



途屹控股

TU YI HOLDING COMPANY LIMITED

途屹控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1701)

INTERIM REPORT
2020

日本
觀光



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Dingxin (Chairman)
Mr. Pan Wei
Mr. Xu Jiong
Mr. An Jiajin

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Yip Ngai Hang, Henry, FCPA, FCCA

AUDITOR

Ernst & Young

LEGAL ADVISORS

As to Hong Kong laws
Jingtian & Gongcheng LLP

COMPLIANCE ADVISER

Innovax Capital Limited

PRINCIPAL BANKERS

China Merchants Bank (Fengqi Branch)
Shizuoka Bank (Yamanashi Branch)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-1111 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Cangqian Sub-district
Yuhang District Hangzhou City
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 02-03
31st Floor, 118 Connaught Road West
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

WEBSITE

<http://www.tuyigroup.com>

STOCK CODE

1701



MANAGEMENT DISCUSSION AND ANALYSIS

2020 has been definitely a very challenging year for the Group as well as the world, in particular, for the tourism and hospitality industry (the “**Industry**”) as a result of the outbreak of the novel coronavirus (the “**COVID-19**”) and its global pandemic (the “**Pandemic**”), which caused the unprecedented crisis and brought the Industry to a standstill since January 2020, which, the Group considers, was uncontrollable and beyond the scope of the Group’s expectations. During the six months ended 30 June 2020 (the “**Period Under Review**”), the revenue of the Group decreased to approximately RMB22.0 million, representing a decrease of approximately 81.3% as compared to that of the corresponding period in 2019 and the net loss attributable to shareholders of the Company amounted to approximately RMB13.9 million, as compared to a net profit attributable to equity holders of RMB11.2 million for the corresponding period in 2019. In view of the net loss the Group made during the Period Under Review and the uncertainty in respect of the ongoing adverse impact of the Pandemic, the Board will not recommend the payment of a dividend for the six months ended 30 June 2020.

BUSINESS REVIEW AND PROSPECTS

The Group is a well-established and active outbound travel products and service provider in the People’s Republic of China (the “**PRC**”), focusing on the design, development and sale of Japan outbound travel package tours and day tours and Japan free independent traveller products (the “**FIT Products**”); the provision of visa application processing services, the sales of duty free goods and other ancillary travel-related products and services (collectively, the “**Travel Products**”); and the operation of self-owned Shuzenji Onsen Hotel Takitei (the “**Shizuoka Hotel**”) and Hotel Comfact (the “**Tokyo Hotel**”) in Japan (collectively, the “**Hotel Operation**”). Leveraging on the successful listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”) on 28 June 2019 (the “**Listing Date**”) and the well-formulated strategies that the Group has been pursuing, the fundamental of which is to focus on a niche market that the Group has equipped with indepth knowledge and expertise among the Group’s competitors in the PRC, during 2019 (i.e. the first year of the Listing), the Group managed to enhance its corporate image, brand name and corporate governance and improve its gearing (i.e. improving from approximately 92.0% for the year ended 31 December 2018 to approximately 23.6% in 2019) as well as its sales mix and in turn, the gross profit margin (i.e. improving from approximately 23.9% for the year ended 31 December 2018 to approximately 27.8% for the year ended 31 December 2019), which provided a solid platform for the Group to accelerate its business expansion.

However, despite the aforesaid solid groundworks, the unexpected outbreak of COVID-19 since January 2020 has brought the business development of the Group as well as the Industry to a halt. Pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020, which require suspension of all packaged tours and FIT products, the Group has suspended its sales of outbound packaged tours and FIT products since January 2020 and the Industry has been suffering and disrupted to the largest ever extent, taking into account the extensive city/country lockdown measures, such as flights suspension and border closure in certain countries, etc..

