'000*	2018 *RMB'000*
Merchandise for sales	**1,129**	–
Hotel supplies	**578**	750
	1,707	750

21. TRADE RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	**35,883**	25,491
Impairment	**(1,818)**	(104)
	34,065	25,387

The credit terms granted by the Group generally ranged up to one month, extending up to three months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019 *RMB'000*	2018 *RMB'000*
1 to 30 days	**10,767**	22,472
31 to 90 days	**7,687**	2,623
91 to 180 days	**7,769**	292
181 to 360 days	**7,842**	–
	34,065	25,387

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 *RMB'000*	2018 *RMB'000*
At beginning of year	**104**	104
Impairment losses, net (note 6)	**1,714**	–
At end of year	**1,818**	104

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

21. TRADE RECEIVABLES (CONTINUED)

As at 31 December 2019

		Past due		
	Current *RMB'000*	**Less than 3 months** *RMB'000*	**Over 3 months** *RMB'000*	**Total** *RMB'000*
Expected credit loss rate	**1.29%**	**2.57%**	**14.90%**	**5.1%**
Gross carrying amount	**18,694**	**7,974**	**9,215**	**35,883**
Expected credit losses	**240**	**205**	**1,373**	**1,818**

Included in the above provisions for impairment of trade receivables were provisions for individually trade receivables of RMB104,000 (31 December 2018: RMB104,000) with carrying amounts before provision of RMB104,000 (31 December 2018: RMB104,000) as at 31 December 2019.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 *RMB'000*	2018 *RMB'000*
Prepayments	**13,681**	14,849
Deferred listing expenses	**–**	3,721
Deposits and other receivables	**5,932**	9,848
Prepaid expenses	**397**	509
	20,010	28,927

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 *RMB'000*	2018 *RMB'000*
Cash and bank balances	**56,113**	11,296
Time deposits	**23,600**	1,761
	79,713	13,057
Less: Pledged time deposits:		
Pledged for service quality*	**(1,653)**	(1,761)
Non-pledged time deposits with original maturity of over three months when acquired	**(21,947)**	–
Cash and cash equivalents	**56,113**	11,296
Denominated in RMB	**29,586**	9,634
Denominated in JPY	**2,381**	1,655
Denominated in USD	**510**	–
Denominated in HKD	**23,636**	7
Cash and cash equivalents	**56,113**	11,296

* A guarantee deposit for the Group's tourism operation as required by the PRC government

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

24. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
1 to 30 days	**7,494**	8,935
31 to 90 days	**2,114**	2,460
91 to 180 days	**315**	229
181 to 360 days	**586**	100
1 to 2 years	**–**	89
	10,509	11,813

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

25. ADVANCE FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Advance from customers	**3,206**	10,961
Payroll payables	**1,830**	1,416
Tax payable other than income tax	**2,537**	2,221
Other payables	**5,048**	8,157
	12,621	22,755

Other payables are non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	**2019** ***RMB'000***	2018 *RMB'000*
Current				
JPY21,324,000.00 current portion of long-term secured bank loans	1.88	2020	**1,367**	–
JPY6,672,000 current portion of long-term secured bank loans	1.88	2020	**427**	–
JPY50,604,000 current portion of long-term secured bank loans	1.88	2020	**3,243**	–
JPY50,604,000 current portion of long-term secured bank loans	1.88	2019	**–**	3,132
Bank loans-secured	5.22	2019	**–**	9,000
Bank loans-secured	5.22	2019	**–**	6,000
Bank loans-secured	5.66	2019	**–**	4,000
Bank loans-secured	5.66	2019	**–**	6,000
Bank loans-secured	5.44	2019	**–**	25,000
Bank loans-unsecured	11.21	2019	**–**	396
Bank loans-unsecured	13.25	2019	**–**	389
Bank loans-unsecured	9.13	2019	**–**	500
			5,037	54,417

	Effective interest rate (%)	Maturity	**2019** ***RMB'000***	2018 *RMB'000*
Non-current				
JPY225,819,000.00 (2018: JPY268,467,000) secured bank loans	1.88	2021	**14,472**	16,615
JPY225,819,000.00 secured bank loans	1.88	2024	**1,317**	–
JPY598,792,000.00 (2018: JPY649,396,000) secured bank loans	1.88	2032	**38,374**	40,189
			54,163	56,804

26. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	2019 *RMB'000*	2018 *RMB'000*
Analysed into:		
Bank loans repayable		
– Within one year or on demand	**5,037**	54,417
– In the second year to fifth year	**54,163**	56,804
	59,200	111,221

Notes:

(a) The Group's bank borrowings are secured by:

(i) mortgages over the Group's buildings situated in Japan, which had an aggregate net carrying amount of RMB15,565,000 (2018: RMB16,529,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying amount of RMB20,588,000 as at 31 December 2018 (note 13);

(ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of RMB20,334,000 as at 31 December 2018 (note 14); and

(iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB50,086,000 (2018: RMB48,426,000) (note 15);

(b) All the secured bank loans amounting to RMB59,200,000 (2018: RMB59,936,000) were denominated in JPY.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of trade receivables *RMB'000*	Tax losses *RMB'000*	Accruals *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
Deferred tax as at 1 January 2018	26	1,246	–	–	1,272
Deferred tax credited/(charged) to profit or loss during the year (note 10)	–	(146)	973	–	827
Deferred tax as at 31 December 2018	26	1,100	973	–	2,099
Effect of adoption of HKFRS 16	–	–	–	2,615	2,615
Deferred tax as at 1 January 2019 (restated)	**26**	**1,100**	**973**	**2,615**	**4,714**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**446**	**(1,100)**	**(704)**	**(121)**	**(1,479)**
Gross deferred tax as at 31 December 2019	**472**	**–**	**269**	**2,494**	**3,235**

27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Accelerated depreciation for tax purposes *RMB'000*	Fair value change of investment properties *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
Deferred tax as at 1 January 2018	4,034	332	686	–	5,052
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(92)	339	56	–	303
Deferred tax as at 31 December 2018	3,942	671	742	–	5,355
Effect of adoption of HKFRS 16	–	–	–	2,615	2,615
Deferred tax as at 1 January 2019 (restated)	**3,942**	**671**	**742**	**2,615**	**7,970**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**(104)**	**398**	**51**	**(132)**	**213**
Gross deferred tax as at 31 December 2019	**3,838**	**1,069**	**793**	**2,483**	**8,183**

27. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019	2018
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	**11**	1,102
Net deferred tax liabilities recognised in the consolidated statements of financial position	**4,959**	4,358

The Group has tax losses arising in Mainland China of RMB4,399,000 (2018: RMB4,223,000), that will expire in one to five years for offsetting against taxable profits.

The Group has tax losses arising in Japan of RMB3,498,000 (2018: RMB3,124,000), that will expire in nine years for offsetting against taxable profits.

The Group has no tax losses arising in Hong Kong as at 31 December 2019 (2018: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement was effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2019, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB55,803,000 as at 31 December 2019 (2018: RMB31,407,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2018: 38,000,000) ordinary shares of HK$0.01 each	**15,000,000**	380,000

	2019	2018
	RMB'000	*RMB'000*
Issued and fully paid:		
1,000,000,000 (2018:10,000) ordinary shares of HK$0.01 each	**8,797**	–

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Issued capital**
			RMB'000
At 27 February 2018 (date of incorporation), at 31 December 2018 and 1 January 2019	(a)	10,000	–
Capitalisation issue of shares	(b)	749,990,000	6,598
Issue of shares on 28 June 2019	(c)	250,000,000	2,199
At 31 December 2019		1,000,000,000	8,797

(a) As at 31 December 2018, the issued share capital of the Company is HK$100 with 10,000 shares of HK$0.01 each.

(b) On 28 June 2019 the Directors were authorised to capitalise an amount of HK$7,499,900 (equivalent to RMB6,598,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 749,990,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

(c) In connection with the Company's initial public offering, 250,000,000 shares of HK$0.01 each were issued at a price of HK$0.52 per share for a total cash consideration, before share issue expenses, of approximately HK$130,000,000.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statements of changes in equity on pages 73 to 74 of the financial statements.

Share premiums

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as a dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Capital reserves

The capital reserve of the Group represents the aggregate paid-up capital of the subsidiaries, comprising the Group and the deemed contribution from Mr. Yu Dingxin, one of the controlling shareholders.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for bank loans and for the tour business granted to the Hangzhou Tourism Commission, are included in notes 13, 14, 15, 23 and 26 to the financial statements.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,224,000 and RMB1,224,000, respectively, in respect of lease arrangements for office units and hotel facilities (2018: nil).

(b) Changes in liabilities arising from financing activities

2019

	Interest payable *RMB'000*	Lease liabilties *RMB'000*	Interest-bearing bank borrowings *RMB'000*
At 31 December 2018	–	–	111,221
Effect of adoption of HKFRS 16	–	7,843	–
At 1 January 2019 (restated)	–	7,843	111,221
Changes from financing cash flows	(2,950)	(1,756)	(54,150)
New leases	–	1,224	–
Finance costs	2950	143	–
Foreign exchange movement	–	17	2,129
At 31 December 2019	–	7,431	59,200

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

2018

	Interest payable *RMB'000*	Interest-bearing bank borrowings *RMB'000*
At 1 January 2018	–	70,292
Changes from financing cash flows	(2,461)	37,008
Finance costs	2,461	–
Foreign exchange movement	–	3,921
At 31 December 2018	–	111,221

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 ***RMB'000***
Within operating activities	**40**
Within financing activities	**1,796**
	1,836

32. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	–	11

(b) Operating lease commitments as at 31 December 2018

The Group leases certain of office units and hotel facilities under operating lease arrangements. Leases for the office units and hotel facilities are negotiated for terms ranging from one to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	1,577
In the second to fifth years, inclusive	6,655
	8,232

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB8,000,000 due within one year.

33. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	**Relationship with the Company**
Longsheng Co., Ltd. (滝盛株式会社)	An entity controlled by a director
Mr. Yu Dingxin	One of the Controlling Shareholders
Mr. Xu Jiong	One of the Controlling Shareholders

(a) In addition to the transactions disclosed elsewhere in this financial statements, the Group had the following transactions with related parties during the year:

	Note	**2019** ***RMB'000***	2018 *RMB'000*
Payments by directors on behalf of the Group:	(i)		
Mr. Yu Dingxin		**189**	–
Mr. Xu Jiong		**–**	310
		189	310
Advances from a related party on behalf of the Group:	(i)		
Longsheng Co., Ltd		**224**	–
Receipts by a director on behalf of the Group:	(i)		
Mr. Yu Dingxin		**205**	610

Note:

(i) The receipts and payments by a director and the advances from a related party were based on the actual amounts incurred.

(b) Outstanding balances with a related party:

	2019 ***RMB'000***	2018 *RMB'000*
Due to a related party:		
Longsheng Co., Ltd.	**224**	–

The balances with a related party are non-trade, unsecured, bear interest at a fixed rate of 1.88% and are repayable in one year.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with directors:

		2019	2018
		RMB'000	*RMB'000*
Due from a director:			
Mr. Yu Dingxin	(i)	**201**	185

		2019	2018
		RMB'000	*RMB'000*
Advances to a director:			
Maximum amount outstanding during the year:			
Mr. Yu Dingxin	(i)	**394**	610

The balances with the director are non-trade, unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,904**	1,540
Pension scheme contributions	**484**	278
Total compensation paid to key management personnel	**2,388**	1,818

Further details of directors' emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets – at amortised cost

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	**34,065**	25,387
Financial assets included in prepayments, deposits and other receivables	**5,932**	9,848
Due from a director	**201**	185
Pledged deposits	**1,653**	1,761
Time deposits with original maturity of over three months	**21,947**	–
Cash and cash equivalents	**56,113**	11,296
	119,911	48,477

Financial assets – at fair value through profit or loss

	2019 *RMB'000*	2018 *RMB'000*
Financial assets at fair value through profit or loss	**–**	100

The financial assets at fair value through profit or loss represent investments in certain wealth management products issued by a commercial bank in the PRC, denominated in RMB, with an expected interest rate of 4.2% per annum with a maturity period within one year.

Financial liabilities – at amortised cost

	2019 *RMB'000*	2018 *RMB'000*
Trade payables	**10,509**	11,813
Financial liabilities included in advance from customers, other payables and accruals	**5,048**	8,157
Lease liabilities	**7,431**	–
Due to a related party	**224**	–
Interest-bearing bank borrowings	**59,200**	111,221
	82,412	131,191

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	–	100	–	100

The Group did not have any financial assets measured at fair value as at 31 December 2019 (2018: 100,000.00).

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 (2018: nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 3% (2018: 3%) of the Group's sales for the year ended 31 December 2019 were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 54% (2018: 46%) of costs were denominated in currencies other than the units' functional currencies. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

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

	Increase/ (decrease) in rate of foreign currency	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
2019		
If RMB weakens against JPY	**5**	**198**
If RMB strengthens against JPY	**(5)**	**(198)**
If RMB weakens against AUD	**5**	**(363)**
If RMB strengthens against AUD	**(5)**	**363**
2018		
If RMB weakens against JPY	5	(99)
If RMB strengthens against JPY	(5)	99

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, pledged deposits, amounts due from a director, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash and cash equivalents and pledged deposits, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside mainland China. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The information based on the provision matrix is disclosed in note 21 to the financial statements.