In response to such an extraordinary situation, since January 2020 the Group has implemented a number of short-term measures for the purpose of controlling its operating costs and maintaining a stable and sustainable level of liquidity and working capital. To achieve better cost control of the Group’s total operating costs, the Group has adopted certain employee-related cost-saving measures on a temporary basis to reduce its staff costs, which accounted for more than 50% of the Group’s total operating costs for the six months ended 30 June 2020, including but not limited to, postponing or cancelling certain discretionary staff incentive payments, reducing Directors’ remunerations on a voluntary basis, encouraging its employees to take paid or unpaid leave, reducing its employees’ basic salary level on a temporary basis and freezing all recruitments.

To maintain its liquidity, working capital and gearing level at a healthy level, the Group has put in place prudent cash management measures, including but not limited to, setting out weekly liquidity plans, putting on hold or scaling back its planned investments/projects and liaising with certain suppliers for extending credit terms for certain payables. As at 30 June 2020, the Group had interest-bearing bank borrowings of approximately RMB59.5 million, out of which, approximately RMB5.3 million was repayable within one year. Taking into account the aforesaid short-term interest-bearing bank borrowings of approximately RMB5.3 million and its cash and cash equivalents of approximately RMB31.1 million as at 30 June 2020, the Group considers that it has equipped with sufficient liquidity and financial resources to sustain its business operation in the midst of the Pandemic.

Despite the present impact of the Pandemic on the Industry and the global economy, the Group believes that the Industry would steadily revive as social and economic activities across the global gradually resume to normal. In light of the accumulation of travel demand after the extensive lockdown and the resumption of the Tokyo Olympics and Paralympic Games, one of the upcoming biggest worldwide events, in the future, which may further induce travel demand for Japanese tourism, together with the Hotel Operation that the Group owns and runs itself, the Group considers that it is well positioned to capture such travel demand in a meaningful extents.

The management of the Group has been devoted to continuously reviewing and reassessing the Group's business operation, strategies, competitive advantages, marketing approaches as well as its product mix and IT platform for the purpose of improving and streamlining its business operation and processes to enable the Group to be in a better competitive position among its competitors when the recovery of the Industry comes. The Group launched its duty-free shop on the premise of the Tokyo Hotel (the "**Duty-free Shop Business**") with the initial purposes of serving the guests of the Tokyo Hotel and the customers of Japan outbound travel package tours, in January 2019. Leveraging on its Duty-free Shop Business, the Group also launched its online Duty-free Shop Business under the name Direct Courier from Shop Manager* ("店長直郵") (the "**Online Duty-free Shop Business**") on the platforms of certain social medias with the initial purposes of facilitating the customers shopping at the Duty-free Shop Business on the premise of the Tokyo Hotel and those customers of Japan outbound travel package tours that have returned to the PRC, to shop for Japanese goods onshore, which offers sales of Japanese goods at the same price as its Duty-free Shop Business, together with direct courier services to customers onshore. The revenue of the Group's Duty-free Shop Business grew significantly by approximately 180.4% during the Period Under Review as compared to that of the corresponding period in 2019, primarily attributable to the demand induced by the extensive lockdown and the number of registered users of the Online Duty-free Shop Business has reached 200,000 by the end of June 2020. In view of such substantial growth of Duty-free Shop Business, the management of the Group has been focusing on Online Duty-free Shop Business by expanding the variety of goods offered and developing its mobile phone application (the "**App**"), also under the same name of the online Duty-free Shop Business – Direct Courier from Shop Manager (店長直郵*). The App has been launched since June 2020 with functions to integrate the Online Duty-free Shop Business with all the Travel Products, which serves as a new and important platform for the Group to allow online ordering of the Travel Products and travel itinerary checking and viewing. Furthermore, in order to increase the Group's revenue in light of the Pandemic, the Group has been designing and developing PRC day tours products and expects this new service to be launched in the third quarter of 2020.

FINANCIAL REVIEW

The breakdown by line of business in terms of revenue, average revenue per traveller (“**ART**”) and gross profit margin during the Periods Under Review is set forth below:

	For the six months ended 30 June 2020				For the six months ended 30 June of 2019			
	Revenue RMB'000	ART RMB	% of revenue	Gross profit margin %	Revenue RMB'000	ART RMB	% of revenue	Gross profit margin %
Sales of package tours								
– Japan	2,534	5,836	11.4%	1.1%	59,763	6,642	50.7%	14.9%
– other than Japan	496	9,429	2.1%	5.0%	10,461	4,332	8.8%	11.2%
Sales of day tours – Japan	8,466	255	38.5%	5.2%	17,517	266	14.9%	26.9%
Margin income from sales of FIT Products (net basis)								
– Japan	386	210	1.9%	N/A	4,875	405	4.1%	N/A
– other than Japan	10	5	0.0%	N/A	1,258	68	1.1%	N/A
Margin income from the provision of visa application processing service (net basis)	188	56	0.8%	N/A	6,570	113	5.6%	N/A
Hotel Operation – Japan	4,069	334	18.6%	-15.8%	13,945	445	11.8%	55.1%
Duty-free Shop Business – Japan	5,858	N/A	26.7%	50.9%	2,089	N/A	1.8%	27.6%
Other income from sales of ancillary travel related products and provision of services	13	N/A	0.0%	-7.7%	1,438	N/A	1.2%	85.4%
	22,020		100.0%	15.0%	117,916		100.0%	31.3%

Sales of package tours

The Group's package tours generally comprise flights, hotel accommodations, meals, transportation, sight-seeing as a bundled package and are accompanied by tour escorts from departure till return to the PRC and they range from standardised package tours to tailor-made and customised tours for customers with specific requirements. During the Period Under Review, revenue from sales of package tours and the number of travellers decreased significantly by approximately 95.7% and 95.6%, respectively, as compared to that of the corresponding period in 2019, primarily due to the extensive lockdown across the world as a result of the outbreak and global pandemic of COVID-19 since January 2020 as the Group suspended all package tours and FIT Products pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅游局) dated 25 January 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Sales of day tours

The day tour products of the Group generally consist of day tours ranging from one day to six days, which mainly target at travellers who are neither package tours nor FIT Products customers and have purchased air tickets/hotel accommodations separately but wish to participate in local day tours in Japan. During the Period Under Review, the Group's revenue from sales of day tours and the number of travellers decreased significantly by approximately 51.7% and 49.5%, respectively, as compared to that of the corresponding period in 2019, primarily due to the same reason for the decrease in sales of package tours as stated above.

Margin income from sales of FIT Products (net basis)

FIT Products mainly comprise air tickets, hotel accommodation and flight-plus-hotel bundled packages. During the Period Under Review, margin income from sales of FIT Products and the number of travellers decreased significantly by approximately 93.54% and 66.6%, respectively, as compared to that of the corresponding period in 2019, primarily due to same reason for decrease in sales of package tours as stated above.

Margin income from the provision of visa application processing service (net basis)

The Group provides visa processing services to customers and a majority of margin income was derived from processing visa applications to Japan. During the Period Under Review, the Group's margin income from the provision of visa application processing service and the number of travellers decreased significantly by approximately 97.1% and 94.2%, respectively, as compared to that of the corresponding period in 2019, primarily due to same reason for decrease in sales of package tours as stated above.

Hotel Operation

The Group operates its self-owned Shizuoka Hotel and Tokyo Hotel. During the Period Under Review, revenue from hotel operation and the number of travellers decreased significantly by approximately 70.8% and 66.2%, respectively, as compared to that of the corresponding period in 2019 as the Group maintained the operation of both Shizuoka Hotel and Tokyo Hotel throughout the Period Under Review and they have been suffering from the significant decrease in number of tourists in Japan.

Duty-free Shop Business

The revenue of the Duty-free Shop Business grew significantly by approximately 180.4% during the Period Under Review as compared to that of the corresponding period in 2019, primarily attributable to the demands induced because of massive lockdown, the expansion of goods variety and the increase in number of registered users of the online Duty-free Shop Business.