For amounts due from a director and other receivables, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experiences. As at 31 December 2018 and 2019, the credit assessment of other receivables and an amount due from a director was performed. The Group assessed that the expected credit losses for these receivables and due from a director are not material under the 12 months expected loss method. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in the Group's outstanding other receivable balances and an amount due from a director is not significant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

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

Liquidity risk

	2019					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Trade payables	**3,015**	**7,494**	**–**	**–**	**–**	**10,509**
Financial liabilities included in advance from customers, other payables and accruals	**5,048**	**–**	**–**	**–**	**–**	**5,048**
Due to a related party	**–**	**–**	**228**	**–**	**–**	**228**
Lease liabilities	**–**	**482**	**1,448**	**5,642**	**717**	**8,289**
Interest-bearing bank borrowings	**–**	**1,536**	**4,564**	**62,968**	**–**	**69,068**
	8,063	**9,512**	**6,240**	**68,610**	**717**	**93,142**

	2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,878	8,935	–	–	–	11,813
Financial liabilities included in advance from customers, other payables and accruals	8,157	–	–	–	–	8,157
Interest-bearing bank borrowings	–	16,983	39,184	67,043	–	123,210
	11,035	25,918	39,184	67,043	–	143,180

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, advance from customers, other payables and accruals, lease liabilities, and amounts due to a related party, less cash and cash equivalents, and pledged deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the years were as follows:

	31 December 2019 *RMB'000*	1 January 2019 *RMB'000*	31 December 2018 *RMB'000*
Interest-bearing bank borrowings	**59,200**	111,221	111,221
Lease liabilities	**7,431**	7,843	–
Trade payables	**10,509**	11,813	11,813
Advance from customers, other payables and accruals	**12,621**	22,755	22,755
Due to a related party	**224**	–	–
Less: Cash and cash equivalents	**(56,113)**	(11,296)	(11,296)
Time deposits with original maturity of over three months	**(21,947)**	–	–
Pledged short-term deposits	**(1,653)**	(1,761)	(1,761)
Net debt	**10,272**	140,575	132,732
Equity attributable to owners of the parent	**250,451**	120,953	120,953
Total capital and net debt	**260,723**	261,528	253,685
Gearing ratio	**4%**	54%	52%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 52% to 54% on 1 January 2019 when compared with the position as at 31 December 2018.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**–**	–
CURRENT ASSETS		
Cash and cash equivalents	**14,610**	–
Prepayments, other receivables and other assets	**1,050**	–
Due from subsidiaries	**82,447**	–
Total current assets	**98,107**	–
CURRENT LIABILITIES		
Other payables and accruals	**132**	132
Total current liabilities	**132**	132
NET CURRENT ASSETS	**97,975**	(132)
TOTAL ASSETS LESS CURRENT LIABILITIES	**97,975**	(132)
Net assets/(liabilities)	**97,975**	(132)
EQUITY		
Share capital	**8,797**	–
Share premium	**91,120**	–
Other reserves	**(1,942)**	(132)
Total equity	**97,975**	(132)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 27 February 2018	–	–	–	–
Loss for the year	–	–	(132)	(132)
Total comprehensive loss for the year	–	–	(132)	(132)
At 31 December 2018 and 1 January 2019	–	–	(132)	(132)
Loss for the year	–	–	(3,579)	(3,579)
Exchange differences on translation of the company	–	1,769	–	1,769
Total comprehensive loss for the year	**–**	**1,769**	**(3,579)**	**(1,810)**
Issuance of shares for initial public offering	**112,157**	**–**	**–**	**112,157**
Capitalisation issue of share premium	**(6,598)**	**–**	**–**	**(6,598)**
Share issue expenses	**(14,439)**	**–**	**–**	**(14,439)**
At 31 December 2019	**91,120**	**1,769**	**(3,711)**	**89,178**

38. EVENTS AFTER THE REPORTING PERIOD

In early January 2020, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in Wuhan, Hubei Province, China. On 25 January 2020, the Hangzhou Government announced the suspension of all Hangzhou Tourism enterprises operations, including the Group's operations, from 25 January 2020. The Group's travel operations from the Chinese Mainland customers were still not resumed on 30 March 2020. Most revenue of the Group is from the Chinese mainland customers. A number of travel restrictions remain in place, which are significantly affecting the number of outbound visitors, such as those related to the China Individual Visit Scheme to Japan, and other restrictions on the outbound travel from Mainland China. The duration and intensity of this global health emergency and related disruptions are uncertain, including potential broader impacts outside China if travel and visitation continue to be restricted. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition will be material, but cannot be reasonably estimated at the date of the report.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited financial statements and the Prospectus, is set out below.

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
Revenue	**233,803**	205,051	168,867	227,830
Profit before tax	**36,652**	10,771	29,660	21,980
Income tax expenses	**(10,842)**	(3,702)	(8,017)	(7,019)
Profit for the year	**25,810**	7,069	21,643	14,961

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**357,121**	278,008	211,713	241,995
Total liabilities	**(104,469)**	(154,452)	(97,356)	(144,558)
Non-controlling interests	**(2,201)**	(2,603)	(3,171)	(7,330)
Total equity	**(250,451)**	(120,953)	(111,186)	(90,107)