Other income from sales of ancillary travel related products and provision of services

The Group's ancillary travel-related products mainly include the issuance of letters of invitation, sales of admission tickets to tourists attractions, local transportation and railway tickets, etc., which generally aim to provide convenience to the customers. The significant decrease in other income from sales of ancillary travel-related products and provision of services was primarily due to same reason for decrease in sales of package tours as stated above.

Selling and distribution expenses

The Group's selling and distribution expenses remained stable at approximately RMB3.3 million for the six months period ended 30 June 2020 as compared to approximately RMB2.9 million for the corresponding period in 2019.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB2.3 million from approximately RMB15.5 million in the first half of 2019 to approximately RMB13.2 million in the first half of 2020. Such decrease was primarily due to the cost controlling measures, the details of which have been set out in the section headed "Business Review and Prospects" in this report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCE POSITION

At 30 June 2020 – unaudited

	Notes	30 June 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		126,393	126,229
Investment properties		20,538	20,538
Freehold land		51,386	50,086
Right-of-use assets		14,465	7,471
Goodwill		12,526	12,526
Other intangible assets		1,118	564
Investment in an associate		4,000	4,000
Deferred tax assets		2,505	11
Total non-current assets		232,931	221,425
CURRENT ASSETS			
Inventories	11	2,973	1,707
Trade receivables	12	14,880	34,065
Prepayments, other receivables and other assets		22,331	20,010
Due from a director		208	201
Financial assets at fair value through profit or loss		18,460	–
Pledged short-term deposits	13	320	1,653
Time deposits with original maturity of over three months	13	–	21,947
Cash and cash equivalents	13	31,077	56,113
Total current assets		90,249	135,696
CURRENT LIABILITIES			
Trade payables	14	1,913	10,509
Advance from customers, other payables and accruals		7,666	12,621
Lease liabilities		1,491	1,534
Interest-bearing bank borrowings	15	5,302	5,037
Due to a related party		230	224
Tax payable		1,061	9,525
Total current liabilities		17,663	39,450
NET CURRENT ASSETS		72,586	96,246
TOTAL ASSETS LESS CURRENT LIABILITIES		305,517	317,671
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	54,196	54,163
Lease liabilities		5,082	5,897
Deferred tax liabilities		4,555	4,959
Total non-current liabilities		63,833	65,019
Net assets		241,684	252,652
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	8,797	8,797
Reserves		230,706	241,654
		239,503	250,451
Non-controlling interests		2,181	2,201
Total equity		241,684	252,652

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	22,020	117,916
Cost of sales	7	(18,723)	(80,965)
Gross profit		3,297	36,951
Other income and gains	5	1,839	685
Selling and distribution expenses		(3,275)	(2,888)
Administrative expenses		(13,187)	(15,511)
Other expenses		(4,802)	(245)
Finance costs	6	(604)	(1,805)
(LOSS)/PROFIT BEFORE TAX	7	(16,732)	17,187
Income tax credit/(expense)	8	2,859	(5,929)
(LOSS)/PROFIT FOR THE PERIOD		(13,873)	11,258
Attributable to:			
Equity holders of the parent		(13,853)	11,179
Non-controlling interests		(20)	79
		(13,873)	11,258
(LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic and diluted		(1.39) fens	1.48 fens

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 – unaudited

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(16,732)	17,187
Adjustments for:		
Depreciation of items of property, plant and equipment	2,359	3,006
Depreciation of right-of-use assets	1,006	–
Amortisation of intangible assets	49	24
Bank interest income	(291)	(78)
Finance costs	604	1,805
Foreign exchange (loss)/gains, net	(961)	242
Changes in fair value of investment properties	–	(105)
Other interest income from financial assets at fair value through profit or loss	(241)	–
	(14,207)	22,081
Increase in inventories	(1,266)	(948)
Decrease/(increase) in trade receivables	19,185	(12,635)
Decrease in prepayments, deposits and other receivables	6,679	10,027
Decrease in amounts due from directors	–	185
(Decrease)/increase in trade payables	(8,596)	8,422
(Decrease)/increase in advance from customers, other payables and accruals	(4,955)	3,892
Cash (used in)/generated from operations	(3,160)	31,024
Income tax paid	(8,503)	(2,785)
Net cash flows (used in)/generated from operating activities	(11,663)	28,239

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 – unaudited

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(589)	–
Purchases of financial assets at fair value through profit or loss	(59,313)	(15,045)
Proceeds from disposal of financial assets at fair value through profit or loss	41,045	15,045
Other interest income from financial assets at fair value through profit or loss	49	–
Decrease in time deposits with original maturity of over three months	22,379	–
Decrease/(increase) in pledged short-term deposits	1,333	(5)
Interest received	291	78
Net cash flows generated from investing activities	5,195	73
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	23,842
Share issue expenses	–	(971)
Loans to third parties	(20,600)	–
Repayment of bank borrowings	(1,293)	(54,899)
Proceeds from bank borrowings	–	46,094
Repayment of loans to third parties	11,600	–
Principal portion of lease payments	(8,858)	(866)
Interest paid	(604)	(1,736)
Net cash flows (used in)/generated from financing activities	(19,755)	11,464
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(26,223)	39,776
Effect of foreign exchange rate changes, net	1,187	(321)
Cash and cash equivalents at beginning of period	56,113	11,296
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	50,751
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	31,077	50,751

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

Attributable to owners of the parent											
	Issued Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Foreign Currency translation reserve RMB'000	Difference arising from acquisition of non- controlling interests RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	8,797	91,120	88,967	6,482	1,579	(476)	(19)	54,001	250,451	2,201	252,652
Loss for the period	-	-	-	-	-	-	-	(13,853)	(13,853)	(20)	(13,873)
Other comprehensive income for the period											
– Exchange differences	-	-	-	-	-	2,905	-	-	2,905	-	2,905
Total comprehensive income for the period	-	-	-	-	-	2,905	-	(13,853)	(10,948)	(20)	(10,968)
At 30 June 2020	8,797	91,120	88,967	6,482	1,579	2,429	(19)	40,148	239,503	2,181	241,684
At 1 January 2019	-	-	88,967	3,692	1,579	(4,462)	-	31,177	120,953	2,603	123,556
Profit for the period	-	-	-	-	-	-	-	11,179	11,179	79	11,258
Other comprehensive income for the period											
– Exchange differences	-	-	-	-	-	2,459	-	-	2,459	-	2,459
Total comprehensive income for the period	-	-	-	-	-	2,459	-	11,179	13,638	79	13,717
Issuance of shares for initial public offer	2,199	112,157	-	-	-	-	-	-	114,356	-	114,356
Capitalisation issue of shares premium	6,598	(6,598)	-	-	-	-	-	-	-	-	-
Share issue expenses	-	(14,439)	-	-	-	-	-	-	(14,439)	-	(14,439)
At 30 June 2019	8,797	91,120	88,967	3,692	1,579	(2,003)	-	42,356	234,508	2,682	237,190

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands with limited liability on 27 February 2018. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the “**Group**”) was principally engaged in: (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller products (the “**FIT Products**”); and (iii) the provision of visa application processing service; (iv) the sales of duty-free goods; (v) the provision of other ancillary travel-related products and services and (vi) the hotel operation. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company and its subsidiaries is Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively, the “**Controlling Shareholders**”).

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 June 2019 (the “**Listing Date**”).

2 BASIS OF PRESENTATION AND PREPARATION

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

The Group’s unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019. The unaudited condensed consolidated interim financial statements 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. The Group’s unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to HKAS 1, and HKAS 8	Definition of Material

The nature and the impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has adopted the amendments from 1 June 2020. The amendment did not have any impact on the Group's interim consolidated financial information.
- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4 SEGMENT INFORMATION

For management purpose, the Group did not organise into business units based on their principal activities and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Information about principal activities and services

Revenue recognised during the Period is as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Sales of package tours and day tours	11,496	87,741
Margin income from sales of FIT Products	396	6,133
Margin income from the provision of visa application processing service	188	6,570
Other income from sales of ancillary travel related products and services	13	1,438
Income from the Duty-free Shop Business	5,858	2,089
Hotel operation income	4,069	13,945
	22,020	117,916

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4 SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Domestic – Mainland China*	12,334	99,063
Japan [#]	9,686	18,853
	22,020	117,916

* Place of domicile of the Group's principal subsidiaries

[#] Mainly from hotel operation and commission from customers in Japan

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customers amounted to 10% or more of the Group's revenue during the six months ended 30 June 2020 and 2019.

(b) Non-current assets

	30 June 2020 RMB'000	31 December 2019 RMB'000
Domestic – Mainland China	64,080	46,729
Japan	166,346	174,685
	230,426	221,414

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5 REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	22,020	117,916
Other income		
Bank interest income	129	78
Government grants	623	109
Rental income on properties	–	346
Other interest income from financial assets at fair value through profit or loss	241	–
Interest income from third parties	347	–
Others	275	47
	1,615	580
Gains		
Changes in fair value of investment properties	–	105
Foreign exchange gains, net	224	–
	224	105
	1,839	685

6 FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	550	1,736
Interest on lease liabilities	54	69
	604	1,805

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7 (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cost of services provided	15,276	77,390
Cost of inventories sold	3,447	3,575
Depreciation of property, plant and equipment	2,359	2,234
Depreciation of right-of-use assets	1,006	772
Amortisation of other intangible assets	49	24
Listing expenses	–	7,847

8 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 rate for these taxes was 33.6% (2019: 33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period Under Review, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime 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 Period Under Review.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8 INCOME TAX (CONTINUED)

The income tax (credit)/expense of the Group is analysed as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current – Mainland China	38	3,217
Current – Japan	–	650
Deferred	(2,897)	2,062
	(2,859)	5,929

9 (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,000,000,000 (30 June 2019: 754,144,000) in issue during the Period Under Review.

The number of ordinary shares used to calculate the basic (loss)/earnings per share for the six months ended 30 June 2019 and 2020 were based on the 754,143,646 and 1,000,000,000 ordinary shares, respectively, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the six months ended 30 June 2019 and 2020.

There were no dilutive potential ordinary shares for the six months ended 30 June 2020 and 2019; therefore, diluted earnings per share are equivalent to basic earnings per share.

10 INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11 INVENTORIES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Merchandise for sales	2,406	1,129
Hotel supplies	567	578
	2,973	1,707

12 TRADE RECEIVABLES

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
1 to 30 days	419	10,767
31 to 90 days	1,670	7,687
91 to 180 days	6,723	7,769
181 to 360 days	6,068	7,842
	14,880	34,065

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Cash and bank balances	31,077	56,113
Time deposits	320	23,600
	31,397	79,713
Less:		
Pledged time deposits – Pledged for service quality	(320)	(1,653)
Non-pledged time deposits with original maturity of over three months when acquired	–	(21,947)
	31,077	56,113

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.

14 TRADE PAYABLES

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
1 to 30 days	1,089	7,494
31 to 90 days	18	2,114
91 to 180 days	588	315
181 to 360 days	218	586
	1,913	10,509

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15 INTEREST – BEARING BANK BORROWINGS

	Effective interest rate %	Maturity	30 June 2020 RMB'000	31 December 2019 RMB'000
Current				
JPY21,816,000.00 current portion of long-term secured bank loans	1.88	2021	1,436	–
JPY7,128,000.00 current portion of long-term secured bank loans	1.88	2021	469	–
JPY51,624,000.00 current portion of long-term secured bank loans	1.88	2021	3,397	–
JPY21,324,000.00 current portion of long-term secured bank loans	1.88	2020	–	1,367
JPY6,672,000.00 current portion of long-term secured bank loans	1.88	2020	–	427
JPY50,604,000.00 current portion of long-term secured bank loans	1.88	2020	–	3,243
			5,302	5,037
Non-Current				
JPY219,996,000.00 (31 December 2019: JPY225,819,000.00) secured bank loans	1.88	2021	14,478	14,472
JPY18,424,000.00 (31 December 2019: JPY20,548,000.00) secured bank loans	1.88	2024	1,212	1,317
JPY585,121,000.00 (31 December 2019: JPY598,792,000.00) secured bank loans	1.88	2032	38,506	38,374
			54,196	54,163

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15 INTEREST – BEARING BANK BORROWINGS (CONTINUED)

	30 June 2020 RMB'000	31 December 2019 RMB'000
Analysed into:		
Bank loans repayable		
– Within one year or on demand	5,302	5,037
– In the second year to fifth year, inclusive	29,279	27,680
– Beyond five years	24,917	26,483
	59,498	59,200

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 RMB15,097,000 (31 December 2019: RMB15,565,000); and
 - (ii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB51,386,000 (31 December 2019: RMB50,086,000).
- (b) All the secured bank loans amounting to RMB59,498,000 (31 December 2019: RMB59,200,000) were denominated in JPY.

16 SHARE CAPITAL

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Authorised:		
1,500,000,000 (31 December 2019: 1,500,000,000) ordinary shares of HK\$0.01 each	15,000	15,000
Issued and fully paid:		
1,000,000,000 (31 December 2019: 1,000,000,000) ordinary shares of HK\$0.01 each	8,797	8,797

OTHER INFORMATION

OTHER INFORMATION

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

As at the date of this report and so far as the Directors are aware, 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	703,392,000	70.34%
Mr. Pan Wei ⁽²⁾	Interest in controlled corporation	703,392,000	70.34%
Mr. Xu Jiong ⁽³⁾	Interest in controlled corporation	703,392,000	70.34%

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 122,142,000 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 the date of this report, 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 Under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company be 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 being 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

As at the date of this report and so far as the Directors are aware, the following persons 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	41.87%
David Xu Co., Ltd ⁽¹⁾	Beneficial owner	50,025,000	5.00%
King Pan Co., Ltd ⁽²⁾	Beneficial owner	122,142,000	12.21%
Jeffery Xu Co., Ltd ⁽³⁾	Beneficial owner	112,500,000	11.25%
Mr. Yu Dingxin ⁽¹⁾	Interest in controlled corporation	703,392,000	70.34%
Mr. Pan Wei ⁽²⁾	Interest in controlled corporation	703,392,000	70.34%
Mr. Xu Jiong ⁽³⁾	Interest in controlled corporation	703,392,000	70.34%

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 122,142,000 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 are therefore deemed to be interested in the interests of each other.

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than the Directors or chief executive 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 has adopted a share option scheme (the “**Share Option Scheme**”) dated 1 March 2019. Details of the Share Option Scheme are set out in Appendix V to the prospectus of the Company dated 18 June 2019 (the “**Prospectus**”). As at 30 June 2020, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the annual report of the Group for the year ended 31 December 2019 published by the Company on 28 April 2020 (the “**2019 Annual Report**”) and the supplemental announcement in relation to the 2019 Annual Report of the Company dated 5 August 2020 (the “**Announcement**”). Unless otherwise defined, terms used herein shall have the same meaning as defined in the 2019 Annual Report and the Announcement.

An analysis of the intended application of the Net Proceeds as stated in the 2019 Annual Report and the Announcement and the actual utilisation of the Net Proceeds up to 30 June 2020 is set out below:

Description	Intended use of Net Proceeds as disclosed in the 2019 Annual Report HK\$'000	Utilised Net Proceeds as at 30 June 2020 HK\$'000	Unutilised Net Proceeds as at 30 June 2020 HK\$'000	Expected timeline for unutilised Net Proceeds
(i) Enhancing the Group's product portfolio by developing new products and services	1,760	1,760	–	–
(ii) Purchasing tour buses and engaging third party tour bus operators	11,440	11,440	–	–
(iii) Acquiring hospitality asset in Kyoto, Japan	17,600	–	17,600	Before or around 30 June 2021 (Note)
(iv) Investing in a travel agency company in Tokyo, Japan	17,600	–	17,600	Before or around 30 June 2021 (Note)
(v) Engaging more personnel in Japan	13,200	13,200	–	–
(vi) General working capital	26,400	26,400	–	–
Total	88,000	52,800	35,200	

Note: The utilisation of the Net Proceeds allocated for acquiring hospitality asset in Kyoto, Japan and investing in a travel agency company in Tokyo, Japan has been delayed due to the outbreak of COVID-19 since January 2020 and the Group has been cautious about the liquidity, working capital and gearing level and has been putting in place prudent cash management measures, including but not limited to, putting on hold or scaling back the planned investments/projects, in particular, Japan-related investments/projects in light of the serious outbreak of the COVID-19 in Japan and the suspension of the Group's sales of outbound packaged tours and free and independent travellers products since 25 January 2020 pursuant to the notices issued by the PRC government authorities as disclosed in the voluntary announcement of the Company dated 7 February 2020.

As at the date of this report, the Net Proceeds were used and expected to be used according to the intentions as disclosed above.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposal during the Period Under Review.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 of 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 128 full time employees. The Group's employee benefits included salary and discretionary bonuses based on the Group's results and individual performance, medical and retirement benefits schemes. The remuneration committee of the Company (the "**Remuneration Committee**") reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

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.

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

The Group's gearing, expressed as a percentage of total interest-bearing borrowings to total equity maintained in a similar level during the Period Under Review (30 June 2020: 24.7%; 31 December 2019: 23.6%). 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.



OTHER INFORMATION

The trade receivables turnover days increased during the Period Under Review as the revenue of the Group decreased significantly and the overall settlement of trade receivable has been delayed as certain customers operated in low capacities or suspended operations resulted from outbreak of COVID-19 (30 June 2020: 200 days; 31 December 2019: 46 days).

The trade payables turnover days increased during the Period Under Review as the Group has tried to delay settlement in a possible and agreeable extent (30 June 2020: 60 days; 31 December 2019: 24).

PLEDGE OF ASSETS

As at 30 June 2020, short-term deposits of approximately RMB0.3 million (31 December 2019: approximately RMB1.7 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Government Report (the "**CG Code**"), including any revisions and amendments from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the six months ended 30 June 2020 and up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020 and up to the date of this report.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the Period Under Review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

CONTRACTUAL ARRANGEMENTS

The Group is primarily engaged in the provision of outbound travel products and services (the “**Outbound Travel Business**”) through 途益集團有限公司 (Tu Yi Group Company Limited), 杭州海之旅假日旅行社有限公司 (Hangzhou Haizhilv Holidays Travel Company Limited) and 杭州谷歌旅行社有限公司 (Hangzhou Guge Travel Company Limited) (collectively, the “**Operating Entities**”). 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, the Group’s Outbound Travel Business is prohibited from foreign ownership. Accordingly, the Group cannot acquire equity interest in our Operating Entities, which hold, or in the course of application for, Travel Agency Business License(旅行社業務經營許可證) with the scope to conduct outbound travel business for the operation of our Outbound Travel Business. As a result the Group conducts all its operations in the PRC and exerts management control over the operations of and enjoy the economic benefits derived from the Operating Entities through entering into the contractual arrangements (the “**Contractual Arrangements**”) with the Operating Entities. Please refer to the section headed “Contractual Arrangements” in the Prospectus for further details.

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.

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

The Company's interim report for the six months ended 30 June 2020 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.tuyigroup.com) in due course.